4 April 2018

Next Fifteen Communications Group plc
Preliminary results for the year ended 31 January 2018

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its preliminary results for the year ended 31 January 2018.

Adjusted financial results for the year to 31 January 2018

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)	Growth
Revenue	£196.8m	£171.0m	15%
EBITDA	£34.4m	£29.0m	19%
Operating profit	£30.0m	£25.0m	20%
Operating profit margin	15.3%	14.6%	
Profit before tax	£29.3m	£24.2m	21%
Diluted EPS	27.8p	23.4p	19%
Dividend per share	6.30p	5.25p	20%
Cash generated from operations	£28.9m	£32.8m	(12%)
Net debt	£11.6m	£11.4m	

In order to help shareholders' understanding of the underlying performance of the business, adjusted results have been presented. The items that are excluded from adjusted results include acquisition related costs, acquisition related share-based payment charges, amortisation and certain other exceptional items. The adjusted results are reconciled to statutory results within notes 2 and 3.

Highlights

- Revenues increased by 15%, with Group organic[1] revenue growth of 5.2%
- Adjusted operating profit margin improved to 15.3% from 14.6%
- Adjusted profit before tax up 21% to £29.3m
- Adjusted diluted earnings per share increased by 19% to 27.8p
- 20% increase in dividend per share to 6.3p
- Significant client wins including Samsung, Slack and Nike
- Velocity, a B2B content marketing agency, and Circle, a B2B market research consultancy, acquired in July 2017
- Elvis, an integrated digital agency, and Charterhouse, a market research agency, acquired in September 2017

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

"Next 15 continues to develop its services against our template of Creativity, Data and Technology, ensuring the Group's capability to develop with the extra-ordinary pace of technology in our sector. This has driven another good year, with revenues and earnings again reaching record levels. Revenue was 15% up to £196.8m (£171.0m) while adjusted profit before tax rose by 21% to £29.3m. Fully diluted adjusted earnings per share rose to 27.8p.

These results were influenced by three major factors: strong organic growth in the second half of the year and additional well-executed acquisitions, offset by some negative impact from the relative strength of Sterling. Organic growth that had been modest amid the political and economic uncertainty of the first half of the year, grew to more familiar levels in the second, with many of the Group's businesses turning in strong performances.

This high single-digit organic revenue growth has continued into the new financial year, augmented by strong performances from newly acquired agencies, giving us confidence for another good year ahead."

Statutory financial results for the year ended 31 January 2018

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
Revenue	£196.8m	£171.0m
Profit before income tax	£13.3m	£2.9m
Diluted EPS	10.5p	1.5p

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Notes:

[1]Organic
Organic revenue growth is defined as the revenue growth at constant currency excluding the impact of acquisitions.

MAR
The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Chairman and Chief Executive's Statement

Review of Adjusted Results to 31 January 2018

ADJUSTED RESULTS	**Year Ended 31 January 2018 £'000 (Unaudited)**	Year Ended 31 January 2017 £'000 (Audited)
Revenue	**196,811**	171,013
EBITDA	**34,388**	28,964
Operating profit	**30,026**	24,970
Operating profit margin	**15.3%**	14.6%
Net finance expense	**(714)**	(498)
Share of profits/(loss) from associate	**26**	(272)
Profit before income tax	**29,338**	24,200
Tax rate on adjusted profit	**20%**	22%
Diluted adjusted earnings per share	**27.8p**	23.4p

The last 12 months has been a period of significant progress across the Group. We have grown our total group revenues by 15% and by 5.2% on an organic basis, which was a material improvement on the rate we achieved in our first six months, whilst achieving a record adjusted operating profit margin of 15.3%. Our Beyond, MBooth and Publitek agencies have been stand out performers, whilst we have achieved solid performances pretty much across the portfolio.

In addition, we have benefited from the series of operational improvements we undertook last year, as we merged Lexis into Text, BDA into Twogether and Story into MBooth. This has had the benefit of simplifying the group's operating structure as well as increasing our underlying operating margins.

