12 April 2016

Next Fifteen Communications Group plc

Final results for the year ended 31 January 2016

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its final results for the year ended 31 January 2016.

Headline financial results for the year to 31 January 2016

	Year ended 31 January 2016 (Audited)	Year ended 31 January 2015 (Unaudited)	Growth %
Revenue	£129.8m	£109.2m	18.9%
EBITDA	£19.2m	£14.6m	31.5%
Operating Profit	£16.5m	£12.7m	29.9%
Operating Profit Margin	12.7%	11.7%	
PBT	£16.1m	£12.5m	28.8%
Diluted EPS	16.9p	13.2p	28.0%
Dividend per share	4.2p	3.5p	20.0%
Net debt	£6.6m	£8.6m	

Headline results represent the performance for the 12 months to 31 January 2016 adjusted to exclude acquisition related costs, one-off and acquisition related share based payment charges, amortisation and certain other non-recurring items. These are reconciled to the statutory numbers in note 2, 3 and the appendices.

Highlights

- Revenues increased by 18.9%
- Group organic revenue growth of 7.8% with organic revenue growth of 14.1% in the US
- Improving trend saw organic revenue growth increase to 10.9% in H2
- Operating margin improves to 12.7% from 11.7%
- Headline diluted earnings per share increased by 28.0%
- Significant clients wins including Oculus, Moneysupermarket.com, and Etsy
- Encore, IncrediBull, and ODD acquired during the year and performing to management expectations

Commenting on the results, Chairman of Next 15, Richard Eyre said:

"These are good times for Next 15. Organically and through acquisition, we have built a strong portfolio of modern, technology-driven marketing businesses. Pursuit of the group's digital strategy has again delivered increased organic revenues and an expanded operating margin. The 17 different businesses that now make up Next 15 operate in major markets around the globe for many of the world's most important growth companies; they employ teams of people who we believe can rival any of the most progressive marketing organisations in the world. Taken with these results and encouraging current trading, your Board has confidence that the current financial year should also be a year of progress for the Group."

Statutory financial results for the year to 31 January 2016

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
Revenue	£129.8m	£158.5m
Retained Profit	£4.5m	£0.9m
Diluted EPS	5.6p	(0.2)p

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Headline results

In order to help shareholders' understanding of the underlying performance of the business, due to the prior statutory period being 18 months, the headline results have been presented based on the audited 12-month period to 31 January 2016 and unaudited 12-month period to 31 January 2015.

The headline results are reconciled to statutory results within note 2, 3 and the appendices of this report.

The term 'headline' is not a defined term in IFRS. The items that are excluded from headline results include acquisition related costs, one-off and acquisition related share based payment charges, amortisation and certain other non-recurring items.

Chairman and Chief Executive's Statement

In April 2014 the Group announced its intention to change its accounting reference date and financial year end from 31 July to 31 January. Accordingly, the statutory accounts cover the 12 months to 31 January 2016 and the comparative period is 18 months to 31 January 2015.

In order to better aid shareholders' understanding of the underlying performance of the business, we have focused our comments on the headline performance of the business for the 12 months to 31 January 2016 compared with the 12 months to 31 January 2015. The commentary refers to financial measures which have been adjusted to take account of amortisation, impairments, restructuring charges and certain other non-recurring items. A reconciliation between the 12 months to January 2015 and 18 months to January 2015 is included in the appendices on pages 18 to 21.

Review of Headline results to 31 January 2016

The last 12 months have been another period of significant progress across the Group. We have succeeded in growing the revenues at our US businesses at a double-digit organic rate whilst achieving an operating margin in excess of 20%. M Booth and Beyond US have had stellar performances whilst OutCast, Connections Media and Blueshirt have continued to deliver strong performances.

In addition we have implemented a series of operational improvements which have resulted in an increase in the operating margins of our non-US operations. We have improved the efficiency of a number of our UK businesses whilst acquiring high-growth, high-margin agencies in Morar, Encore and ODD. Since the year end we have also acquired two technology-focused digital agencies in Publitek and Twogether.

We have also benefitted from the merger of our agencies in APAC and EMEA where trading improved as the year progressed in both markets.

In total for the 12 months to January 2016, the Group delivered headline revenue of £129.8m, headline operating profit of £16.5m, headline profit before income tax of £16.1m and headline diluted earnings per share of 16.9p. This compares with headline revenue of £109.2m, headline operating profit of £12.7m, headline profit before income tax of £12.5m and headline diluted earnings per share of 13.2p for the 12 months to 31 January 2015.

Regional Headline Performance

Our US businesses have continued to perform strongly led by our Beyond, Outcast, M Booth, Connections Media and Blueshirt agencies. In the year to 31 January 2016 revenues grew by 30% to £83.5m from £64.0m which equated to an organic growth rate of 14% taking account of movements in exchange rates and acquisitions over the last two years. Margins have remained consistently strong at above 20% but were impacted marginally by the acquisition of Story Worldwide, which had a disappointing performance. We incurred £0.5m in restructuring the business to align the cost base with the anticipated revenue and we are expecting an improved operating performance in the current financial year. The headline operating profit from our US businesses was £17.5m compared with £14.1m in the previous 12 months to 31 January 2015.

