

Next Fifteen Communications Group plc

Preliminary results for the year ended 31 July 2011 (unaudited)

Next Fifteen Communications Group plc ('Next Fifteen' or 'the Group'), the worldwide digital communications group, today announces its results for the year ended 31 July 2011.

Financial highlights:

- Revenues increased by 19% to £86.0m (2010: £72.3m)
- Profit before tax increased by 42% to £7.5m (2010: £5.3m)
- Adjusted profit before tax increased by 27% to £8.4m (2010: £6.6m) (see note 3)
- Basic earnings per share increased by 35% to 9.10p (2010: 6.75p) (see note 8)
- Diluted adjusted earnings per share increased by 16% to 8.74p (2010: 7.53p)
- EBITDA increased to £10.7m from £8.4m in the comparative period
- Final dividend of 1.535p per share (2010: 1.375p), raising the total dividend by 11% to 2.05p (2010: 1.85p)
- Net debt of £1.6m (2010: £0.9m) (see note 9) following £6.1m (2010: £5.1m) of acquisition related payments in the year

Corporate progress:

- Acquired 85% of Blueshirt Group LLC, an investor and media relations company based in San Francisco serving the technology sector
- Acquired 80% of CMG Worldwide Limited, a digital agency trading as 'Bourne' within the UK and US markets
- Beyond acquired 100% of UK based Type 3 Limited and US based Type 3 LTD, two digital consultancies which have been integrated into Beyond, a digital consultancy in which the Group have a 51% interest
- Acquired the trade and assets of two digital businesses operating in the APAC region to enhance the Bite Asia service offering
- Won new retained clients including GE, Nokia, Disney Consumer Products, Broadcom, Open Table, Zynga, Informatica, Solazyme, Lytro

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

"Next Fifteen Communications Group plc ("Next 15" or "the Group"), a worldwide digital communications group, has had a memorable year. The Group has achieved record revenues and profits underpinned by its early transition to digital services in its PR businesses. Digital is giving the group access to new revenue streams and helping to deliver strong growth in North America and Asia. During the year Next 15 further expanded its digital offering and strengthened its corporate business, through targeted acquisitions. Against a backdrop of geopolitical turmoil Next 15 has delivered strong top and bottom line growth, with a balance sheet that is both robust and sustainable."

Next Fifteen Communications Group plc

Preliminary results for the year ended 31 July 2011 (unaudited) continued

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Attached:

Chairman and Chief Executive's statement (unaudited)

Consolidated income statement (unaudited)

Consolidated statement of comprehensive income (unaudited)

Consolidated balance sheet (unaudited)

Consolidated statement of changes in equity (unaudited)

Consolidated statement of cash flow (unaudited)

Notes to the unaudited preliminary announcement

Chairman and Chief Executive's statement

for the year ended 31 July 2011

Chairman's Statement

Next Fifteen Communications Group plc ("Next 15" or "the Group"), a worldwide digital communications group, has had a memorable year. The Group has achieved record revenues and profits underpinned by its early transition to digital services in its PR businesses. Digital is giving the group access to new revenue streams and helping to deliver strong growth in North America and Asia. During the year Next Fifteen further expanded its digital offering and strengthened its corporate business, through targeted acquisitions. Against a backdrop of geopolitical turmoil Next 15 has delivered strong top and bottom line growth, with a balance sheet that is both robust and sustainable

The Group has reported revenue up 19% to £86.0m (2010: £72.3m) and profit before tax increased by 42% to £7.5m (2010: £5.3m), while adjusted profits before tax were up 27% at £8.4m (2010: £6.6m). Diluted adjusted earnings per share increased 16% to 8.74p (2010: 7.53p) and the Group ended the year with a modest net debt (excluding contingent consideration liabilities and share purchase obligation) of £1.6m. This represents 15% of EBITDA being £10.7m (2010: £8.4m). On the back of these strong results the Board is recommending a final dividend of 1.535p per share, which increases the dividend for the year by 11% to 2.05p (2010: 1.85p).

Digital is the driving force

As more communication moves to online and mobile distribution, the Group has built upon its traditional analogue skills to help its clients participate appropriately in social media, developing new skills and embracing new codes of conduct. Such deliberate steps, which began several years ago, reflect in part the particular demands of a client list featuring many of the world's most important technology brands; but outstanding digital capabilities are now sought by all brand owners. The Group currently works with seven of the top ten most valuable brands in the 2011 Interbrand table.

I'm pleased then to report that the digital investments our agencies have made are paying off and are delivering significant additional revenues. This is highlighted by the success of our fledgling digital agency, Beyond, which now has a revenue run rate of over US\$8m per annum and works closely with our other agencies, providing strong evidence of the importance of such investments and the new opportunities for the Group in the broader marketing services sector.