In total for the year ended 31 January 2018, the Group delivered revenue of £196.8m, adjusted operating profit of £30.0m, adjusted profit before income tax of £29.3m and adjusted diluted earnings per share of 27.8p. This compares with revenue of £171.0m, adjusted operating profit of £25.0m, adjusted profit before income tax of £24.2m and adjusted diluted earnings per share of 23.4p for the 12 months to 31 January 2017.

The Group adjusted operating margin increased to 15.3% from 14.6% in the prior year.

Regional Adjusted Performance

	UK £'000	**EMEA £'000**	**US £'000**	**Asia Pacific £'000**	**Head Office £'000**	**Total £'000**
Year ended 31 January 2018 (Unaudited)						
Revenue	**58,329**	**7,851**	**115,941**	**14,690**	**–**	**196,811**
Operating profit / (loss)	**12,984**	**752**	**23,181**	**2,002**	**(8,893)**	**30,026**
Operating profit margin	**22.3%**	**9.6%**	**20.0%**	**13.6%**	**–**	**15.3%**
Organic revenue growth	**7.6%**	**3.4%**	**5.1%**	**(0.7%)**	**–**	**5.2%**
Year ended 31 January 2017 (Audited)						
Revenue	42,638	7,166	107,008	14,201	–	171,013
Operating profit / (loss)	8,042	647	22,347	2,162	(8,228)	24,970
Operating profit margin	18.9%	9.0%	20.9%	15.2%	–	14.6%
Organic revenue growth	3.7%	5.7%	12.6%	6.4%	–	9.9%

Our US businesses have continued to perform well led by our Beyond, MBooth and Bite brands. In the year ended 31 January 2018 revenues grew by 8.3% to £115.9m from £107.0m which equated to an organic growth rate of 5.1%, taking account of movements in exchange rates. Adjusted margins have remained consistently strong at around 20%, but were impacted by the short-term investment in taking a number of our UK brands such as Twogether, Agent3 and MIG to the US, where we are now beginning to see signs of significant revenue growth. We incurred £0.8m in exceptional restructuring costs as we integrated Story into MBooth and incurred double rent as we moved our Text brand into new premises in New York. The adjusted operating profit from our US businesses was £23.2m compared with £22.3m in the previous 12 months to 31 January 2017.

The UK businesses have delivered a very encouraging performance over the last 12 months, with revenue increasing by 36.8% to £58.3m from £42.6m in the prior period. This growth was mainly due to a busy period on the acquisitions front, but we also delivered organic revenue growth in the UK of 7.6% with a double digit organic revenue performance in the second half. The adjusted operating profit increased to £13.0m from £8.0m in the prior year with the adjusted operating margin increasing to 22.3% from 18.9% in the prior period.

As mentioned earlier, the improved performance in the UK has been delivered due to very strong performances from our UK portfolio of agencies, in particular Beyond and Publitek, as well as the acquisition of a number of high-growth, high-margin agencies, alongside a number of self-help measures. We merged our consumer PR agency Lexis into our Global agency Text 100 and merged our digital agency BDA with its sister agency Twogether.

In July we acquired Velocity, a B2B digital agency with a focus on technology clients. In the same month MIG, our data business, acquired Circle Research a B2B market research consultancy.

In September we added two further businesses: Elvis Communications, a UK based integrated digital agency with a focus on consumer brands and clients including global brands such as, Cadbury, Honda, Stella Artois, Budweiser, Corona and Kenco; and MIG acquired Charterhouse, a leading specialist financial market research consultancy.

After the year end, on 6 February 2018, we acquired Brandwidth, a UK based digital innovation agency, with clients including Toyota, Royal Caribbean, Citroen, Kia and Vodafone.

We have delivered a solid trading performance in EMEA as we have continued to focus our efforts on markets of potential scale. Revenue increased by 9.6% to £7.9m (2017: £7.2m) and adjusted operating profit increased to £0.8m at an improved adjusted operating margin of 9.6%.

Revenue increased by 3.4% to £14.7m (2017: £14.2m) in APAC. However, the adjusted operating margin deteriorated slightly to 13.6% from 15.2% in the prior period and the adjusted operating profit decreased to £2.0m (2017: £2.2m) as we invested in upgrading our talent and IT infrastructure across the region.

