13 April 2021

# Next Fifteen Communications Group plc

("Next 15" or the "Group")

## Results for the year ended 31 January 2021

Next 15, the digital communications group, today announces its final results for the year ended 31 January 2021.

### Financial results for the year to 31 January 2021

| | Year ended 31 January 2021 £m | Year ended 31 January 2020 £m | % change year on year |
|---|---|---|---|
| **Adjusted results**[1] | | | |
| Net revenue | **266.9** | **248.5** | **7%** |
| Operating profit after interest on finance lease liabilities | **49.5** | **40.9** | **21%** |
| Operating profit margin | **18.5%** | **16.4%** | |
| Profit before tax | **49.1** | **40.2** | **22%** |
| Diluted earnings per share (p) | **40.7p** | **34.8p** | **17%** |
| Net cash generated from operations | **72.9** | **49.5** | **47%** |
| **Statutory results** | | | |
| Revenue | **323.7** | **300.7** | **8%** |
| Operating profit | **13.7** | **19.4** | **(29)%** |
| (Loss)/profit before tax | **(1.3)** | **5.6** | **(123)%** |
| Diluted (loss)/earnings per share (p) | **(5.3)p** | **2.5p** | **(312)%** |

[1] Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results below and within notes 2, 3 and 8.

### Highlights

- Group net revenue growth of 7% to £266.9m and statutory revenue growth of 8%, aided by acquisitions
- Adjusted profit before tax up 22% to £49.1m
- Adjusted diluted earnings per share increased by 17% to 40.7p
- Net cash generated from operations increased by 47% to £72.9m
- Strong balance sheet with net cash of £14.0m at 31 January 2021 (2020: net debt of £9.3m)
- Expanded briefs from a number of clients including Salesforce, IBM and Amazon
- Material step into innovation consulting through the acquisition of Mach49 in August 2020 and the acquisition of CRE in July brought digital optimisation skillset into the Group, with both being earnings accretive in the year
- Following a review of the property portfolio in the light of plans to operate more flexible home working, a £10m property impairment charge has been booked due to surplus office space which resulted in a statutory loss before tax of £1.3m. This should yield approximately £5m in annualised savings
- Reinstatement of the dividend policy with a final dividend proposed for the year ended 31 January 2021 of 7p per ordinary share
- Post year end commitment to repay UK Government furlough support

**Current trading and outlook**

- The Group has made a strong start to the new financial year and is currently trading ahead of management expectations
- The Group has recently announced the acquisition of Shopper Media Group Ltd which specialises in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store

**Commenting on the results, Chairman of Next 15, Penny Ladkin-Brand said**:

In a year like no other, these are excellent results. As the first effects of the pandemic took hold at the start of the financial year, Tim said that he wanted Next 15 to come out of this year as a stronger business. He and the executive team have worked tirelessly in order to achieve that outcome. They have changed the way we operate, rethinking the offering to customers, how the businesses in the Group interact and how we interact with our people. Most importantly, the past year has shown that our people have the character to handle challenges that are thrown at them. This resilience displayed by our people doesn't appear on our balance sheet but it has proven to be an invaluable asset. We are grateful and proud of all the people in the Group for their efforts during the year to deliver these results.

Looking to the year ahead, the Board is optimistic about the prospects for the Group, despite the continued impact of Covid-19 on the economy. Covid-19 tested our business model but it also tested the character of the team that leads Next 15 and the people that work for the Group across the world. The Board remains confident of the Group's underlying prospects. We believe we have the quality of people, the strategy and the financial strength to continue to outperform our marketplace.

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## Notes:

*Net revenue*
Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

*Organic net revenue growth*
Organic net revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions and disposals in the last 12 months.

*Adjusted operating profit margin*
Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation.

## Chairman and Chief Executive's Statement

### Review of FY21

Next 15's evolution towards a data, digital and consulting Group has put us in a better place to deal with the impact of Covid-19. The Group delivered a very strong trading performance despite the uncertain trading environment brought on by the Covid pandemic. The Group was helped by the fact that we had limited exposure to the more heavily impacted sectors of leisure, travel, retail and hospitality, and we are not involved in the live events, traditional media buying or sports marketing sectors, which have suffered materially over the last twelve months. Approximately 60% of our revenue is derived from the tech sector and our B2B marketing agencies, which are focused on driving revenue for their clients, and which excelled despite the uncertain economic environment whilst our B2C agencies recovered well after initial Covid related client deferrals.

### Strategy update

While our customers have been changing, so have we. We have refocused the Group so that it is set up to solve the biggest challenge facing all of our customers, which is driving growth. There are many ways we help our customers grow, but we believe we have a unique advantage in four areas:

- Customer Insight
- Customer Engagement
- Customer Delivery
- Business Transformation

Our **customer insight** business is set up to help customers understand the opportunities and challenges they face and arm them with the knowledge they need to make the best decisions.

Our **customer engagement** business is designed to help our customers optimize their brand reputation and build the mission-critical digital assets such as ecommerce platforms, apps and websites that are the window through which much of the world's commerce is now transacted.

**Customer delivery** businesses are deeply specialised to use creativity, data, and analytics to create the connections with customers to drive sales and other forms of interaction. This link in the chain is increasingly digital. Businesses want to anticipate what their customers want and when they will want it. It is perhaps not surprising that this is a high growth area for our Group.

**Business transformation** is where customers need our help to either redesign their business model or create entirely new ventures. It is also the area where they need our help to understand how to maximise the value of the organisation.