Segmental performance

Technology PR, which is still at the heart of the Group, representing 69% of our revenue, grew by 9%, following a strong performance from Outcast and Text 100 in North America and Bite in Asia Pacific. The Consumer PR division, representing 19% of total revenue, grew by 12%, reflecting strong performance in North America from M Booth. The Corporate Communications division, representing 6% of Group revenue and the Digital/Research segment also 6%, have both more than doubled in size, driven on by client demand and by the acquisitions made in these divisions.

Impact of acquisitions

Organic growth remains a strong feature of the Group, with revenues increasing by 11% on a constant currency basis and excluding the acquired businesses. However, the Group believes in a strategy of selective acquisitions of specialist agencies that complement existing agencies or take the business into fast growth sectors or geographies. During the last year the Group

Chairman and Chief Executive's statement continued

for the year ended 31 July 2011

acquired The Blueshirt Group, an investor and media relations agency based in San Francisco and New York and Bourne a Glasgow-based digital marketing agency which also has an operation in New York. After the end of the financial year the Group's Bite subsidiary acquired Trademark, a Munich-based public relations and consulting business.

Board changes

It was a great pleasure to accept the role of Chairman of Next 15 in May 2011, following on from Will Whitehorn. The Board transition was completed during the summer months, with Alicja Lesniak replacing the retiring Ian Taylor as Chair of the Audit and Remuneration Committees and senior independent non-executive director, and Margit Wennmachers bringing her Silicon Valley experience to the Group. These appointments complete a process designed to reinforce the Group's digital and global ambitions.

Prospects

The group recognises that the global economic outlook remains unsettled, underlining the need for continued fiscal prudence. We are well-positioned in the US market which has demonstrated its resilience and, the Group is also well-placed to benefit from changes in marketing communications practices as marketing spend moves to digital platforms. We will remain attentive to opportunities to make value-enhancing acquisitions and investments by using our strong balance sheet position. We are pleased to report an encouraging start to the new financial year and remain confident about the prospects for Next 15.

Consolidated income statement (unaudited)

for the year ended 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Billings			105,163		91,175
Revenue	2		86,035		72,328
<i>Staff costs</i>		59,699		49,757	
<i>Depreciation</i>		1,201		1,060	
<i>Amortisation and impairment</i>		1,494		878	
<i>Other operating charges</i>		15,624		14,125	
<i>Total operating charges</i>			(78,018)		(65,820)
Operating profit	2		8,017		6,508
<i>Finance expense</i>	6		(3,170)		(1,310)
<i>Finance income</i>	7		2,680		106
<i>Net finance expense</i>			(490)		(1,204)
Profit before income tax	2,3		7,527		5,304
<i>Income tax expense</i>			(2,260)		(1,591)
Profit for the year			5,267		3,713
<i>Attributable to:</i>					
<i>Owners of the parent</i>			4,997		3,675
<i>Non-controlling interests</i>			270		38
			5,267		3,713
Earnings per share	8				
<i>Basic (pence)</i>			9.10		6.75
<i>Diluted (pence)</i>			7.82		6.02

Consolidated statement of comprehensive income (unaudited)

for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Profit for the year		5,267	3,713
Other comprehensive income:			
<i>Exchange differences on translating foreign operations</i>		(1,022)	665
<i>Translation differences on long-term foreign currency intercompany loans</i>		583	459
<i>Net investment hedge</i>		213	(111)
Other comprehensive income for the year		(226)	1,013
Total comprehensive income for the year		5,041	4,726
Total comprehensive income attributable to:			
<i>Owners of the parent</i>		4,771	4,688
<i>Non-controlling interests</i>		270	38
		5,041	4,726

Consolidated balance sheet (unaudited)

as at 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Assets					
Property, plant and equipment		3,067		2,269	
Intangible assets		37,926		27,111	
Deferred tax assets		2,503		1,531	
Other receivables		840		1,008	
Total non-current assets			44,336		31,919
Trade and other receivables		25,931		21,892	
Cash and cash equivalents	9	8,517		7,296	
Corporation tax asset		321		282	
Total current assets			34,769		29,470
Total assets			79,105		61,389
Liabilities					
Loans and borrowings	9	9,754		2,852	
Deferred tax liabilities		122		73	
Other payables	9	6		56	
Provisions		131		-	
Contingent consideration		6,316		4,232	
Share purchase obligation		4,348		1,349	
Total non-current liabilities			(20,677)		(8,562)
Loans and borrowings	9	272		5,181	
Trade and other payables		20,085		17,085	
Corporation tax liability		732		475	
Provisions		-		58	
Derivative financial liabilities		405		419	
Contingent consideration		4,601		1,880	
Share purchase obligation		-		150	
Total current liabilities			(26,095)		(25,248)
Total liabilities			(46,772)		(33,810)
Total net assets			32,333		27,579
Equity					
Share capital		1,417		1,401	
Share premium reserve		5,996		5,575	
Merger reserve		3,075		3,075	
Share purchase reserve		(4,261)		(1,359)	
Foreign currency translation reserve		2,202		2,014	
Other reserves		(526)		(868)	
Retained earnings		21,137		16,791	
Total equity attributable to owners of the parent			29,040		26,629
Non-controlling interests			3,293		950
Total equity			32,333		27,579