Balance Sheet and Net Debt

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2018 of £11.6m (2017: £11.4m), equating to 0.3x adjusted EBITDA. The net cash inflow from operating activities for the year to 31 January 2018 increased to £33.1m from £26.5m in the prior period. Our management of working capital remained good with a small outflow reflecting the growth in the Group and an exceptional performance in the prior period. This resulted in our net cash generated from operations before tax being £28.9m (2017: £32.8m).

Over the period we invested £15.4m in acquisition related payments of which £5.4m fell in the second half and £4.2m in capital expenditure.

Cash flow KPIs	**Year to 31 January 2018 £m**	Year to 31 January 2017 £m
Net cash inflow from operating activities before changes in working capital	**33.1**	26.5
Working capital movement	**(4.2)**	6.3
Net cash generated from operations	**28.9**	32.8
Income tax paid	**(4.3)**	(2.0)
Investing activities	**(19.4)**	(30.6)

Dividend paid to shareholders	**(4.1)**	(3.3)

In July 2017 the Group extended its revolving credit facility with HSBC to be available for five years and £40m (previously four years and £30m). 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 dependent upon the level of gearing in the business. The Group also has a US facility of $7m, which is available for property rental guarantees and US-based working capital needs.

As part of the facilities agreement, Next 15 has 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.

On 5 February 2018 the Group extended its facilities agreement with HSBC further to include a loan of £20m in addition to the RCF of £40m which is available until 5 July 2022. The £20m loan was drawn down on 9th February 2018 and is repayable in equal annual instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF.

Current Trading and Outlook

Looking ahead, the Group has made a good start to the new financial year with the high single digit organic revenue growth the Group achieved in the second half of FY18 continuing in February and March.

The Board is recommending the payment of a final dividend for the 12 months to 31 January 2018 of 4.5p per share, which would represent a total dividend of 6.3p for the year to 31 January 2018 and reflects an increase of 20% on the dividend in the prior year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

	Note	Year ended 31 January 2018 (Unaudited) £'000	Year ended 31 January 2017 (Audited) £'000
Billings		243,485	200,745
Revenue	2	196,811	171,013
Staff costs		136,346	126,756
Depreciation		3,985	3,482
Amortisation		7,413	6,017
Other operating charges		31,842	26,844
Total operating charges		(179,586)	(163,099)
Operating profit	2	**17,225**	**7,914**
Finance expense	6	(5,833)	(5,607)
Finance income	7	1,878	865
Share of profit / (loss) from associate		26	(272)
Profit before income tax	3	**13,296**	**2,900**
Income tax expense	4	(4,000)	(1,232)
Profit for the period		**9,296**	**1,668**
Attributable to:			
Owners of the parent		8,632	1,138
Non-controlling interests		664	530
		9,296	**1,668**
Earnings per share			
Basic (pence)	8	11.6	1.6
Diluted (pence)	8	10.5	1.5

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

	Year ended 31 January 2018 (Unaudited) £'000	Year ended 31 January 2017 (Audited) £'000
Profit for the period	**9,296**	**1,668**
Other comprehensive (expense) / income:		
Items that may be reclassified into profit or loss		
Exchange differences on translating foreign operations	(5,427)	5,128
Gain / (loss) on net investment hedge	1,190	(1,378)
Other comprehensive (expense) / income for the year	(4,237)	3,750
Total comprehensive income for the year	**5,059**	**5,418**
Attributable to:		
Owners of the parent	4,395	4,888
Non-controlling interests	664	530
	5,059	**5,418**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC
CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2018 AND 2017