### Acquisitions

The Group has continued to grow its portfolio of businesses. In July, the Group acquired CRE, a web optimisation agency and in August Mach49, the Silicon Valley-based growth incubator for global businesses which becomes a cornerstone of our previously announced plan to create a $100m revenue innovation business. Last week we announced the acquisition of Shopper Media Group Ltd which specialises in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. Their clients include The Co-op Group, Deliveroo, The Very Group, Pladis and McCain Foods.

### Current trading and outlook

The Board is pleased to report that we have made a strong start to the new financial year and our trading performance is currently ahead of management expectations, despite the relative strength of sterling. With cash on the balance sheet, the Group is in a good position to execute on its investment strategy. Collectively this should drive another year of strong financial performance.

## Review of Adjusted Results to 31 January 2021

| ADJUSTED RESULTS[1] | Year Ended 31 January 2021 £'000 | Year Ended 31 January 2020 £'000 |
|---|---|---|
| Net revenue | **266,886** | **248,469** |
| Operating profit after interest on lease liabilities | **49,486** | **40,860** |
| Operating profit margin | **18.5%** | **16.4%** |
| Net finance expense | **(800)** | **(827)** |
| Share of profits from associate | **431** | **204** |
| Profit before income tax | **49,117** | **40,237** |
| Tax rate on adjusted profit | **20.2%** | **20.0%** |
| Diluted adjusted earnings per share | **40.7p** | **34.8p** |

[1] Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results below and within notes 2, 3 and 8

The last 12 months have been dominated by the impact of the Covid pandemic. When the seriousness of the situation became apparent in March 2020, we quickly took decisive actions to preserve the profitability of our businesses and our cash reserves by reducing our staff cost base in line with our expectations for reductions in revenue. We also looked at our property portfolio and determined that, with the changing nature of the working environment, we could significantly reduce our global property footprint with the medium-term ambition of reducing our annual property costs by approximately £5m. We saw organic declines in revenue by quarter of 4% in Q1, 8% in Q2, before recovering to down 3% in Q3 and up 2% in Q4. Our B2B agencies proved resilient throughout the year, whilst our B2C agencies saw a strong recovery in the second half as consumer confidence returned.

Our total Group net revenues increased by 7%, but declined by 3% on an organic basis, whilst our pro-active approach to managing our cost base resulted in an increase in the operating profit margin to a record 18.5% from 16.4% in the prior year. Our B2B agencies including Twogether, Agent 3 and Activate performed very strongly whilst our B2C agencies including Savanta and M Booth agencies recovered strongly in the final quarter after being significantly impacted by the pandemic in the first half.

### Reconciliation between statutory and adjusted profit

For the year to 31 January 2021, the Group delivered net revenue of £266.9m (2020: £248.5m), adjusted operating profit of £49.5m (2020: £40.9m), adjusted profit before income tax of £49.1m (2020: £40.2m) and adjusted diluted earnings per share of 40.7p (2020: 34.8p). Statutory revenue for the year was £323.7m (2020: £300.7m) which resulted in operating profit of £13.7m compared with £19.4m in the previous year. Diluted loss per share was 5.3p, compared with earnings per share of 2.5p in the previous year.

While adjusted operating profit increased by 21% to £49.5m (2020: £40.9m), reflecting the strong trading of the Group, the statutory operating profit declined by 29% to £13.7m (2020: £19.4m). The statutory operating profit decline year on year is primarily due to the one-off property related impairment charge of £10m and an increase in acquisition related accounting charges in the year reflecting an increase in our earn-out payment liability as Activate in particular performed well.

| | Year ended 31 January 2021 £'000 | Year ended 31 January 2020 £'000 |
|---|---|---|
| **(Loss) / profit before income tax** | **(1,306)** | **5,556** |
| Acquisition accounting related costs[1] | 36,260 | 28,766 |
| Share-based payment charge | 2,424 | 374 |
| Restructuring costs | 2,746 | 4,596 |
| Deal costs | 371 | 945 |
| Property impairment | 10,018 | - |
| UK furlough grant | (1,396) | - |
| **Adjusted profit before income tax** | **49,117** | **40,237** |

[1] Acquisition accounting related costs includes unwinding of discount and change in estimate on deferred and contingent consideration and share purchase obligation payable, employment linked acquisition payments and amortisation of acquired intangibles. Refer to note 2 and 3 for further detail.

## Segment adjusted performance

| | **Brand Marketing £'000** | **Data and Analytics £'000** | **Creative Technology £'000** | **Head Office £'000** | **Total £'000** |
|---|---|---|---|---|---|
| **Year ended 31 January 2021** | | | | | |
| **Net revenue** | **140,530** | **48,447** | **77,909** | **-** | **266,886** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **34,573** | **13,254** | **13,053** | **(11,394)** | **49,486** |
| **Adjusted operating profit margin** | **24.6%** | **27.4%** | **16.8%** | **-** | **18.5%** |
| ***Organic revenue (decline) / growth*** | **(5.5)%** | **8.2%** | **(6.0)%** | **-** | **(3.4)%** |
| Year ended 31 January 2020 | | | | | |
| Net revenue | 135,036 | 45,054 | 68,379 | – | 248,469 |
| Adjusted operating profit / (loss) after interest on lease liabilities | 29,930 | 12,697 | 7,774 | (9,541) | 40,860 |
| Adjusted operating profit margin | 22.2% | 28.2% | 11.4% | – | 16.4% |
| *Organic revenue (decline) / growth* | (5.7)% | 19.3% | (2.1)% | – | (2.0)% |

**Brand marketing** includes Archetype, OutCast, Nectar, Publitek, which are our B2B tech focused agencies, M Booth, our B2C focused agency and Blueshirt, our IPO advisory agency. The B2B agencies performed well, whilst M Booth recovered in the second half after a Covid impacted first half as clients deferred spend. Blueshirt had a very strong year on the back of the US tech IPO market. Total net revenue increased by 4% to £140.5m with an organic decline of 5.5%, but the adjusted operating profit increased by 15.5% to £34.6m at an improved operating margin of 24.6%.