The UK businesses have shown a much-improved performance with revenue increasing by 17% to £27.9m from £23.8m in the prior period. Headline operating profit increased to £3.8m from £2.5m in the prior year with the headline operating margin increasing to 13.6% from 10.6% in the prior period. Lexis and Bite UK have continued to improve their operational performance, whilst we merged our agencies Text 100, Republic and IncrediBull under the Text 100 brand with effect from 1 February 2016, which will lead to a broader product offering and operational efficiencies going forward. We merged our two research agencies under the Morar brand during the year and this has led to an improved performance in the second half. Finally, in addition to our acquisition of Encore, which continues to trade at high margins and with strong growth rates, and IncrediBull, as discussed above, we acquired ODD, the fashion and lifestyle creative agency, in December 2015 and it has made an encouraging start.

We continued to focus our efforts in EMEA on markets of potential scale and therefore decided to exit both South Africa and Denmark and reduced the cost base in other markets in line with their operational performance. In so doing, we incurred an exceptional restructuring cost of £0.9m whilst delivering a much-improved underlying trading performance in EMEA in the second half and expect this to continue into the current financial year.

APAC produced an encouraging performance as we benefitted from the restructuring we undertook last year. The operating margin improved to 11.5% from 8% in the prior period and we see scope for further improvement in operating margin in the current financial year.

Investment activity

We completed two fundraisings during the year, which raised a net £12.1m for acquisitions and investments in the business. Over the year we invested £13.4m in acquisition related payments of which £5.2m fell in the second half.

Balance Sheet and Net Debt

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2016 of £6.6m (2015: £8.6m).

On 8 March 2016 the Group entered into a new extended four-year £30m revolving credit facility with HSBC. The facility is primarily used for acquisitions and is due to be repaid out of the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin ranging from 1.60% to 2.0% dependent upon the level of gearing in the business. The Group also has a US facility of $6m, which is available for property rental guarantees and US-based working capital needs.

As part of the facility Next 15 is required to comply with a number of covenants, including maintaining the multiple of net bank debt before earn-out obligations to adjusted EBITDA below 1.75x and the level of net bank debt including earn-out obligations to adjusted EBITDA below 2.5x. Next 15 has ensured that it has complied with all of its covenant obligations with significant headroom.

Current trading and Outlook

Looking ahead, the Group has made a good start to the new financial year with trading patterns continuing as in the second half of our last fiscal year. The Group has made two further acquisitions in the UK of Publitek, a specialist content agency and Twogether, a technology-focused digital agency. As a result, the Board is recommending the payment of a final dividend for the 12 months to 31 January 2016 of 3p per share, which would represent a total dividend of 4.2p for the year to 31 January 2016 which reflects an increase on 20% on the pro-forma dividend in the prior year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

HEADLINE RESULTS: INCOME STATEMENT

	Year Ended 31 January 2016 £'000 (Audited)	Year Ended 31 January 2015 £'000 (Unaudited)
Revenue	**129,757**	109,194
Total operating charges	**(110,581)**	(94,585)
EBITDA	**19,176**	14,609
Depreciation and Amortisation	**(2,657)**	(1,883)
Operating profit	**16,519**	12,726
Net finance expense	**(422)**	(459)
Share of (loss) / profit of associate	**(5)**	268
Profit before income tax	**16,092**	12,535
Tax	**(3,540)**	(2,998)
Retained profit	**12,552**	9,537
Profit Attributable to Owners	**12,082**	8,948
Profit Attributable to Minorities	**470**	589

Weighted average number of ordinary shares	**66,298,503**	60,949,534
Dilutive weighted average number of ordinary shares	**71,637,907**	67,633,298

Adjusted earnings per share	**18.2p**	14.7p
Diluted adjusted earnings per share	**16.9p**	13.2p

HEADLINE RESULTS: CASH FLOW

	Year Ended 31 January 2016 £'000 (Audited)	Year Ended 31 January 2015 £'000 (Unaudited)
Cash and cash equivalents at beginning of the year	**9,315**	6,217
Net cash inflow from operating activities	**16,288**	17,960
Income taxes paid	**(2,954)**	(2,316)
Net cash outflow from investing activities	**(20,158)**	(14,842)
Net cash inflow from financing activities	**11,459**	2,041
Exchange gains on cash held	**182**	255
Cash and cash equivalents at end of the year	**14,132**	9,315