	Note	31 January 2018 (Unaudited) £'000	31 January 2017 (Audited) £'000
Assets			
Property, plant and equipment		13,567	15,764
Intangible assets		94,843	79,979
Investment in equity accounted associate		132	120
Trade investment		1,211	743
Deferred tax asset		9,794	9,987
Other receivables		535	817
Total non-current assets		120,082	107,410
Trade and other receivables		49,538	42,143
Cash and cash equivalents	9	24,283	22,072
Corporation tax asset		784	601
Total current assets		74,605	64,816
Total assets		**194,687**	**172,226**
Liabilities			
Loans and borrowings	9	34,465	31,869
Deferred tax liabilities		3,869	2,692
Other payables		4,290	5,537
Provisions		141	54
Deferred consideration	10	1,784	-
Contingent consideration	10	13,271	10,971
Share purchase obligation	10	955	3,033
Total non-current liabilities		(58,775)	(54,156)
Loans and borrowings	9	1,406	1,589
Trade and other payables		45,003	39,409
Provisions		1,405	2,647
Corporation tax liability		2,154	1,594
Deferred consideration	10	4,255	-
Contingent consideration	10	5,368	3,934
Share purchase obligation	10	-	400
Total current liabilities		(59,591)	(49,573)
Total liabilities		**(118,366)**	**(103,729)**
TOTAL NET ASSETS		**76,321**	**68,497**
Equity			
Share capital		1,892	1,834
Share premium reserve		28,611	25,681
Share purchase reserve		(2,673)	(2,673)
Foreign currency translation reserve		4,811	10,238
Other reserves		1,719	529
Retained earnings		42,604	31,962
Total equity attributable to owners of the parent		76,964	67,571
Non-controlling interests		(643)	926
TOTAL EQUITY		**76,321**	**68,497**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

	Share capital	Share premium 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
At 31 January 2016 (audited)	**1,763**	**21,523**	**(2,673)**	**5,110**	**1,907**	**24,418**	**52,048**	**743**	**52,791**
Profit for the year	-	-	-	-	-	1,138	1,138	530	1,668
Other comprehensive income / (expense) for the year	-	-	-	5,128	(1,378)	-	3,750	-	3,750
Total comprehensive income / (expense) for the year	-	-	-	5,128	(1,378)	1,138	4,888	530	5,418
Shares issued on satisfaction of vested share options	27	-	-	-	-	(265)	(238)	-	(238)
Shares issued on acquisitions	44	4,158	-	-	-	-	4,202	-	4,202
Movement in relation to share-based payments	-	-	-	-	-	8,974	8,974	-	8,974
Tax on share-based payments	-	-	-	-	-	1,239	1,239	-	1,239
Dividends to owners of the parent	-	-	-	-	-	(3,264)	(3,264)	-	(3,264)
Movement due to ESOP share purchases	-	-	-	-	(25)	-	(25)	-	(25)
Movement due to ESOP share option exercises	-	-	-	-	25	-	25	-	25
Movement on reserves for non-controlling interests	-	-	-	-	-	(292)	(292)	292	-
Share options issued on acquisition of subsidiary	-	-	-	-	-	14	14	-	14
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	436	436
Non-controlling interest dividend	-	-	-	-	-	-	-	(1,075)	(1,075)
At 31 January 2017 (audited)	**1,834**	**25,681**	**(2,673)**	**10,238**	**529**	**31,962**	**67,571**	**926**	**68,497**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**8,632**	**8,632**	**664**	**9,296**
Other comprehensive income / (expense) for the year	**-**	**-**	**-**	**(5,427)**	**1,190**	**-**	**(4,237)**	**-**	**(4,237)**
Total comprehensive income / (expense) for the year	**-**	**-**	**-**	**(5,427)**	**1,190**	**8,632**	**4,395**	**664**	**5,059**
Shares issued on satisfaction of vested share options	**40**	**-**	**-**	**-**	**-**	**(77)**	**(37)**	**-**	**(37)**
Shares issued on acquisitions	**18**	**2,930**	**-**	**-**	**-**	**-**	**2,948**	**-**	**2,948**
Movement in relation to share-based payments	**-**	**-**	**-**	**-**	**-**	**4,284**	**4,284**	**-**	**4,284**
Tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**1,240**	**1,240**	**-**	**1,240**
Dividends to owners of the parent	**-**	**-**	**-**	**-**	**-**	**(4,121)**	**(4,121)**	**-**	**(4,121)**
Movement due to ESOP share purchases	**-**	**-**	**-**	**-**	**(39)**	**-**	**(39)**	**-**	**(39)**
Movement due to ESOP share option exercises	**-**	**-**	**-**	**-**	**39**	**-**	**39**	**-**	**39**
Movement on reserves for non-controlling interests	**-**	**-**	**-**	**-**	**-**	**684**	**684**	**(684)**	**-**
Non-controlling interest dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,549)**	**(1,549)**
At 31 January 2018 (Unaudited)	**1,892**	**28,611**	**(2,673)**	**4,811**	**1,719**	**42,604**	**76,964**	**(643)**	**76,321**