The **Data and analytics** segment includes Savanta, our market research agency, Activate, our lead generation agency and Planning-inc, our data platform agency. Activate produced an outstanding performance throughout the year whilst Savanta and Planning-inc each showed a strong recovery in the second half of our financial year on the back of a recovery in consumer confidence. The segment produced a positive performance overall with net revenue growing by 8% to £48.4m, with pleasing organic growth of 8.2%, and delivered an operating profit of £13.3m at an operating margin of 27.4%.

The **Creative technology** segment includes our ODD, Elvis, Brandwidth, Beyond, Twogether, CRE, Palladium, Mach49, Agent3 and Velocity agencies. CRE and Mach49 were acquired during the year. Overall, the segment delivered net revenue growth of 14% to £77.9m with an organic net revenue decline of 6%. The adjusted operating profit increased by 68% to £13.1m at an improved operating profit margin of 16.8%.

## Regional adjusted performance

| | UK £'000 | Europe & Africa £'000 | US £'000 | Asia Pacific £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 January 2021** | | | | | | |
| **Net revenue** | **106,247** | **8,610** | **138,383** | **13,646** | **-** | **266,886** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **22,402** | **1,997** | **34,150** | **2,331** | **(11,394)** | **49,486** |
| **Adjusted operating profit margin** | **21.1%** | **23.2%** | **24.7%** | **17.1%** | **-** | **18.5%** |
| ***Organic revenue decline*** | **(6.4)%** | **(4.7)%** | **(0.8)%** | **(5.5)%** | **-** | **(3.4)%** |
| Year ended 31 January 2020 | | | | | | |
| Net revenue | 97,377 | 8,820 | 127,563 | 14,709 | – | 248,469 |
| Adjusted operating profit / (loss) after interest on lease liabilities | 20,094 | 1,587 | 26,421 | 2,299 | (9,541) | 40,860 |
| Adjusted operating profit margin | 20.6% | 18.0% | 20.7% | 15.6% | – | 16.4% |
| *Organic revenue growth/(decline)* | 0.3% | 0.4% | (4.6)% | 4.8% | – | (2.0)% |

Our US businesses have proved resilient and continued to perform well, despite the challenges of the pandemic. In the year to 31 January 2021, total US net revenues grew by 8.5% to £138.4m from £127.6m which equated to an organic decline of 0.8%, taking account of movements in exchange rates and the acquisitions of Nectar, M Booth Health and Mach49. Organic growth was impacted by the pandemic, but our lead generation agency, Activate, had a very strong performance throughout the year, whilst our B2C agency M Booth recovered in the second half after initially suffering client deferrals as a result of the pandemic. We also took decisive action on the cost base with staff reductions and a property re-organisation in our key markets of New York and San Francisco. The adjusted operating profit from our US businesses increased by 29.3% to £34.2m compared with £26.4m in the previous 12 months to 31 January 2020, with the operating margin increasing to 24.7% from 20.7% in the prior year.

The UK businesses have delivered a resilient performance over the last 12 months, with net revenue increasing by 9.1% to £106.2m from £97.4m in the prior period. This growth was helped by the acquisition of CRE and the acquisitions of Future Thinking and ComRes into our Savanta business. Our UK businesses suffered an organic revenue decline of 6.4%, with a recovery in the fourth quarter as consumer confidence recovered. The adjusted operating profit increased to £22.4m from £20.1m in the prior year with the adjusted operating margin increasing to 21.1% from 20.6% in the prior year.

The EMEA business delivered a solid trading performance. Net revenue decreased by 2% to £8.6m (2020: £8.8m) and adjusted operating profit increased to £2.0m at an improved adjusted operating margin of 23.2%, due to very tight cost control.

In the APAC region net revenue decreased by 7% to £13.6m (2020: £14.7m), however the operating margin increased to 17.1% from 15.6% in the prior period and the operating profit remained at a very credible £2.3m.

## Government support

During the year to 31 January 2021, the Group utilised various government support schemes, primarily the UK furlough scheme and deferral of US social security. In total across the Group, £2.1m of government assistance has been recognised as a reduction in costs during the year ending 31 January 2021. Since the year end, we have committed to repaying the furlough monies received from the UK government in full of £1.4m, which will be treated as an exceptional item in the results for the year to 31 January 2022.

## Balance Sheet and Net Debt

The Group's balance sheet remains in a very healthy position with net cash as at 31 January 2021 of £14.0m (2020: net debt of £9.3m). The net cash inflow from operating activities before changes in working capital for the year to 31 January 2021 increased to £66.4m from £52.8m in the prior period. Our management of working capital significantly improved with an inflow of £6.6m compared with outflow of £3.3m in the prior period. This resulted in our net cash generated from operations before tax being £72.9m (2020: £49.5m).