HEADLINE RESULTS: SEGMENTAL

	UK £'000	**Europe & Africa £'000**	**US £'000**	**Asia Pacific £'000**	**Head Office £'000**	**Total £'000**
Year ended 31 January 2016 (Audited)						
Revenue	**27,885**	**6,426**	**83,456**	**11,990**	**-**	**129,757**
Operating profit / (loss)	**3,805**	**452**	**17,492**	**1,380**	**(6,610)**	**16,519**
Operating profit margin	**13.6%**	**7.0%**	**21.0%**	**11.5%**		**12.7%**
Year ended 31 January 2015 (Unaudited)						
Revenue	23,754	8,970	63,966	12,504	-	109,194
Operating profit / (loss)	2,526	822	14,074	998	(5,694)	12,726
Operating profit margin	10.6%	9.2%	22.0%	8.0%		11.7%

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

	Note	Year ended 31 January 2016 (Audited) £'000	Eighteen months ended 31 January 2015 (Audited) £'000
Billings		151,658	185,900
Revenue	2	129,757	158,495
Staff costs		92,721	110,626
Depreciation		2,348	2,332
Amortisation		3,796	2,812
Impairment		-	7,000
Credits associated with misappropriation of assets		-	(65)
Other operating charges		22,463	32,149
Total operating charges		(121,328)	(154,854)
Operating profit	2	**8,429**	**3,641**
Finance expense	6	(4,905)	(4,699)
Finance income	7	2,059	1,129
Share of (loss) / profit of associate		(5)	334
Profit before income tax	3	**5,578**	**405**
Income tax (expense) / credit	4	(1,116)	516
Profit for the period		**4,462**	**921**
Attributable to:			
Owners of the parent		3,992	(107)
Non-controlling interests		470	1,028
		4,462	**921**
Earnings / (loss) per share			
Basic (pence)	8	6.0p	(0.2)p
Diluted (pence)	8	5.6p	(0.2)p

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

	Year ended 31 January 2016 (Audited) £'000	Eighteen months ended 31 January 2015 (Audited) £'000
Profit for the period	**4,462**	**921**
Other comprehensive income / (expense):		
Items that may be reclassified into profit or loss		
Exchange differences on translating foreign operations	1,585	418
Translation differences on long-term intercompany loans	-	(77)
Loss on net investment hedge	(662)	(104)
	923	237
Amounts reclassified and reported in the Income Statement		
Profit / (loss) on net investment hedge	4	(44)
Other Comprehensive income for the period	927	193
Total comprehensive income for the period	**5,389**	**1,114**
Attributable to:		
Owners of the parent	4,919	86
Non-controlling interests	470	1,028
	5,389	**1,114**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2016 AND 2015

	Note	31 January 2016 (Audited) £'000	31 January 2015 (Audited) £'000
Assets			
Property, plant and equipment		9,988	5,451
Intangible assets		53,555	44,915
Investment in equity accounted associate		465	294
Trade investment		235	211
Deferred tax asset		6,485	6,012
Other receivables		702	575
Total non-current assets		71,430	57,458
Trade and other receivables		40,924	31,254
Cash and cash equivalents	9	14,132	9,315
Corporation tax asset		1,097	788
Total current assets		56,153	41,357
Total assets		**127,583**	**98,815**
Liabilities			
Loans and borrowings	9	20,683	17,712
Deferred tax liabilities		-	177
Other payables		5,739	2,295
Provisions		450	642
Contingent consideration	10	5,701	3,333
Share purchase obligation	10	2,225	4,990
Total non-current liabilities		(34,798)	(29,149)
Loans and borrowings	9	-	100
Trade and other payables		34,088	25,909
Provisions		989	926
Corporation tax liability		765	742
Deferred consideration	10	-	94
Share purchase obligation	10	1,509	852
Contingent consideration	10	2,643	3,841
Total current liabilities		(39,994)	(32,464)
Total liabilities		**(74,792)**	**(61,613)**
TOTAL NET ASSETS		**52,791**	**37,202**
Equity			
Share capital		1,763	1,545
Share premium reserve		21,523	8,272
Merger reserve		3,075	3,075
Share purchase reserve		(2,673)	(2,673)
Foreign currency translation reserve		5,110	3,525
Other reserves		(1,168)	(510)
Retained earnings		24,418	24,741
Total equity attributable to owners of the parent		52,048	37,975
Non-controlling interests		743	(773)
TOTAL EQUITY		**52,791**	**37,202**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