[1] Other reserves include the ESOP reserve, the treasury reserve, the merger reserve and the hedging reserve.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

	Year ended 31 January 2018 (Unaudited) £'000	Year ended 31 January 2017 (Audited) £'000
Cash flows from operating activities		
Profit for the year	9,296	1,668
Adjustments for:		
Depreciation	3,985	3,482
Amortisation	7,413	6,017
Finance expense	5,833	5,607
Finance income	(1,878)	(865)
Share of (profit)/loss from equity-accounted associate	(26)	272
Loss on sale of property, plant and equipment	147	110
Income tax expense	4,000	1,232
Share-based payment charge	4,284	8,989
Net cash inflow from operating activities before changes in working capital	**33,054**	**26,512**
Change in trade and other receivables	(5,860)	8,430
Change in trade and other payables	2,143	(2,861)
Change in provision	(472)	763
	(4,189)	6,332
Net cash generated from operations	**28,865**	**32,844**
Income taxes paid	(4,284)	(1,978)
Net cash inflow from operating activities	**24,581**	**30,866**
Cash flows from investing activities		
Acquisition of subsidiaries and trade and assets, net of cash acquired	(9,824)	(14,546)
Payment of contingent consideration	(5,062)	(6,622)
Acquisition of investments and associates	(464)	(777)
Proceeds on disposal of associates	-	330
Acquisition of property, plant and equipment	(2,974)	(8,284)
Proceeds on disposal of property, plant and equipment	7	7
Acquisition of intangible assets	(1,193)	(612)
Net movement in long-term cash deposits	(6)	(292)
Interest received	117	204
Net cash outflow from investing activities	**(19,399)**	**(30,592)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

	Year ended 31 January 2018 (Unaudited) £'000	Year ended 31 January 2017 (Audited) £'000
Cash flows from financing activities		
Capital element of finance lease rental repayment	(17)	(55)
Increase in bank borrowings and overdrafts	8,000	11,589
Repayment of bank borrowings and overdrafts	(3,516)	-
Interest paid	(831)	(695)
Non-controlling interest dividend paid	(1,549)	(1,075)
Dividends paid to shareholders of the parent	(4,121)	(3,264)
Net cash (outflow)/inflow from financing activities	**(2,034)**	**6,500**
Net increase in cash and cash equivalents	**3,148**	**6,774**
Cash and cash equivalents at beginning of the period	22,072	14,132
Exchange gains on cash held	(937)	1,166
Cash and cash equivalents at end of the period	**24,283**	**22,072**

NOTES TO THE YEAR END RESULTS

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

1) BASIS OF PREPARATION

The financial information in this unaudited preliminary announcement 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 2018. The comparative financial information for the year ended 31 January 2017 has 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.

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 fair value accounting charges, amortisation of acquired intangibles, brand equity incentive scheme charges and other exceptional one-off costs. 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	**EMEA**	**US**	**Asia Pacific**	**Head Office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Year ended 31 January 2018 (Unaudited)						
Revenue	**58,329**	**7,851**	**115,941**	**14,690**	**–**	**196,811**
Adjusted operating profit / (loss)	**12,984**	**752**	**23,181**	**2,002**	**(8,893)**	**30,026**
Adjusted Operating profit margin	**22.3%**	**9.6%**	**20.0%**	**13.6%**	**–**	**15.3%**
Organic revenue growth[1]	**7.6%**	**3.4%**	**5.1%**	**(0.7%)**	**–**	**5.2%**
Year ended 31 January 2017 (Audited)						
Revenue	42,638	7,166	107,008	14,201	–	171,013
Adjusted operating profit / (loss)	8,042	647	22,347	2,162	(8,228)	24,970
Adjusted Operating profit margin	18.9%	9.0%	20.9%	15.2%	–	14.6%
Organic revenue growth[1]	3.7%	5.7%	12.6%	6.4%	–	9.9%

[1] Organic revenue growth is defined as the revenue growth at constant currency excluding the impact if acquisitions.