Over the year we invested £23.6m in acquisition-related payments and £4.1m in capital expenditure.

| **Cash flow KPIs** | **Year to 31 January 2021 £m** | **Year to 31 January 2020 £m** |
|---|---|---|
| Net cash inflow from operating activities before changes in working capital | **66.4** | **52.8** |
| Working capital movement | **6.6** | **(3.3)** |
| Net cash generated from operations | **72.9** | **49.5** |
| Income tax paid | **(8.4)** | **(6.0)** |
| Investing activities | **(27.0)** | **(28.3)** |
| Dividend paid to shareholders | **-** | **(6.8)** |

The Group operates a £40m revolving credit facility ("RCF") with HSBC available until July 2022 and has a £20m term loan with £5m left to be repaid in December 2021. The £40m facility is primarily used for acquisitions, although it could be used for working capital requirements and is due to be repaid from 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 (2020: $7m) which is available for property rental guarantees and US-based working capital needs.

As part of the facilities agreement, Next 15 must 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.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020**

| | Note | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|---|
| | | £'000 | £'000 |
| Revenue | | 323,668 | 300,711 |
| Direct costs | | (56,782) | (52,242) |
| **Net revenue** | 2 | **266,886** | **248,469** |
| Staff costs | | 189,530 | 171,180 |
| Depreciation | | 11,609 | 13,196 |
| Amortisation | | 16,394 | 13,211 |
| Other operating charges | | 35,665 | 31,469 |
| Total operating charges | | (253,198) | (229,056) |
| **Operating profit** | 2 | **13,688** | **19,413** |
| Finance expense | 6 | (16,884) | (16,672) |
| Finance income | 7 | 1,459 | 2,611 |
| Share of profit from associate | | 431 | 204 |
| **(Loss)/profit before income tax** | 3 | **(1,306)** | **5,556** |
| Income tax expense | 4 | (2,643) | (2,717) |
| **(Loss)/profit for the year** | | **(3,949)** | **2,839** |
| Attributable to: | | | |
| Owners of the parent | | (4,938) | 2,262 |
| Non-controlling interests | | 989 | 577 |
| | | **(3,949)** | **2,839** |
| **(Loss)/earnings per share** | | | |
| Basic (pence) | 8 | (5.5) | 2.7 |
| Diluted (pence) | 8 | (5.3) | 2.5 |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020**

| | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|
| | £'000 | £'000 |
| **(Loss)/profit for the year** | **(3,949)** | **2,839** |
| **Other comprehensive (expense) / income:** | | |
| *Items that may be reclassified into profit or loss:* | | |
| Exchange differences on translating foreign operations | (1,395) | (136) |
| Net investment hedge | - | (411) |
| | (1,395) | (547) |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Revaluation of investments | (117) | (562) |
| Total other comprehensive expense for the year | (1,512) | (1,109) |
| **Total comprehensive (expense)/income for the year** | **(5,461)** | **1,730** |
| Attributable to: | | |
| Owners of the parent | (6,450) | 1,153 |
| Non-controlling interests | 989 | 577 |
| | **(5,461)** | **1,730** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS (Unaudited)

| | Year ended 31 January 2021 £'000 | Year ended 31 January 2020 £'000 |
|---|---|---|
| **Net revenue** | **266,886** | **248,469** |
| Operating charges | (202,991) | (191,705) |
| **EBITDA** | **63,895** | **56,764** |
| Depreciation and Amortisation | (13,001) | (14,308) |
| **Operating profit** | **50,894** | **42,456** |
| Interest on finance lease liabilities | (1,408) | (1,596) |
| **Operating profit after interest on finance lease liabilities** | **49,486** | **40,860** |
| *Operating profit margin* | *18.5%* | *16.4%* |
| Net finance expense | (800) | (827) |
| Share of profits of associate | 431 | 204 |
| **Profit before income tax** | **49,117** | **40,237** |
| Tax | (9,922) | (8,046) |
| **Profit after tax** | **39,195** | **32,191** |

| | | |
|---|---|---|
| Weighted average number of ordinary shares | 89,382,909 | 85,284,663 |
| Diluted weighted average number of ordinary shares | 93,818,504 | 90,936,482 |

| | | |
|---|---|---|
| Adjusted earnings per share | 42.7p | 37.1p |
| Diluted adjusted earnings per share | 40.7p | 34.8p |

| | | |
|---|---|---|
| Cash inflow from operating activities before working capital changes | 66,380 | 52,823 |
| Cash outflow on acquisition-related payments | (23,636) | (24,173) |
| Net cash/(debt) | 14,021 | (9,346) |
| Dividend (per share) | 7.0p | 2.5p |

Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within notes 2, 3 and 8.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

## CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2021 AND 2020

| | Note | 31 January 2021 £'000 | 31 January 2020 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 8,904 | 14,224 |
| Right-of-use assets | | 26,008 | 41,655 |
| Intangible assets | | 163,777 | 155,408 |
| Investment in equity accounted associate | | 254 | 232 |
| Investments in financial assets | | 955 | 1,075 |
| Deferred tax asset | | 15,314 | 10,967 |
| Other receivables | | 860 | 809 |
| **Total non-current assets** | | 216,072 | 224,370 |
| Trade and other receivables | | 77,530 | 70,260 |
| Cash and cash equivalents | 9 | 26,831 | 28,661 |
| Corporation tax asset | | 1,215 | 734 |
| **Total current assets** | | 105,576 | 99,655 |
| **Total assets** | | **321,648** | **324,025** |
| **Liabilities** | | | |
| Loans and borrowings | 9 | 7,810 | 33,007 |
| Deferred tax liabilities | | 3,229 | 3,538 |
| Lease liabilities | | 31,812 | 43,023 |
| Other payables | | 1,576 | 16 |
| Provisions | | 7,140 | 4,942 |
| Contingent consideration | 10 | 36,194 | 26,815 |
| Share purchase obligation | 10 | 5,302 | 2,098 |
| **Total non-current liabilities** | | 93,063 | 113,439 |
| Loans and borrowings | 9 | 5,000 | 5,000 |
| Trade and other payables | | 77,319 | 59,620 |
| Lease liabilities | | 10,957 | 11,210 |
| Provisions | | 5,656 | 1,522 |
| Corporation tax liability | | 604 | 1,173 |
| Deferred consideration | 10 | 1,262 | 2,715 |
| Contingent consideration | 10 | 9,700 | 15,366 |
| Share purchase obligation | 10 | 1,206 | 1,269 |
| **Total current liabilities** | | 111,704 | 97,875 |
| **Total liabilities** | | **204,767** | **211,314** |
| **TOTAL NET ASSETS** | | **116,881** | **112,711** |
| **Equity** | | | |
| Share capital | | 2,274 | 2,163 |
| Share premium reserve | | 92,408 | 76,019 |
| Share purchase reserve | | (2,673) | (2,673) |
| Foreign currency translation reserve | | 6,166 | 7,561 |
| Other reserves | | 608 | 608 |
| Retained earnings | | 18,174 | 29,618 |
| **Total equity attributable to owners of the parent** | | **116,957** | **113,296** |
| Non-controlling interests | | (76) | (585) |
| **TOTAL EQUITY** | | **116,881** | **112,711** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020

| | 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 2019 as previously stated** | **2,089** | **62,993** | **(2,673)** | **7,697** | **1,019** | **41,404** | **112,529** | **(1,076)** | **111,453** |
| Change in accounting policy (IFRS 16) | - | - | - | - | - | (1,794) | (1,794) | - | (1,794) |
| Deferred tax on accounting policy change | - | - | - | - | - | 400 | 400 | - | 400 |
| **At 1 February 2019 as restated** | **2,089** | **62,993** | **(2,673)** | **7,697** | **1,019** | **40,010** | **111,135** | **(1,076)** | **110,059** |
| Profit for the year | - | - | - | - | - | 2,262 | 2,262 | **577** | 2,839 |
| Other comprehensive income / (expense) for the year | - | - | - | (136) | (411) | (562) | (1,109) | - | (1,109) |
| Total comprehensive income / (expense) for the year | - | - | - | (136) | (411) | 1,700 | 1,513 | **577** | 1,730 |
| Shares issued on satisfaction of vested performance shares | 38 | 5,388 | - | - | - | (5,426) | - | - | - |
| Shares issued on acquisitions | 36 | 7,638 | - | - | - | - | 7,674 | - | 7,674 |
| Movement in relation to share-based payments | - | - | - | - | - | 600 | 600 | - | 600 |
| Tax on share-based payments | - | - | - | - | - | 167 | 167 | - | 167 |
| Dividends to owners of the parent | - | - | - | - | - | (6,759) | (6,759) | - | (6,759) |
| Movement due to ESOP share purchases | - | - | - | - | (15) | - | (15) | - | (15) |
| Movement due to ESOP share option exercises | - | - | - | - | 15 | - | 15 | - | 15 |
| Movement on reserves for non-controlling interests | - | - | - | - | - | (674) | (674) | **674** | - |
| Non-controlling dividend | - | - | - | - | - | - | - | **(760)** | (760) |
| **At 31 January 2020** | **2,163** | **76,019** | **(2,673)** | **7,561** | **608** | **29,618** | **113,296** | **(585)** | **112,711** |
| (Loss)/profit for the year | **-** | **-** | **-** | **-** | **-** | **(4,938)** | **(4,938)** | **989** | **(3,949)** |
| Other comprehensive expense for the year | **-** | **-** | **-** | **(1,395)** | **-** | **(117)** | **(1,512)** | **-** | **(1,512)** |
| Total comprehensive (expense) / income for the year | **-** | **-** | **-** | **(1,395)** | **-** | **(5,055)** | **(6,450)** | **989** | **(5,461)** |
| Shares issued on satisfaction of vested performance shares | **69** | **10,162** | **-** | **-** | **-** | **(10,231)** | **-** | **-** | **-** |
| Shares issued on acquisitions | **42** | **6,227** | **-** | **-** | **-** | **-** | **6,269** | **-** | **6,269** |
| Movement in relation to share-based payments | **-** | **-** | **-** | **-** | **-** | **3,557** | **3,557** | **-** | **3,557** |
| Tax on share-based payments | **-** | **-** | **-** | **-** | **-** | **491** | **491** | **-** | **491** |
| Movement due to ESOP share purchases | **-** | **-** | **-** | **-** | **(5)** | **-** | **(5)** | **-** | **(5)** |
| Movement due to ESOP share option exercises | **-** | **-** | **-** | **-** | **5** | **-** | **5** | **-** | **5** |
| Movement on reserves for non-controlling interests | **-** | **-** | **-** | **-** | **-** | **(206)** | **(206)** | **206** | **-** |
| Non-controlling dividend | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(686)** | **(686)** |
| **At 31 January 2021** | **2,274** | **92,408** | **(2,673)** | **6,166** | **608** | **18,174** | **116,957** | **(76)** | **116,881** |