Consolidated statement of changes in equity (unaudited)

for the year ended 31 July 2011

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve ¹ £'000	Foreign currency translation reserve ² £'000	Other reserves ³ £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non- controlling interests £'000	Total equity £'000
At 1 August 2009	1,381	5,157	3,075	–	1,349	(1,239)	14,424	24,147	755	24,902
<i>Profit for the year</i>	–	–	–	–	–	–	3,675	3,675	38	3,713
<i>Other comprehensive income for the year</i>	–	–	–	–	665	(111)	459	1,013	–	1,013
Total comprehensive income for the year	–	–	–	–	665	(111)	4,134	4,688	38	4,726
<i>Dividends</i>	–	–	–	–	–	–	(932)	(932)	–	(932)
<i>Increase in shareholding of subsidiary</i>	–	–	–	–	–	–	(1,235)	(1,235)	(361)	(1,596)
<i>Non-controlling interest on business combination</i>	–	–	–	–	–	–	–	–	774	774
<i>Shares issued on acquisitions</i>	20	418	–	–	–	–	–	438	–	438
<i>Share purchase obligation arising on acquisitions</i>	–	–	–	(1,359)	–	–	–	(1,359)	–	(1,359)
<i>Movement in relation to share-based payments</i>	–	–	–	–	–	–	606	606	–	606
<i>Deferred tax on share-based payments</i>	–	–	–	–	–	–	166	166	–	166
<i>Movement due to ESOP share option exercises</i>	–	–	–	–	–	482	(372)	110	–	110
<i>Non-controlling interest dividend</i>	–	–	–	–	–	–	–	–	(256)	(256)
At 31 July 2010	1,401	5,575	3,075	(1,359)	2,014	(868)	16,791	26,629	950	27,579

Consolidated statement of changes in equity (unaudited) continued

as at 31 July 2011

At 31 July 2010	1,401	5,575	3,075	(1,359)	2,014	(868)	16,791	26,629	950	27,579
Profit for the year	-	-	-	-	-	-	4,997	4,997	270	5,267
Other comprehensive income for the year	-	-	-	-	(439)	213	-	(226)	-	(226)
Total comprehensive income for the year	-	-	-	-	(439)	213	4,997	4,771	270	5,041
Dividends	-	-	-	-	-	-	(1,045)	(1,045)	-	(1,045)
Share purchase obligation arising on existing subsidiary	-	-	-	(556)	-	-	-	(556)	4	(552)
Share purchase obligation arising on acquisitions	-	-	-	(2,346)	-	-	-	(2,346)	-	(2,346)
Non controlling interest on business combination	-	-	-	-	-	-	-	-	2,346	2,346
Shares issued on acquisitions	16	421	-	-	-	-	-	437	-	437
Movement in relation to share-based payments	-	-	-	-	-	-	449	449	-	449
Deferred tax on share-based payments	-	-	-	-	-	-	400	400	-	400
Movement due to ESOP share option exercises	-	-	-	-	-	129	(11)	118	-	118
Movements on reserves for Non controlling interests ¹	-	-	-	-	-	-	183	183	(183)	-
Movements on reserves in respect of translation differences on long term intercompany loans	-	-	-	-	627	-	(627)	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(94)	(94)
At 31 July 2011	1,417	5,996	3,075	(4,261)	2,202	(526)	21,137	29,040	3,293	32,333

¹The movement in reserves for the current year relates to the acquisitions of CMG Worldwide Limited ('Bourne') and Blueshirt Group LLC ('Blueshirt') (note 10). The brought forward reserve of the prior year relates to 463 Communications LLC ('463') and Upstream Marketing and Communications Inc ('Upstream'). The share purchase reserve arising on existing subsidiaries relates to transactions with Beyond Corporation Limited ('Beyond') (note 10).

²The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries. The £627,000 movement on reserves is a reclassification of the historic foreign exchange on retranslation of long-term indefinite intercompany loans, previously recognised within retained earnings, now allocated to the foreign currency translation reserve.

³Other reserves include ESOP reserve, treasury reserve and hedging reserve.

⁴The £183,000 movement on reserves relates to a reclassification of amounts previously recorded within non controlling interest that was attributable to the owners of the parent.