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

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
	£'000	£'000
Segment adjusted operating profit	**30,026**	**24,970**
Amortisation of acquired intangibles	(7,036)	(5,505)
Share based payment charge and charges associated with equity transactions accounted for as share-based payments (note 3)	(3,050)	(10,507)
Charge associated with office moves (note 3)	(525)	-
Current period restructure (note 3)	(1,700)	(676)
Deal costs (note 3)	(490)	(368)
Total operating profit	**17,225**	**7,914**

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

3) RECONCILIATION OF ADJUSTED RESULTS

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
	£'000	£'000
Profit before income tax	**13,296**	**2,900**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,510	2,182
Change in estimate of future contingent consideration and share purchase obligation payable	731	2,062
Share based payment charge and charges associated with equity transactions accounted for as share-based payments [1]	3,050	10,507
Charge associated with current period restructure	1,700	676
Charge associated with office moves	525	-
Deal costs[2]	490	368
Amortisation of acquired intangibles	7,036	5,505
Adjusted profit before income tax	**29,338**	**24,200**

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 transactions whereby a restricted grant of brand equity was given to key management in Text 100 LLC, Encore Digital Media Limited, Bite Communications LLC and The Outcast Agency LLC (2017: Agent3 Limited, BYND Limited, MIG Global Limited, The Lexis Agency Limited, Twogether Creative Limited, BYND LLC, Vrge Strategies LLC and M Booth LLC) 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 third party professional fees incurred during acquisitions and restructures, note 11.

4) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2018 is £5,870,000, equating to an adjusted effective tax rate of 20%, compared to 22% in the prior year. The statutory effective tax rate is 30% compared to 42% in the prior year. 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 4.5p (2017: 3.75p) per ordinary share will be paid on 3 August 2018 to shareholders listed on the register of members on 30 June 2018. Shares will go ex-dividend on 28 June 2018.

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

6) FINANCE EXPENSE

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
	£'000	£'000
Financial liabilities at amortised cost		
Bank interest payable	831	685
Financial liabilities at fair value through profit and loss		
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,510	2,182
Change in estimate of future contingent consideration and share purchase obligation payable	2,492	2,723
Other		
Finance lease interest	-	7
Other interest payable	-	10
Finance expense	**5,833**	**5,607**

7) FINANCE INCOME

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
	£'000	£'000
Financial assets at amortised cost		
Bank interest receivable	98	40
Financial assets at fair value through profit and loss		
Change in estimate of future contingent consideration and share purchase obligation payable	1,761	661
Other interest receivable	19	164
Finance income	**1,878**	**865**

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

8) EARNINGS PER SHARE

	Year ended 31 January 2018 (Unaudited)	Year ended 31 January 2017 (Audited)
	£'000	£'000
Earnings attributable to ordinary shareholders	8,632	1,138
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable after tax	2,445	2,028
Change in estimate of future contingent consideration and share purchase obligation payable after tax	822	2,070
Share based payment charge	2,498	8,075
Costs associated with current period restructure	1,241	511
Costs associated with office moves	354	-
Amortisation of acquired intangibles	5,506	4,187
US rate change	817	-
Deal costs	489	337
Adjusted earnings attributable to ordinary shareholders	22,804	18,346
	Number	**Number**
Weighted average number of ordinary shares	74,344,883	72,306,063
Dilutive LTIP shares	1,297,444	2,103,789
Dilutive Growth Deal shares	5,336,533	2,905,385
Other potentially issuable shares	1,099,352	973,882
Diluted weighted average number of ordinary shares	82,078,212	78,289,119
Basic earnings per share	11.6p	1.6p
Diluted earnings per share	10.5p	1.5p
Adjusted earnings per share	30.7p	25.4p
Diluted adjusted earnings per share	27.8p	23.4p

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 YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

9) NET DEBT

The HSBC Bank revolving credit facility expires in 2022 and therefore the outstanding balance has been classified in non-current borrowings.