[1] Other reserves include 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 2021 AND 31 JANUARY 2020**

| | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year | (3,949) | 2,839 |
| Adjustments for: | | |
| Depreciation | 3,880 | 4,505 |
| Right of use depreciation | 7,729 | 8,691 |
| Amortisation | 16,394 | 13,211 |
| Finance expense | 16,884 | 16,672 |
| Finance income | (1,459) | (2,611) |
| Share of profit from equity accounted associate | (431) | (204) |
| Impairment of RoU assets | 8,503 | - |
| Loss on sale/impairment of property, plant and equipment | 6,885 | 1,360 |
| (Gain)/loss on exit of finance lease | (2,317) | 14 |
| Income tax expense | 2,643 | 2,717 |
| Employment linked acquisition provision charge | 8,041 | 5,029 |
| Share-based payment charge | 3,587 | 600 |
| **Net cash inflow from operating activities before changes in working capital** | **66,380** | **52,823** |
| Change in trade and other receivables | (5,692) | 1,971 |
| Change in trade and other payables | 12,942 | (1,950) |
| Change in other liabilities | (697) | (3,343) |
| | 6,553 | (3,322) |
| **Net cash generated from operations before tax outflows** | **72,933** | **49,501** |
| Income taxes paid | (8,423) | (5,993) |
| **Net cash inflow from operating activities** | **64,510** | **43,508** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries and trade and assets, net of cash acquired | (8,097) | (18,501) |
| Payment of contingent and deferred consideration | (15,539) | (5,622) |
| Purchase of equity investments designated at FVTOCI | - | (50) |
| Acquisition of property, plant and equipment | (1,998) | (3,460) |
| Proceeds on disposal of property, plant and equipment | 4 | 23 |
| Proceeds on disposal of subsidiary | - | 466 |
| Acquisition of intangible assets | (2,109) | (1,831) |
| Net movement in long-term cash deposits | (82) | (24) |
| Income from finance lease receivables | 780 | 547 |
| Interest received | 47 | 112 |
| **Net cash outflow from investing activities** | **(26,994)** | **(28,340)** |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)***

**FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020**

| | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from financing activities** | | |
| Capital element of finance lease rental repayment | (12,647) | (11,367) |
| Increase in bank borrowings and overdrafts | - | 27,045 |
| Repayment of bank borrowings and overdrafts | (24,912) | (14,006) |
| Interest paid | (881) | (979) |
| Dividend and profit share paid to non-controlling interest partners | (686) | (760) |
| Dividends paid to shareholders of the parent | - | (6,759) |
| **Net cash outflow from financing activities** | **(39,126)** | **(6,826)** |
| **Net (decrease)/ increase in cash and cash equivalents** | **(1,610)** | **8,342** |
| Cash and cash equivalents at beginning of the year | 28,661 | 20,501 |
| Exchange losses on cash held | (220) | (182) |
| **Cash and cash equivalents at end of the year** | **26,831** | **28,661** |

## NOTES TO THE YEAR END RESULTS

## FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020

### 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 United Kingdom (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2021.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 January 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

*Going concern statement*

The Directors have, at the time of approving this financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this financial information. The Directors have made this assessment in light of reviewing the Group's budget and cash requirements for a period in excess of one year from the date of signing of the annual report and considered outline plans for the Group thereafter.

### 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 costs not associated with the underlying business. 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 2021** | | | | | | |
| **Revenue** | **126,811** | **9,621** | **170,467** | **16,769** | | **323,668** |
| **Net revenue** | **106,247** | **8,610** | **138,383** | **13,646** | **-** | **266,886** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **22,402** | **1,997** | **34,150** | **2,331** | **(11,394)** | **49,486** |
| **Adjusted operating profit margin[1]** | **21.1%** | **23.2%** | **24.7%** | **17.1%** | **-** | **18.5%** |
| **Organic net revenue decline** | **(6.4)%** | **(4.7)%** | **(0.8)%** | **(5.5)%** | **-** | **(3.4)%** |
| Year ended 31 January 2020 | | | | | | |
| Revenue | 119,551 | 10,631 | 153,481 | 17,048 | – | 300,711 |
| Net revenue | 97,377 | 8,820 | 127,563 | 14,709 | – | 248,469 |
| Adjusted operating profit / (loss) after interest on lease liabilities | 20,094 | 1,587 | 26,421 | 2,299 | (9,541) | 40,860 |
| Adjusted operating profit margin[1] | 20.6% | 18.0% | 20.7% | 15.6% | – | 16.4% |
| Organic net revenue growth/(decline) | 0.3% | 0.4% | (4.6)% | 4.8% | – | (2.0)% |

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

## NOTES TO THE YEAR END RESULTS *(Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020

During the year, the Board of Directors also received information on the performance of the Group by operating segment in additional to regional performance.

| | Brand marketing £'000 | Data and analytics £'000 | Creative technology £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Year ended 31 January 2021** | | | | | |
| **Revenue** | **168,921** | **66,684** | **88,063** | | **323,668** |
| **Net revenue** | **140,530** | **48,447** | **77,909** | **-** | **266,886** |
| **Adjusted operating profit / (loss) after interest on lease liabilities** | **34,573** | **13,254** | **13,053** | **(11,394)** | **49,486** |
| **Adjusted operating profit margin[1]** | **24.6%** | **27.4%** | **16.8%** | **-** | **18.5%** |
| **Organic net revenue growth/(decline)** | **(5.5)%** | **8.2%** | **(6.0)%** | **-** | **(3.4)%** |
| Year ended 31 January 2020 | | | | | |
| Revenue | 160,242 | 59,446 | 81,023 | – | 300,711 |
| Net revenue | 135,036 | 45,054 | 68,379 | – | 248,469 |
| Adjusted operating profit / (loss) after interest on lease liabilities[1] | 29,930 | 12,697 | 7,774 | (9,541) | 40,860 |
| Adjusted operating profit margin[1] | 22.2% | 28.2% | 11.4% | – | 16.4% |
| Organic net revenue growth/(decline) | (5.7)% | 19.3% | (2.1)% | – | (2.0)% |