	Share capital	Share premium reserve	Merger reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves[1]	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2013 (audited)	**1,494**	**7,557**	**3,075**	**(2,673)**	**3,184**	**(583)**	**23,954**	**36,008**	**2,185**	**38,193**
(Loss) / profit for the period	-	-	-	-	-	-	(107)	**(107)**	1,028	**921**
Other comprehensive income for the period	-	-	-	-	341	(148)	-	**193**	-	**193**
Total comprehensive income / (expense) for the period	-	-	-	-	341	(148)	(107)	**86**	1,028	**1,114**
Shares issued on satisfaction of vested share options	35	82	-	-	-	-	-	**117**	-	**117**
Shares issued on acquisitions	16	633	-	-	-	-	-	**649**	-	**649**
Movement due to ESOP share purchases	-	-	-	-	-	(35)	-	**(35)**	-	**(35)**
Movement due to ESOP share exercises	-	-	-	-	-	256	-	**256**	-	**256**
Movement in relation to share-based payments	-	-	-	-	-	-	580	**580**	-	**580**
Deferred tax on share based payments	-	-	-	-	-	-	208	**208**	-	**208**
Share-based payment charge for disposal of equity in a subsidiary to employees	-	-	-	-	-	-	684	**684**	-	**684**
Share options issued on acquisition of subsidiary	-	-	-	-	-	-	1,222	**1,222**	-	**1,222**
Movement on reserves for non-controlling interests	-	-	-	-	-	-	1,206	**1,206**	(1,206)	-
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	(1,896)	**(1,896)**
Dividends to owners of the parent	-	-	-	-	-	-	(3,006)	**(3,006)**	-	**(3,006)**
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(884)	**(884)**
At 31 January 2015 (audited)	**1,545**	**8,272**	**3,075**	**(2,673)**	**3,525**	**(510)**	**24,741**	**37,975**	**(773)**	**37,202**
Profit for the year	-	-	-	-	-	-	3,992	**3,992**	470	**4,462**
Other comprehensive income / (expense) for the year	-	-	-	-	1,585	(658)	-	**927**	-	**927**
Total comprehensive income / (expense) for the year	-	-	-	-	1,585	(658)	3,992	**4,919**	470	**5,389**
Shares issued on satisfaction of vested share options	38	-	-	-	-	-	-	**38**	-	**38**
Shares issued on acquisitions	19	1,331	-	-	-	-	-	**1,350**	-	**1,350**
Shares issued on placing	161	11,920	-	-	-	-	-	**12,081**	-	**12,081**
Movement in relation to share-based payments	-	-	-	-	-	-	1,274	**1,274**	-	**1,274**
Deferred tax on share-based payments	-	-	-	-	-	-	239	**239**	-	**239**
Dividends to owners of the parent	-	-	-	-	-	-	(2,441)	**(2,441)**	-	**(2,441)**
Movement due to ESOP share purchases	-	-	-	-	-	(38)	-	**(38)**	-	**(38)**
Movement due to ESOP share option exercise	-	-	-	-	-	38	-	**38**	-	**38**
Movement on reserves for non-controlling interests	-	-	-	-	-	-	(3,494)	**(3,494)**	3,494	-
Share options issued on acquisition of subsidiary							107	**107**	-	**107**
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	(1,888)	**(1,888)**
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(560)	**(560)**
At 31 January 2016 (audited)	**1,763**	**21,523**	**3,075**	**(2,673)**	**5,110**	**(1,168)**	**24,418**	**52,048**	**743**	**52,791**

[1] Other reserves include ESOP reserve and hedging reserve.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Cash flows from operating activities		
Profit for the period	4,462	921
Adjustments for:		
Depreciation	2,348	2,332
Amortisation	3,796	2,812
Impairment	-	7,000
Finance expense	4,905	4,699
Finance income	(2,059)	(1,129)
Share of loss / (profit) from equity accounted associate	5	(285)
Loss on sale of property, plant and equipment	156	73
Income tax expense / (credit)	1,116	(516)
Share-based payment charge	1,393	2,486
Net cash inflow from operating activities before changes in working capital	**16,122**	**18,393**
Change in trade and other receivables	(6,740)	(1,705)
Change in trade and other payables	6,447	2,234
Change in provision	459	285
	166	814
Net cash generated from operations	**16,288**	**19,207**
Income taxes paid	(2,954)	(3,031)
Net cash inflow from operating activities	**13,334**	**16,176**
Cash flows from investing activities		
Acquisition of subsidiaries and trade and assets, net of cash acquired	(4,190)	(5,597)
Payment of contingent and deferred consideration	(9,160)	(8,217)
Acquisition of property, plant and equipment	(6,411)	(3,712)
Proceeds on disposal of property, plant and equipment	7	24
Acquisition of intangible assets	(562)	(691)
Net movement in long-term cash deposits	109	230
Interest received	49	62
Net cash outflow from investing activities	**(20,158)**	**(17,901)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

	Year ended 31 January 2016 (Audited) £'000	Eighteen months ended 31 January 2015 (Audited) £'000
Cash flows from financing activities		
Proceeds from sale of own shares	12,540	90
Issue costs on issue of ordinary shares	(457)	(5)
Purchase of own shares	-	(34)
Capital element of finance lease rental repayment	(23)	(103)
Increase in bank borrowings and overdrafts	6,661	16,698
Repayment of bank borrowings and overdrafts	(3,790)	(8,608)
Interest paid	(471)	(743)
Non-controlling interest dividend paid	(560)	(884)
Dividends paid to shareholders of the parent	(2,441)	(3,006)
Net cash inflow from financing activities	**11,459**	**3,405**
Net increase in cash and cash equivalents	**4,635**	**1,680**
Cash and cash equivalents at beginning of the period	9,315	8,064
Exchange gains / (losses) on cash held	182	(429)
Cash and cash equivalents at end of the period	**14,132**	**9,315**