	31 January 2018 (Unaudited)	31 January 2017 (Audited)
	£'000	£'000
Total loans and borrowings	35,871	33,458
Obligations under finance leases	5	26
Less: cash and cash equivalents	(24,283)	(22,072)
Net debt	**11,593**	**11,412**
Share purchase obligation	955	3,433
Contingent consideration	18,639	14,905
Deferred consideration	6,039	-
Net debt and acquisition related liabilities	**37,226**	**29,750**

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration	Contingent consideration	Share purchase obligation
	£'000	£'000	£'000
At 31 January 2016 (Audited)	-	8,344	3,734
Arising during the year	-	7,936	400
Exchange differences	-	312	144
Utilised	-	(5,080)	(1,509)
Written off as sold	-	-	(187)
Unwinding of discount	-	1,787	395
Change in estimate	-	1,606	456
At 31 January 2017 (Audited)	-	14,905	3,433
Arising during the year	500	8,286	-
Exchange differences	-	(105)	(127)
Utilised	(360)	(3,719)	(400)
Written off	-	(21)	-
Unwinding of discount	313	1,942	255
Change in estimate	-	1,140	(409)
Reclassification	5,586	(3,789)	(1,797)
At 31 January 2018 (Unaudited)	**6,039**	**18,639**	**955**
Current	**4,255**	**5,368**	**-**
Non-current	**1,784**	**13,271**	**955**

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

HSBC Facility

On 5 July 2017 the Group extended its revolving credit facility to be a five year £40m facility (previously four years and £30m). 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 dependent on the level of gearing in the business.

Velocity

On 10 July 2017, Next 15 purchased the entire share capital of Velocity Partners Limited ('Velocity'), a B2B digital agency that services multi-national technology groups for initial consideration £5.9m. Further consideration is payable based on a share of the average profit of Velocity in the year to 30 April 2018, and then based on the average EBITDA for FY19 and FY20, and then on the average EBITDA on FY21 and FY22, and a contractual multiple.

Circle

On 11 July 2017, Next 15 purchased the entire share capital of Circle Research Limited ('Circle'), a B2B market research consultancy for initial consideration of £5.2m. Further consideration is payable based on the profit of the business in FY19 and then FY20, and a contractual multiple determined by profit margin and revenue in the same financial years.

Elvis

On 14 September 2017 Next 15 purchased the entire share capital of Elvis Communications Limited ('Elvis'), a digital agency focused on consumer brands for initial consideration of £5.0m. Deferred consideration is also payable in March 2018 and subject to any deductions for irrecoverable debtors and other liabilities which have arisen relating to the pre-acquisition period.

Charterhouse

On 26 September 2017 Next 15 purchased the entire share capital of Charterhouse Research Limited ('Charterhouse'), a specialist financial market research agency for initial consideration of £2.8m. Further consideration is payable based on the profit of the business in FY19 and then FY20, and a contractual multiple determined by profit margin and revenue in the same financial years.

Encore

On 27 September 2017, Next 15 acquired the remaining 25% minority interest in Encore Digital Media Limited ('Encore'), its B2B programmatic business, and agreed a final settlement amount for the remaining obligation for the original purchase of 75% of the issued share capital made on 27 April 2015. The aggregate consideration for the minority interest and remaining obligation is £6.55m of which £0.36m was paid in October 2017 and £3.75m is payable in April 2018, £0.36m is payable in April 2019 and £2.07m is payable in April 2020.

NOTES TO THE YEAR END RESULTS (*Continued)*

FOR THE YEARS ENDED 31 JANUARY 2018 AND 31 JANUARY 2017

12) EVENTS AFTER THE BALANCE SHEET DATE

HSBC Facility

On 5 February 2018 the Group extended its facilities agreement with HSBC further to include a loan of £20m in addition to the RCF of £40m which is available until 5 July 2022. The £20m loan was drawn down on 9th February 2018 and is repayable in equal annual instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF.

Brandwidth

On 6th February 2018 the Group purchased the entire share capital of Brandwidth Group Limited and its subsidiaries ('Brandwidth'), a UK-based innovation agency bringing significant digital skills to the Group, for initial consideration of £6.2m. Further consideration is payable based on performance for the year to 30 June 2018.