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

A reconciliation of segment adjusted operating profit after interest on finance lease liabilities to segment adjusted operating profit and statutory operating profit is provided as follows:

| | Year ended 31 January 2021 £'000 | Year ended 31 January 2020 £'000 |
|---|---|---|
| **Segment adjusted operating profit after interest on finance lease liabilities** | **49,486** | **40,860** |
| Interest on finance lease liabilities | 1,408 | 1,596 |
| **Segment adjusted operating profit** | **50,894** | **42,456** |
| Amortisation of acquired intangibles (note 3) | (15,002) | (12,099) |
| Share based payment charge and charges associated with equity transactions accounted for as share-based payments (note 3) | (2,424) | (374) |
| Employment linked acquisition payments (note 3) | (8,041) | (5,029) |
| Property impairment (note 3) | (10,018) | - |
| Restructuring costs (note 3) | (2,746) | (4,596) |
| UK furlough grant (note 3) | 1,396 | - |
| Deal costs (note 3) | (371) | (945) |
| **Total operating profit** | **13,688** | **19,413** |

## NOTES TO THE YEAR END RESULTS *(Continued)*

## FOR THE YEARS ENDED 31 JANUARY 2021 AND 31 JANUARY 2020

### 3) RECONCILIATION OF ADJUSTED RESULTS

| | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|
| | £'000 | £'000 |
| **(Loss)/profit before income tax** | **(1,306)** | **5,556** |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1] | 5,153 | 3,552 |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 8,064 | 8,086 |
| Share-based payment charge[2] | 2,424 | 374 |
| Employment linked acquisition payments[3] | 8,041 | 5,029 |
| Restructuring costs[4] | 2,746 | 4,596 |
| Deal costs[5] | 371 | 945 |
| Property impairment[6] | 10,018 | - |
| UK furlough grant[7] | (1,396) | - |
| Amortisation of acquired intangibles[8] | 15,002 | 12,099 |
| **Adjusted profit before income tax** | **49,117** | **40,237** |
| | | |
| **Operating profit** | **13,688** | **19,413** |
| Depreciation of property, plant and equipment | 3,880 | 4,505 |
| Depreciation of right-of-use assets | 7,729 | 8,691 |
| Amortisation of intangible assets | 16,394 | 13,211 |
| **EBITDA** | **41,691** | **45,820** |
| Share-based payment charge[2] | 2,424 | 374 |
| Employment linked acquisition payments[3] | 8,041 | 5,029 |
| Restructuring costs[4] | 2,746 | 4,596 |
| Deal costs[5] | 371 | 945 |
| Property impairment[6] | 10,018 | - |
| UK furlough grant[7] | (1,396) | - |
| **Adjusted EBITDA** | **63,895** | **56,764** |

[1] The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations. The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

[2] This charge relates to transactions whereby a restricted grant of brand equity was given to key management in M Booth & Associates LLC, Twogether Creative Limited, Savanta Group Limited and ODD London Limited (2020: M Booth & Associates 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 in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. It also includes £239,000 of charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (or growth shares) should be excluded from underlying performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands.

[3] This charge relates to payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs solely relate to acquiring the sellers business.

[4] In the current year the Group has incurred restructuring costs which primarily relates to Covid-19 redundancy costs taken in the year in response to the pandemic in addition to writing off intangibles. These costs relate to these specific transformational events; they do not relate to underlying trading of the relevant brand and therefore have been added back to aid comparability of performance year on year. These costs are made up of £2.5m staff-related costs and £0.2m of other costs relating to the intangible write offs.

[5] This charge relates to third party professional fees incurred during acquisitions.

[6]In the current year the Group has recognised charges relating to the reorganisation of the property space across the Group. The majority of the charge is impairment of right-of-use assets and leasehold improvements. As a result of Covid-19, the Group has identified excess property space within the portfolio and therefore taken an impairment charge relating to those offices. The Group has adjusted for this cost, as the additional one-off impairment charge does not relate to the underlying trading of the business and therefore added back to aid comparability.
[7]As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme which has been accounted for as a reduction in staff costs. Subsequent to the balance sheet date, the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts are added back to aid comparability of the Group's profitability year on year.
[8]In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles been added back to aid comparability.

Adjusted profit before income tax and adjusted EBITDA have been presented to provide additional information which may be useful to the reader. Adjusted profit before income tax 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.

## 4) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2021 is £9,922,000, equating to an adjusted effective tax rate of 20.2%, compared to 20.0% in the prior year. The Group's underlying 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. The Group notes that Governments around the world are likely to increase their rates of corporation tax materially over the next few years to help pay for the cost of economic support in light of the pandemic. Therefore, it is likely that the Group's adjusted effective rate of tax will increase materially over the next few years reflecting these increases.
The statutory tax charge for the year ended 31 January 2021 is £2,643,000.

## 5) DIVIDENDS

A final dividend of 7p per ordinary share will be paid on 13 August 2021 to shareholders listed on the register of members on 9 July 2021. Shares will go ex-dividend on 8 July 2021. In the prior year, given the macroeconomic backdrop due to Covid-19, the Group decided to suspend the final dividend. This makes the total dividend for the year 7p per share (2020: 2.5p).