Consolidated statement of cash flow (unaudited)

for the year ended 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
				Restated'	Restated'
Cash flows from operating activities					
Profit for the year		5,267		3,713	
Adjustments for:					
Depreciation		1,201		1,060	
Amortisation and impairment		1,494		878	
Finance expense	6	3,170		1,310	
Finance income	7	(2,680)		(106)	
Loss on sale of property, plant and equipment		-		11	
Income tax expense		2,260		1,591	
Share-based payment charge		449		606	
Movement in fair value of forward foreign exchange contracts	3	(13)		(158)	
Net cash inflow from operating activities before changes in working capital			11,148		8,905
Change in trade and other receivables		(3,301)		(1,006)	
Change in trade and other payables		3,420		(1,103)	
Increase/(decrease) in provision		173		(224)	
Change in working capital			292		(2,333)
Net cash generated from operations			11,440		6,572
Income taxes paid			(2,618)		(1,465)
Net cash from operating activities			8,822		5,107
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired ¹	10	(5,948)		(2,875)	
Acquisition costs	10	-		(175)	
Acquisition of property, plant and equipment		(1,920)		(1,178)	
Proceeds on disposal of property, plant and equipment		5		19	
Acquisition of intangible assets		(77)		(302)	
Net movement in long-term cash deposits		(188)		(475)	
Interest received	7	54		68	
Net cash outflow from investing activities			(8,074)		(4,918)
Net cash from operating and investing activities			748		189

Consolidated statement of cash flow (unaudited) continued

for the year ended 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
				Restated ¹	Restated ¹
Net cash from operating and investing activities			748		189
Cash flows from financing activities					
Acquisition of additional stake in subsidiary ¹		-		(948)	
Proceeds from sale of own shares		118		110	
Capital element of finance lease rental repayment		(90)		(150)	
Interest paid		(472)		(448)	
Profit share paid to non-controlling interest partners		(94)		(256)	
Dividend paid to shareholders of the parent		(1,045)		(932)	
Net cash outflow from financing activities			410		(65)
Net increase in cash and cash equivalents			1,158		124
Cash and cash equivalents at beginning of the year			7,296		7,130
Exchange gains on cash held ¹			63		42
Cash and cash equivalents at end of the year	9		8,517		7,296

¹ Restatement to reflect payments made in respect of contingent consideration for an additional stake in existing subsidiaries have been reclassified from investing activities to financing activities. The payments made in the prior year are in respect of 463 (£948,000). The payment has been restated to reflect translation at the acquisition date with the corresponding entry reflected in exchange gains on cash held.

Notes to the unaudited preliminary announcement

for the year ended 31 July 2011

1 Basis of preparation

The financial information for the year ended 31 July 2011 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 financial information for the year ended 31 July 2011 is unaudited and does not constitute the Group's statutory financial statements for the year. The comparative financial information for the full year ended 31 July 2010 has, however, been derived from the audited statutory financial statements for that year. 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.

Accounting policies

The accounting policies applied are consistent with those of the audited statutory financial statements for the year ended 31 July 2010, as described in those financial statements.

2 Segment information

Reportable segments

The Board of Directors has identified the operating segments based on the reports it reviews as the chief operating decision maker to make strategic decisions, assess performance and allocate resources.

The Group's business is organised into four reportable segments, being the provision of public relations services in the technology and consumer markets, digital and research consultancy, and corporate communications consultancy. Within these reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

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 fair value accounting charges, including movement in fair value of financial instruments, unwinding of the discount on contingent and deferred consideration, unwinding of the discount on the share purchase obligation, changes in estimates of contingent consideration and share purchase obligations, amortisation of acquired intangibles, 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.

Segmental information for the year ended 31 July 2010 has been restated as a result of the change in the format of segment information provided to and analysed by The Board of Directors. Both the current and prior years have been presented under this new reporting approach.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

	<i>Technology PR</i>	<i>Consumer PR</i>	<i>Digital/research consultancy</i>	<i>Corporate Communications</i>	<i>Head Office</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
<i>Year ended 31 July 2011</i>						
Revenue	59,323	16,103	5,583	5,026	-	86,035
Segment adjusted operating profit	8,022	2,884	670	1,146	(3,899)	8,823
<i>Year ended 31 July 2010</i>						
Revenue	54,201	14,402	1,642	2,083	-	72,328
Segment adjusted operating profit	8,098	2,392	120	535	(4,153)	6,992
<i>Year ended 31 July 2011</i>						
	<i>UK</i>	<i>Europe & Africa</i>	<i>US & Canada</i>	<i>Asia Pacific</i>	<i>Head Office</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
<i>Year ended 31 July 2011</i>						
Revenue	17,986	9,746	45,142	13,161	-	86,035
Segment adjusted operating profit	2,935	855	8,693	239	(3,899)	8,823
<i>Year ended 31 July 2010</i>						
Revenue	15,125	9,723	37,272	10,208	-	72,328
Segment adjusted operating profit	2,394	1,237	7,360	154	(4,153)	6,992

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

A reconciliation of segment adjusted operating profit to profit before income tax is provided as follows:

	2011 £'000	2010 £'000
Segment adjusted operating profit	8,823	6,992
Goodwill impairment charge	-	(116)
Amortisation of acquired intangibles	(819)	(526)
Movement in fair value of forward foreign exchange contracts	13	158
Total operating profit	8,017	6,508
Unwinding of discount on contingent and deferred consideration	(1,007)	(659)
Unwinding of discount on share purchase obligation	(322)	(140)
Change in estimate of future contingent consideration payable	966	(63)
Change in estimate of future share purchase obligation	285	-
Movement in fair value of interest rate cap-and-collar contract	14	38
Other finance expense	(479)	(448)
Other finance income	53	68
Profit before income tax	7,527	5,304

3 Reconciliation of pro forma financial measures

	2011 £'000	2010 £'000
Profit before income tax	7,527	5,304
Movement in fair value of interest rate cap-and-collar contract ¹	(14)	(38)
Movement in fair value of forward foreign exchange contracts ²	(13)	(158)
Unwinding of discount on contingent consideration ³	1,007	659
Unwinding of discount on share purchase obligation ⁴	322	140
Change in estimate of future contingent consideration payable ⁵	(966)	63
Change in estimate of future share purchase obligation ⁶	(285)	-
Impairment charge ⁷	-	116
Amortisation of acquired intangibles ⁸	819	526
Adjusted profit before income tax	8,397	6,612

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and for the performance calculation of the adjusted earnings per share used for the vesting of employee share options and performance shares.

¹Interest rate cap-and-collar contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within finance income/expense in the income statement. These financial instruments comprise financial products used to manage the interest rate risks of the Group's long-term debt obligations. The movement in fair value of the interest rate cap-and-collar contract since 31 July 2010 is a credit of £14,000 (2010: credit of £38,000).

²Forward foreign exchange contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within operating expenses in the income statement. These financial instruments comprise financial products used for hedging currency exposure on US dollar and euro. The movement in fair value of the forward foreign exchange contracts since 31 July 2010 is a credit of £13,000 (2010: credit of £158,000).

³A finance expense of £1,007,000 (2010: £659,000) has been recognised during the year in relation to the unwinding of the discount on the contingent consideration payable for M Booth of £533,000 (2010: £645,000), Blueshirt of £388,000 (2010: £nil) and Bourne of £86,000 (2010: £nil). Blueshirt and Bourne were new acquisitions made during the year. In the prior year, an additional £14,000 related to the unwinding of deferred consideration payable for Outcast Communications Corporation. The final deferred payment for Outcast was settled in the prior year.

⁴A finance expense of £322,000 (2010: £140,000) has been recognised during the year in relation to the unwinding of the discount on the share purchase obligation for Upstream Asia of £85,000 (2010: £92,000), 463 Communications of £55,000 (2010: £48,000), Bourne of £46,000 (2010: £nil), Beyond of £66,000 (2010: £nil) and Blueshirt of £70,000 (2010: £nil). Blueshirt, Bourne and Beyond were new acquisitions made during the year.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

3 Reconciliation of pro forma financial measures (continued)

⁵A net finance income of £966,000 (2010: expense of £63,000) has been recognised during the year in relation to a change in the estimate of the contingent consideration payable for M Booth with an expense of £174,000 (2010: £63,000), Blueshirt with an expense of £572,000 (2010: £nil) and finance income of £1,712,000 in respect of Bourne (2010: £nil).

⁶A finance income of £285,000 (2010: £nil) has been recognised during the year in relation to a change in the estimate of the share purchase obligation payable for 463 with an income of £161,000 (2010: £nil), Upstream expense of £605,000 (2010: £nil), Bourne income of £740,000 (2010: £nil) and Blueshirt expense of £11,000 (2010: £nil).

⁷The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate impairment. No impairment charge has been recognised during the year. An impairment charge was made in the prior year for the goodwill recognised by Bite on acquisition of Credo Communications Limited ('Credo') on 31 December 2005. The Credo goodwill is now fully impaired.

⁸A total amortisation of acquired intangibles charge of £819,000 (2010: £526,000) has been recognised in the year in relation to M Booth £329,000 (2010: £334,000), 463 Communications £102,000 (2010: £125,000), AimPR Public Relations AB £41,000 (2010: £38,000), Bite Asia of £74,000 (2010: £29,000), Glasshouse of £18,000 (2010: £nil), Blueshirt of £190,000 (2010: £nil) and Bourne of £65,000 (2010: £nil). These are significant non-cash charges which arise as a result of acquisitions.

4 Income tax expense

The tax charge is based on the effective tax rate of 30% for the year (2010: 30%).

5 Dividend

A final dividend of 1.535p per share (2010: 1.375p) has been proposed. This has not been accrued. The interim dividend was 0.515p per share (2010: 0.475p), making a total for the year of 2.05p per share (2010: 1.85p). The final dividend, if approved at the AGM on the 24 January 2012, will be paid on 3 February 2012 to all shareholders on the Register of Members on the 6 January 2012. The ex-dividend date for the shares is 4 January 2012. The Employee Share Ownership Trust has waived its rights to dividends of £17,000 (2010: £9,000).