NOTES TO THE RESULTS

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the period ending 31 January 2016. The comparative financial information for the period ended 31 January 2015 has been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain acquisition related costs and goodwill impairment charges. Other information provided to them is measured in a manner consistent with that in the financial statements. Head office costs relate to group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	UK	**Europe and Africa**	**US**	**Asia Pacific**	**Head Office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Year ended 31 January 2016 (Audited)						
Revenue	**27,885**	**6,426**	**83,456**	**11,990**	**-**	**129,757**
Adjusted operating profit / (loss)	**3,805**	**452**	**17,492**	**1,380**	**(6,610)**	**16,519**
Eighteen months ended 31 January 2015 (Audited)						
Revenue	33,460	13,778	92,358	18,899	-	158,495
Adjusted operating profit / (loss)	3,299	584	21,018	1,208	(8,150)	17,959

A reconciliation of segment adjusted operating profit to statutory operating profit is provided as follows:

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Segment adjusted operating profit	**16,519**	**17,959**
Amortisation of acquired intangibles	(3,487)	(2,375)
Impairment of goodwill	-	(7,000)
Charge associated with prior period restructure	-	(2,001)
Share based payment charge (note 3)	(1,549)	(1,906)
Charge associated with office moves	(1,354)	(1,036)
Current period restructure (note 3)	(1,492)	-
Deal costs (note 3)	(208)	-
Total operating profit	**8,429**	**3,641**

3) RECONCILIATION OF PRO-FORMA FINANCIAL MEASURES

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Profit before income tax	5,578	405
Movement in fair value of interest rate cap-and-collar contract	-	(206)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,512	2,452
Change in estimate of future contingent consideration and share purchase obligation payable	912	643
Share-based payment charge[1]	1,549	1,906
Charge associated with prior period restructure	-	2,001
Charge associated with current period restructure	1,492	-
Charge associated with office moves	1,354	1,036
Deal costs[2]	208	-
Amortisation of acquired intangibles	3,487	2,375
Impairment of goodwill	-	7,000
Adjusted profit before income tax	16,092	17,612

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and it is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered to best represent the underlying performance of the business and so it is used for the vesting of employee performance shares.

[1] This charge relates to the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration, a transaction whereby a restricted grant of Brand equity was given to key management in Bite Communications Limited, Bite Communications LLC and The OutCast Agency LLC (2015: Story Worldwide, MBooth and Bite NA) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement. It also includes charges associated with equity transactions accounted for as share based payments.

[2] This charge relates to 3rd party professional fees incurred during acquisitions and restructures, note 11.

4) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2016 is £3,540k (2015: £4,378k), equating to an effective tax rate of 22% (2015: £25%). The Group's effective tax rate has reduced due to a higher proportion of profit coming from lower tax regimes such as the UK, the reduction in the rate of corporation tax in the UK to 20% and the successful resolution of a number of historic tax queries. The Group's corporation tax rate is expected to remain higher than the standard UK rate for the foreseeable future due to the higher rate of tax the Group suffers on its overseas profits.

5) DIVIDENDS

A final dividend of 3p (2015: 2.5p) per ordinary share will be paid on 05 August 2016 to shareholders listed on the register of members on 01 July 2016. Shares will go ex-dividend on 30 June 2016.

NOTES TO THE RESULTS *(Continued)*

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

6) FINANCE EXPENSE

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Financial liabilities at amortised cost		
Bank interest payable	445	720
Financial liabilities at fair value through profit and loss		
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,512	2,452
Change in estimate of future contingent consideration and share purchase obligation payable	2,922	1,504
Other		
Finance lease interest	8	5
Other interest payable	18	18
Finance expense	4,905	4,699

7) FINANCE INCOME

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Financial assets at amortised cost		
Bank interest receivable	42	46
Financial assets at fair value through profit and loss		
Movement in fair value of interest rate cap-and-collar contract	-	206
Change in estimate of future contingent consideration and share purchase obligation payable	2,010	861
Other interest receivable	7	16
Finance income	2,059	1,129

NOTES TO THE RESULTS *(Continued)*

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

8) EARNINGS PER SHARE

	Year ended 31 January 2016 (Audited)	Eighteen months ended 31 January 2015 (Audited)
	£'000	£'000
Earnings attributable to ordinary shareholders	3,992	(107)
Movement in fair value of interest rate cap-and-collar contract after tax	-	(165)
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable after tax	1,312	730
Change in estimate of future contingent consideration and share purchase obligation payable after tax	912	(397)
Share based payment charge	1,237	1,175
Costs associated with prior period restructure	-	1,918
Costs associated with current period restructure	995	-
Costs associated with office moves	863	622
Amortisation of acquired intangibles	2,563	1,433
Deal costs	208	-
Impairment of intangibles	-	7,000
Adjusted earnings attributable to ordinary shareholders	12,082	12,209
	Number	**Number**
Weighted average number of ordinary shares	66,298,503	60,825,828
Dilutive LTIP shares	2,904,335	4,868,493
Dilutive Growth Deal shares	1,689,729	1,126,939
Other potentially issuable shares	745,340	570,657
Diluted weighted average number of ordinary shares	71,637,907	67,391,917
Basic earnings / (loss) per share	6.0p	(0.2)p
Diluted earnings / (loss) per share	5.6p	(0.2)p
Adjusted earnings per share	18.2p	20.1p
Diluted adjusted earnings per share	16.9p	18.1p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares. The only difference between the adjusting items in this note and the figures in note 3 is the tax effect of those adjusting items.