## 6) FINANCE EXPENSE

| | Year ended 31 January 2021 £'000 | Year ended 31 January 2020 £'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Bank interest payable | 877 | 977 |
| Interest on lease liabilities[1] | 1,408 | 1,596 |
| **Financial liabilities at fair value through profit and loss** | | |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1] | 5,153 | 3,552 |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 9,442 | 10,545 |
| **Other** | | |
| Other interest payable | 4 | 2 |
| **Finance expense** | **16,884** | **16,672** |

[1]These items are adjusted for in calculating the adjusted net finance expense.

## 7) FINANCE INCOME

| | Year ended 31 January 2021 £'000 | Year ended 31 January 2020 £'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Bank interest receivable | 43 | 99 |
| Finance lease interest receivable | 34 | 40 |
| **Financial liabilities at fair value through profit and loss** | | |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 1,378 | 2,459 |
| Other interest receivable | 4 | 13 |
| **Finance income** | **1,459** | **2,611** |

[1]These items are adjusted for in calculating the adjusted net finance expense.

## 8) EARNINGS PER SHARE

| | Year ended 31 January 2021 | Year ended 31 January 2020 |
|---|---|---|
| | £'000 | £'000 |
| **(Loss)/earnings attributable to ordinary shareholders** | **(4,938)** | **2,262** |
| Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable | 5,153 | 3,552 |
| Change in estimate of future contingent consideration and share purchase obligation payable | 8,064 | 8,086 |
| Share based payment charge | 2,424 | 374 |
| Restructuring costs | 2,746 | 4,596 |
| Property impairment | 10,018 | - |
| UK furlough grant | (1,396) | - |
| Amortisation of acquired intangibles | 15,002 | 12,099 |
| Employment linked acquisition payments | 8,041 | 5,029 |
| Deal costs | 371 | 945 |
| Tax effect of adjusting items above | (7,280) | (5,331) |
| **Adjusted earnings attributable to ordinary shareholders** | **38,205** | **31,612** |
| | **Number** | **Number** |
| Weighted average number of ordinary shares | 89,382,909 | 85,284,663 |
| Dilutive LTIP shares | 820,997 | 755,018 |
| Dilutive growth deal shares | 1,552,359 | 2,983,371 |
| Other potentially issuable shares | 2,062,239 | 1,913,430 |
| Diluted weighted average number of ordinary shares | 93,818,504 | 90,936,482 |

### 8) EARNINGS PER SHARE (*Continued*)

| | | |
|---|---|---|
| Basic (loss)/earnings per share | (5.5)p | 2.7p |
| Diluted (loss)/earnings per share | (5.3)p | 2.5p |
| Adjusted earnings per share | 42.7p | 37.1p |
| Diluted adjusted earnings per share | 40.7p | 34.8p |

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares.

### 9) NET DEBT

The HSBC Bank revolving credit facility of £40m expires in July 2022 and therefore the outstanding balance of £7.8m has been classified in non-current borrowings. The £20m loan drawn from HSBC is repayable in annual instalments and is classified in non-current borrowings with the exception of the instalment due in less than one year.

| | 31 January 2021<br>£'000 | 31 January 2020<br>£'000 |
|---|---|---|
| Total loans and borrowings | 12,810 | 38,007 |
| Less: cash and cash equivalents | (26,831) | (28,661) |
| **Net (cash)/debt** | **(14,021)** | **9,346** |
| Share purchase obligation | 6,508 | 3,367 |
| Contingent consideration | 45,894 | 42,181 |
| Deferred consideration | 1,262 | 2,715 |
| **Net debt and acquisition related liabilities** | **39,643** | **57,609** |

### 10) OTHER FINANCIAL LIABILITIES

| | Deferred consideration<br>£'000 | Contingent consideration<br>£'000 | Share purchase obligation<br>£'000 |
|---|---|---|---|
| At 31 January 2019 | 4,646 | 24,712 | 1,736 |
| Arising during the year | 350 | 14,445 | - |
| Exchange differences | - | (726) | 7 |
| Utilised | (2,667) | (5,425) | (453) |
| Unwinding of discount | 386 | 3,008 | 158 |
| Change in estimate | - | 6,167 | 1,919 |
| At 31 January 2020 | 2,715 | 42,181 | 3,367 |
| Arising during the year | - | 12,885 | - |
| Exchange differences | - | (1,979) | (50) |
| Utilised | (4,037) | (14,635) | - |
| Unwinding of discount | 179 | 4,515 | 459 |
| Change in estimate | - | 5,332 | 2,732 |
| Reclassification | 2,405 | (2,405) | - |
| **At 31 January 2021** | **1,262** | **45,894** | **6,508** |
| **Current** | **1,262** | **9,700** | **1,206** |
| **Non-current** | **-** | **36,194** | **5,302** |

### 11) EVENTS AFTER THE BALANCE SHEET DATE

On 9 April 2021 Next 15 purchased the entire issued share capital of Shopper Media Group Ltd ("SMG") and its subsidiaries, a UK based agency specialising in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. The initial consideration is approximately £15.7m and further consideration is payable around June 2023 and June 2025 based on the EBITDA performance of SMG in the two year periods ending 31 January 2023 and 31 January 2025. We expect to recognise goodwill on this acquisition due to the anticipated profitability and operating synergies. Due to the recent timing of the acquisition, the IFRS 3 acquisition accounting has not yet been completed.