6 Finance expense

	2011 £'000	2010 £'000
Financial liabilities at amortised cost		
Bank interest payable	472	428
Financial liabilities at fair value through profit and loss		
Unwinding of discount on contingent consideration	1,007	659
Unwinding of discount on share purchase obligation	322	140
Change in estimate of future contingent consideration payable	746	63
Change in estimate of future share purchase obligation	616	-
Movement in fair value of interest rate cap-and-collar contract	-	-
Other		
Finance lease interest	7	16
Other interest payable	-	4
Finance expense	3,170	1,310

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

7 Finance income

	2011 £'000	2010 £'000
Financial assets at amortised cost		
<i>Bank interest receivable</i>	54	53
Financial assets at fair value through profit and loss		
<i>Movement in fair value of interest rate cap-and-collar contract</i>		38
Change in estimate on contingent consideration	1,712	-
Change in estimate on share purchase obligation	900	-
Other		
<i>Other interest receivable</i>	-	15
Finance income	2,680	106

8 Earnings per share

	2011 £'000	2010 £'000
<i>Earnings attributable to ordinary shareholders</i>	4,997	3,675
<i>Movement in fair value of interest rate cap-and-collar contract</i>	(10)	(27)
<i>Movement in fair value of forward foreign exchange contracts</i>	(9)	(114)
<i>Unwinding of discount on contingent consideration</i>	1,007	395
<i>Unwinding of discount on share purchase obligation</i>	322	140
<i>Change in estimate of future contingent consideration payable</i>	(966)	38
<i>Change in estimate of share purchase obligation</i>	(285)	-
<i>Impairment charge</i>	-	116
<i>Amortisation of acquired intangibles</i>	528	377
Adjusted earnings attributable to ordinary shareholders	5,584	4,600

	Number	Number
<i>Weighted average number of ordinary shares</i>	54,925,003	54,444,622
<i>Dilutive share options/performance shares outstanding</i>	6,127,173	4,767,099
<i>Other potentially issuable shares</i>	2,867,156	1,866,697
Diluted weighted average number of ordinary shares	63,919,332	61,078,418
<i>Basic earnings per share</i>	9.10p	6.75p
<i>Diluted earnings per share</i>	7.82p	6.02p
<i>Adjusted earnings per share</i>	10.17p	8.45p
<i>Diluted adjusted earnings per share</i>	8.74p	7.53p

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 share options and 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 unaudited preliminary announcement continued

for the year ended 31 July 2011

9 Analysis of net debt

Net debt includes external bank borrowings and finance obligations but excludes any acquisition related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2012 to 2018.

	2011 £'000	2010	£'000
Current assets			
Cash and cash equivalents	8,517		7,296
Non-current liabilities			
Bank borrowings	(9,754)		(2,852)
Obligations under finance leases	(6)		(56)
Current liabilities			
Bank borrowings	(272)		(5,085)
Finance facility	(37)		(96)
Obligations under finance leases	(13)		(78)
Net debt	(1,565)		(871)

10 Acquisitions

1. On 1 November 2010, the Group acquired an 85% stake in US-based investor and media relations company. The Blueshirt Group LLC ('Blueshirt'). The acquisition of Blueshirt complements the Group's existing businesses by providing financial and corporate communications expertise. The initial consideration paid in cash on completion was US\$3,000,000 (£1,870,000). A balance of US\$448,000 (£280,000) excess working capital acquired which was paid to the vendors is also treated as consideration. Contingent consideration satisfied in cash will be made over the course of four years based on a multiple of average profits and margin performance. Based on initial forecasts, these contingent payments were estimated to total US\$8,000,000 (£4,994,000) which when discounted, resulted in an investment value and corresponding liability of US\$6,082,000 (£3,790,000).

There is an option for the sellers to sell the remaining 15% stake in Blueshirt after five years from completion and an option for Next Fifteen to acquire the remaining 15% after six years from completion provided that the value of the business at the relevant time has reached a certain level.

The fair value of the put option held by the non-controlling interest holder has been calculated based on discounted estimates of the most likely outcome for the profitability of the business. A fair value of US\$1,245,000 (£776,000) was recognised on acquisition. Accounting under the fair value method of non controlling interests, both goodwill and the non controlling interest were increased by this amount.

Acquisition costs of US\$91,000 (£57,000) were paid in relation to the purchase of Blueshirt, which were recognised in the consolidated income statement in the period ended 31 July 2011.

In the post acquisition period, Blueshirt contributed US\$5,307,000 (£3,321,000) to revenue and US\$1,329,000 (£831,000) profit before tax. Extrapolated across 12 months, this would represent a contribution of £4,428,000 to revenues and £1,108,000 to profit before tax.

Goodwill of £4,271,000 arises from anticipated profitability and future operating synergies from combining the operations with the Group.