NOTES TO THE RESULTS *(Continued)*

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

9) NET DEBT

The HSBC Bank revolving credit facility expires in 2020 and therefore the outstanding balance has been classified in non-current borrowings.

	31 January 2016 (Audited)	31 January 2015 (Audited)
	£'000	£'000
Total loans and borrowings	20,683	17,812
Obligations under finance leases	72	70
Less: cash and cash equivalents	(14,132)	(9,315)
Net debt	6,623	8,567
Share purchase obligation	3,734	5,842
Contingent consideration	8,344	7,174
Deferred consideration	-	94
	18,701	21,677

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration	Contingent consideration	Share purchase obligation
	£'000	£'000	£'000
At 31 July 2013 (Audited)	1,319	6,152	3,546
Reclassification	1,241	(1,241)	-
Arising during the period	-	4,562	3,439
Changes in assumptions	-	1,253	(610)
Exchange differences	(65)	(37)	(88)
Utilised	(2,642)	(4,747)	(1,424)
Unwinding of discount	241	1,232	979
At 31 January 2015 (Audited)	94	7,174	5,842
Arising during the year	-	4,092	916
Exchange differences	-	223	93
Utilised	(95)	(4,519)	(4,166)
Unwinding of discount	1	935	576
Change in estimate	-	439	473
At 31 January 2016 (Audited)	**-**	**8,344**	**3,734**
Current	-	2,643	1,509
Non-current	-	5,701	2,225

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

IncrediBull

On 2 July 2015 Next 15 acquired the entire issued share capital of IncrediBull World Limited ("IncrediBull"), a brand marketing consultancy based in London. Initial consideration consisted of cash on completion of £1.3m and an additional £0.3m satisfied in Next 15 shares. Further consideration has been paid post yearend based on the profit of IncrediBull for the year to 31 December 2015.

Republic

Further to the acquisition of the 51% interest in Republic on 21 January 2014, on 2 April 2015, Next 15 purchased the remaining minority interest in Republic for an aggregate consideration of £3m. The consideration comprises £1.8m in cash, 0.3m shares in Next 15 and a deferred payment of £0.7m which is due to be settled in 2016.

FOR THE TWELVE MONTH PERIOD ENDED 31 JANUARY 2016 AND EIGHTEEN MONTH PERIOD ENDED 31 JANUARY 2015

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS (cont.)

Beyond
On 2 April 2015, Next 15 acquired the remaining 32.8% minority interests in Beyond Corporation Limited and Beyond International Corporation "Beyond", its digital experience design agency, for an aggregate consideration of £2.4m. The consideration comprises £2m in cash with the balance being satisfied in Next 15 shares.

Encore
On 27 April 2015, Next 15 purchased 75% of the issued share capital of Encore Digital Media Limited, a programmatic advertising technology business, for initial cash consideration of £0.7m, with a right to purchase the remaining shares over a five year period.

Animl
On 11 March 2015, Next 15 purchased 30% of the issued share capital of Animl Limited, a two-year old creative business, for £0.1m. It was founded to deliver "a newer, better response to conventional marketing spend" by fusing great storytelling and digital innovation and will work closely alongside The Lexis Agency Ltd, Bite DA and N15's recent acquisition, Morar Consulting. There is a put and call option to buy the remaining 70% over the next five years.

Placing
On 29 January 2015 the Group announced its intention to place 3,089,862 new ordinary shares of 2.5p each in the capital of the Company at a price of 145p per Placing Share. On 29 January 2015 the Group further announced the successful placing of the new capital by Investec Bank plc. On 10 December 2015 the Group announced its intention to place a further 3,358,366 new ordinary shares of 2.5p each in the capital of the Company at a price of 240p per Placing Share. On 10 December 2015 the Group further announced the successful placing of the new capital by Investec Bank plc. The Placing Shares rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue

ODD
On the 10 December 2015, Next 15 purchased the entire issued share capital of ODD Communications Limited, a London-based digital agency that specialises in consumer-facing communications for fashion and lifestyle brands. The initial consideration was £3.74m which was settled in cash. Deferred consideration may be payable over the course of the next six years subject to the achievement of certain revenue and profit performance targets.

12) EVENTS AFTER THE BALANCE SHEET DATE

Morar
On 26 February 2016, Next 15 acquired the remaining 25% minority interests in Morar Consulting Limited, its research and advisory agency, and settled in full the remaining obligation for the original purchase of 75% of the issued share capital made on 3 December 2014. The aggregate consideration for the minority interest and remaining obligation was £3.55m.

HSBC Facility
On 8 March 2016 the Group entered into a new extended four-year £30m revolving credit facility with HSBC. The facility is primarily used for acquisitions and is due to be repaid out of the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin ranging from 1.60% to 2.0% dependent upon the level of gearing in the business.

Publitek
On 11 March 2016, Next 15 purchased the entire issued share capital of Publitek Limited, a specialist technical content marketing business that services customers in the global semiconductor and electronic component market, for initial cash consideration of £6.2m. Further consideration may become payable based on the average profits of Publitek for the years ending 31 January 2018, 2019, 2020 and 2021.

Twogether
On 31 March 2016, Next 15 purchased the entire issued share capital of Twogether Creative Limited, a B2B creative and digital marketing agency with a focus on technology clients, for initial consideration of £6.6m. Further consideration may become payable based on the average profits of Twogether for the years ending 31 January 2018, 2019, 2020 and 2021.

Appendix 1: Results for the 12 months to 31 January 2016 and 2015

1.1 Consolidated income statement

	12 Months Ended 31 January 2016 (Audited) £'000	12 Months Ended 31 January 2015 (Unaudited) £'000
Billings	**151,658**	126,159
Revenue	**129,757**	109,194
Adjusted total operating charges	**(110,581)**	(94,585)
Adjusted EBITDA	**19,176**	14,609
Depreciation and Amortisation	**(2,657)**	(1,883)
Adjusted operating profit	**16,519**	12,726
Adjusted net finance expense	**(422)**	(459)
Share of (losses)/profits of associate	**(5)**	268
Adjusted profit before income tax	**16,092**	12,535
Tax on Adjusted Profit	**(3,540)**	(2,998)
Adjusted Retained Profit	**12,552**	9,537
Profit Attributable to Owners	**12,082**	8,948
Profit Attributable to Minorities	**470**	589
Weighted average number of ordinary shares	**66,298,503**	60,949,534
Dilutive weighted average number of ordinary shares	**71,637,907**	67,633,298
Adjusted earnings per share	**18.2**	14.7
Diluted adjusted earnings per share	**16.9**	13.2
Revenue	**129,757**	109,194
Operating costs	**(115,184)**	(106,179)
EBITDA	**14,573**	3,015
Depreciation and Amortisation	**(6,144)**	(3,570)
Operating profit / (loss)	**8,429**	(555)
Net finance expenses	**(2,846)**	(2,577)
Share of (losses) / profits of associate	**(5)**	268
Profit / (loss) before income tax	**5,578**	(2,864)
Taxation	**(1,116)**	1,486
Retained profit / (loss)	**4,462**	(1,378)
Profit / (loss) attributable to owners	**3,992**	(1,967)
Profit attributable to minorities	**470**	589
Basic earnings / (loss) (pence)	**6.0**	(3.2)
Diluted earnings / (loss) (pence)	**5.6**	(2.9)

Appendix 1 (cont.): Results for the 12 months to 31 January 2016 and 2015

1.2: Consolidated statement of cash flow

	12 Months Ended 31 January 2016 £'000	12 Months Ended 31 January 2015 £'000
Cash and cash equivalents at beginning of the year	**9,315**	6,217
Net cash from operations	**16,288**	17,960
Income taxes paid	**(2,954)**	(2,316)
Net cash outflow from investing activities	**(20,158)**	(14,842)
Net cash inflow from financing activities	**11,459**	2,041
Exchange gains on cash held	**182**	255
Cash and cash equivalents at end of the year	**14,132**	9,315

1.3: Segment information

	UK £'000	**Europe & Africa £'000**	**US £'000**	**Asia Pacific £'000**	**Head Office £'000**	**Total £'000**
12 months ended 31 January 2016						
Revenue	**27,885**	**6,426**	**83,456**	**11,990**	**-**	**129,757**
Adjusted operating profit / (loss)	**3,805**	**452**	**17,492**	**1,380**	**(6,610)**	**16,519**
12 months ended 31 January 2015						
Revenue	23,754	8,970	63,966	12,504	-	109,194
Adjusted operating profit / (loss)	2,526	822	14,074	998	(5,694)	12,726

1.4: Reconciliation of adjusted items

	12 Months Ended 31 January 2016 £'000	12 Months Ended 31 January 2015 £'000
Profit / (loss) before income tax	**5,578**	(2,864)
Movement in fair value of interest rate cap-and-collar contract	**-**	(135)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	**1,512**	1,911
Income from recovery and sale of misappropriated assets	**-**	(53)
Change in estimate of future contingent consideration and share purchase obligation payable	**912**	342
Share-based payment charge	**1,549**	1,852
Charge associated with current period restructure	**1,492**	1,758
Charge associated with office moves	**1,354**	1,036
Amortisation of acquired intangibles	**3,487**	1,688
Impairment of goodwill	**-**	7,000
Deal costs	**208**	-
Adjusted profit before income tax	**16,092**	12,535