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

	Book value at acquisition £'000	Fair value adjustments ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets ¹	–	1,873	1,873
Property, plant and equipment	12	–	12
Current assets			
Cash and cash equivalents	336	–	336
Other current assets	377	–	377
Current liabilities	(150)	–	(150)
Net assets acquired	575	1,873	2,448
Goodwill			4,271
Consideration			
Cash consideration			1,873
Total contingent cash consideration			3,790
Excess working capital payment			280
			5,943
Fair value of non-controlling interest			776
			6,719

¹The fair value adjustment relating to intangible assets is due to the recognition of US\$1,700,000 (£1,059,000) in respect of customer relationships and US\$1,300,000 (£810,000) in respect of the Blueshirt trade name, which have been independently valued. The customer relationships will be amortised over 5 years, and the trade name will be amortised over its useful economic life of 20 years.

2. On 12 May 2011, the Group acquired 80% of the share capital of CMG Worldwide Limited (trading as Bourne), a digital agency with offices in the UK and US. The initial consideration paid in cash on completion was £1,950,000. Contingent consideration comprising a "top up payment" in relation to 15 months to 31 July 2012 and a "deferred payment" payable in 2014 relating to the two years ending 31 July 2014 may be payable to the vendors. These payments will be at multiples of PBIT ranging between 5 and 7, dependent on the PBIT and margin levels achieved by Bourne over the period to 31 July 2014. Contingent consideration will be satisfied 75% cash and 25% shares.

The remaining 20% holding in Bourne is the subject of put and call options commencing in 2015 and it is anticipated that these shares will be acquired by October 2018. Next Fifteen has the right to acquire 20% of the outstanding share capital from 2018 ("call option") from the sellers. Similarly, the sellers of Bourne have the right to sell 20% of the outstanding share capital from 2015 ("put option"). Consideration payable on exercise of the options by either party is dependent on PBIT performance of Bourne for the 2 financial year ends preceding exercise of an option. The estimated payment to be made on exercise of an option in 2018 has been recorded as a share purchase obligation.

From the date of acquisition of 12 May 2011 to 31 July 2011, Bourne contributed £452,000 to revenue and (£124,000) loss before tax. Extrapolated for a full 12 months, this represents a contribution of £1,808,000 to revenue and (£496,000) loss before tax.

Acquisition costs of £43,000 were paid in relation to the purchase of Bourne which have been recognised in the income statement for the year ended 31 July 2011.

Goodwill of £5,632,000 arises from anticipated profitability, workforce and future operating synergies from combining the operations with the Group.

The following table sets out the book values of the identifiable assets acquired and their fair value to the Group.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

	Book value at acquisition £'000	Fair value adjustments ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets ¹	11	1,361	1,372
Property, plant and equipment	50	–	50
Current assets			
Cash and cash equivalents	265	–	265
Other current assets	456	–	456
Current liabilities	(569)	–	(569)
Deferred tax liability	(13)	(329)	(342)
Net assets acquired	200	1,032	1,232
Goodwill			5,632
Consideration			
Initial cash consideration			1,950
Total contingent cash consideration			2,591
Total contingent equity consideration			753
			5,294
Fair value of non-controlling interest			1,570
			6,864

¹The fair value of the assets acquired includes intangible assets of £1,361,000 comprising a customer relationship asset of £723,000 and a software related asset of £638,000. These assets will be amortised over 6 years and 4 years respectively.

3. On 4 August 2010, Beyond Corporation Limited (previously Project Metal Limited) acquired the entire issued share capital of UK-based Type 3 Limited, and on the same date, Beyond International Corporation (previously Context Analytics Corporation), together referred to as 'Beyond', acquired the entire issued share capital of US-based Type 3 LTD. On 1 September 2010 the trade and assets of the Type 3 companies were transferred into each acquiring company. Both Type 3 companies offer a fully integrated web design service, and were acquired as part of the Group's strategy to build a digital consultancy. The initial consideration paid in cash on completion was £300,000 in addition to the issue of 25% of the ordinary share capital of Beyond. A balance of £131,000 excess working capital acquired is also treated as consideration.

Acquisition costs of £89,000 were paid in relation to the purchase of Type 3, of which £76,000 were recognised in the consolidated income statement in the year ended 31 July 2010, and £13,000 were recognised in the consolidated income statement in the year to 31 July 2011.

Since the trade of Type 3 has been hived up into the Beyond business it is not practicable to split out the revenue and profits of the Type 3 businesses since the businesses have been treated as one entity since that date and not reported separately.

Goodwill of £107,000 arises from anticipated profitability and future operating synergies from the combination. At the year end, the Group owned 51% Beyond (2010: 68%), and has had a controlling share in the business since incorporation in the prior year. The residual interest is owned by three employee shareholders.