Appendix 2: Results for the 12 month period to 31 January 2015 and 31 January 2014 (Unaudited)

2.1 Consolidated income statement

	18 Months Ended 31 January 2015 £'000 (Audited)	**12 Months Ended 31 January 2015 £'000 (Unaudited)**	6 Months Ended 31 January 2014 £'000 (Unaudited)
Billings	**185,900**	126,159	59,741
Revenue	**158,495**	109,194	49,301
Adjusted total operating charges	**(137,767)**	(94,585)	(43,182)
Adjusted EBITDA	**20,728**	14,609	6,119
Depreciation and amortisation	**(2,769)**	(1,883)	(886)
Adjusted operating profit	**17,959**	12,726	5,233
Adjusted net finance expense	**(681)**	(459)	(222)
Share of profits of associate	**334**	268	66
Adjusted profit before income tax	**17,612**	12,535	5,077
Tax on adjusted profit	**(4,377)**	(2,998)	(1,379)
Adjusted retained profit	**13,235**	9,537	3,698
Profit attributable to owners	**12,207**	8,948	3,259
Profit attributable to minorities	**1,028**	589	439
Revenue	**158,495**	109,194	49,301
Operating costs	**(149,711)**	(106,179)	(43,532)
EBITDA	**8,784**	3,015	5,769
Depreciation and amortisation	**(5,143)**	(3,570)	(1,573)
Operating profit / (loss)	**3,641**	(555)	4,196
Net finance expenses	**(3,570)**	(2,577)	(993)
Share of profits of associate	**334**	268	66
Profit / (loss) before income tax	**405**	(2,864)	3,269
Taxation	**516**	1,486	(970)
Retained profit / (loss)	**921**	(1,378)	2,299
(Loss) / profit attributable to owners	**(107)**	(1,967)	1,860
Profit attributable to minorities	**1,028**	589	439

2.2: Consolidated statement of cash flow

	18 Months Ended 31 January 2015 £'000 (Audited)	12 Months Ended 31 January 2015 £'000 (Unaudited)	6 Months Ended 31 January 2014 £'000 (Unaudited)
Net cash from operating activities	**16,176**	15,644	532
Net cash outflow from investing activities	**(17,901)**	(14,842)	(3,059)
Net cash inflow from financing activities	**3,405**	2,041	1,364
Cash and cash equivalents at beginning of the year	**8,064**	6,217	8,064
Exchange (losses) / gains on cash held	**(429)**	255	(684)
Cash and cash equivalents at end of the year	**9,315**	9,315	6,217

Appendix 2: Results for the 12 month period to 31 January 2015 and 31 January 2014 (Unaudited)

2.3: Segment information

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
18 Months ended 31 January 2015 (Audited)						
Revenue	**33,460**	**13,778**	**92,358**	**18,899**	**-**	**158,495**
Adjusted operating profit / (loss)	**3,299**	**584**	**21,016**	**1,208**	**(8,148)**	**17,959**
12 months ended 31 January 2015 (Unaudited)						
Revenue	23,754	8,970	63,966	12,504	-	109,194
Adjusted operating profit / (loss)	2,526	822	14,074	998	(5,694)	12,726
6 months ended 31 January 2014 (Unaudited)						
Revenue	9,706	4,808	28,392	6,395	-	49,301
Adjusted operating profit / (loss)	773	(238)	6,942	210	(2,454)	5,233

2.4: Reconciliation of adjusted items

	18 Months Ended 31 January 2015 £'000 (Audited)	12 Months Ended 31 January 2015 £'000 (Unaudited)	6 Months Ended 31 January 2014 £'000 (Unaudited)
Profit / (loss) before income tax	**405**	(2,864)	3,269
Movement in fair value of interest rate cap-and-collar contract	**(206)**	(135)	(71)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	**2,452**	1,911	541
Charges associated with misappropriation of assets	**-**	-	-
Income from recovery and sale of misappropriated assets	**(65)**	(53)	(12)
Cost associated with investigation and response to fraudulent activity	**-**	-	-
Change in estimate of future contingent consideration and share purchase obligation payable	**643**	342	301
Charges associated with equity transactions accounted for as share based payments	**1,222**	1,168	54
Share-based payment charge for disposal of equity in a subsidiary to employees	**684**	684	-
Charge associated with current period restructure	**2,066**	1,758	308
Restructuring and reorganisation costs associated with integrated digital transitions within brands	**-**	-	-
Charge associated with office moves in San Francisco	**1,036**	1,036	-
Amortisation of acquired intangibles	**2,375**	1,688	687
Impairment of goodwill	**7,000**	7,000	-
Adjusted profit before income tax	**17,612**	12,535	5,077