At the same time as the Type 3 businesses were acquired, the Group entered into an option deed under which one of the non-controlling interest holders (currently owning 25% of the business) has the option to sell half of their shareholding back to the Group in either October 2013, October 2014 or October 2015, with the amount of consideration dependent on the profitability of each business. The consideration is uncapped. By October 2015 the Group will have acquired all of the shares that it can be obligated to buy, bringing the Group holding to 63.5%.

The share purchase obligation can be satisfied through a mixture of cash and Next Fifteen shares at the discretion of the Company. A cap is set at 25% of total consideration being payable in Next Fifteen shares.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

The fair value of the put option held by the non-controlling interest holder has been calculated based on discounted estimates of the most likely outcome for the profitability of the business. A fair value of £552,000 has been recognised as a liability on the balance sheet.

4. On 1 September 2010, Lexis Public Relations Limited ('Lexis') acquired the entire issued share capital of UK-based Glasshouse Partnership Limited ('Glasshouse'), a corporate communications and marketing agency which will strengthen the Lexis corporate practice and enhance business development options. On 1 October 2010, the trade and assets of Glasshouse were transferred to Lexis.

The initial consideration paid in cash on completion was £80,000, and a balance of £137,000 excess working capital acquired which was paid to the vendors is also treated as consideration. Contingent consideration may be payable on the first and second anniversary of completion, subject to the achievement of certain revenue and staff metric performance targets. The contingent consideration that may be payable will be satisfied by 60% cash and 40% Next Fifteen shares, and is uncapped.

Based on management's best estimates of future performance in the business, contingent consideration has been recognised at £221,000.

Goodwill of £243,000 arises from anticipated profitability and future operating synergies from the combination.

Intangible assets of £60,000 have been recognised in respect of customer relationships, which will be amortised over three years.

Since acquisition the business contributed £427,000 to revenues. Extrapolated across 12 months, this would represent a £466,000 contribution to revenue. Line items below revenue are not reported or recorded separately to the acquiring business and as such it is not practicable to split those results out.

Acquisition costs of £15,000 were paid in relation to the purchase of Glasshouse, and recognised within the consolidated income statement in the year to 31 July 2011.

5. On 1 September 2010, Bite Communications Hong Kong Limited ('Bite') acquired the trade and assets of digital marketing agency OneXeno Limited ('OneXeno'), a Hong Kong company. The business was integrated into Bite's existing Asia Pacific operation, and will offer clients new levels of service, expertise and digital communications tools in the region. The initial consideration paid in cash on completion was HK\$1,105,000 (£88,000), with further uncapped consideration payable based on the revenue of retained clients over the 12 months following completion. In the year ended 31 July 2011, HK\$652,000 (£51,000) was paid in respect of deferred consideration. It is currently estimated that a further HK\$ 577,000 (£45,000) will be payable in contingent consideration.

Acquisition costs of HK\$14,000 (£1,000) were paid in relation to the purchase of OneXeno, which were recognised in the consolidated income statement in the year ended 31 July 2010.

Goodwill of £118,000 arose on acquisition from anticipated profitability and future operating synergies from the combination.

Intangible assets of HK\$1,233,000 (£103,000) have been recognised in respect of customer relationships, which will be amortised over three years.

6. On the 1 April 2011, the group acquired the trade and assets of Interlink Systems Limited ('ILS'), a Hong Kong based solution provider for web site development, web design, web applications, intranet, online commerce, dynamic content, customized software, online store, ecommerce, Online promotion. Net assets at acquisition were \$1,340 (£800). The initial consideration paid in cash on completion was \$30,000 (£19,000), a further \$31,823 (£19,000) was paid in July 2011 following fulfilment by the vendor of certain criteria. Further cash consideration is payable based on gross profit performance in the 6 months to 30 September 2011. There is no cap on the amount payable. It is currently estimated that \$53,000 (£33,000) contingent consideration will be payable.

Goodwill of £30,000 was recognised on acquisition in relation to this business combination.

Notes to the unaudited preliminary announcement continued

for the year ended 31 July 2011

Intangible assets of \$87,000 (£55,000) were recognised on acquisition in respect of customer relationships, which will be amortised over three years.

11 Events after the balance sheet date

Trademark GmbH

On 5 October 2011, Next Fifteen Communications Group plc acquired an 80% shareholding in Munich-based Trademark PR and Trademark Consulting, The acquisition is a key part of the group's plans to offer a global service to its clients by providing specialist communications and marketing expertise in the key economies.

The initial consideration for the share purchase is €1.38m (£1.19m) satisfied in cash with further payments, at multiples of PBIT ranging between 5 and 6, dependent on the PBIT and margin levels achieved by Trademark over five years. The maximum consideration payable is €4.5m (£3.88m).

Acquisition costs estimated at around €18,000 (£16,000) were recognised in the consolidated income statement in the year ended 31 July 2011.

Information required in order to calculate and recognise goodwill, fair value of assets and liabilities, non-controlling interest and acquired intangibles in relation to Trademark is not yet available and will be shown in the interim report for the six months ending 31 January 2012.