25 September 2018

Next Fifteen Communications Group plc

Interim results for the six months ended 31 July 2018

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its interim results for the six months ended 31 July 2018.

Financial results for the six months to 31 July 2018 (unaudited)

	Six months ended 31 July 2018 £m	Six months ended 31 July 2017 £m	Growth in results
Adjusted results			
Net revenue	**106.8**	**93.5**	**14%**
EBITDA	**17.7**	**14.5**	**22%**
Operating profit	**15.4**	**12.3**	**25%**
Operating profit margin	**14.4%**	**13.2%**	
Profit before tax	**15.1**	**12.0**	**26%**
Diluted EPS (p)	**14.2p**	**11.4p**	**25%**
Statutory results			
Operating profit	10.5	7.2	47%
Profit before tax	10.3	5.2	97%
Diluted EPS (p)	9.4p	4.8p	96%

In order to assist shareholders' understanding of the underlying performance of the business, adjusted results have been presented. The items that are excluded from adjusted results are reconciled to statutory results within notes 2 and 3 to the interim results.

Highlights

- Group net revenue growth of 14%, with organic revenue growth of 8.7%
- Adjusted profit before tax up 26% to £15.1m
- Adjusted diluted earnings per share increased by 25% to 14.2p
- Strong balance sheet with net debt of £25.6m (2017: £20.8m)
- Significant client wins including Capital One, Waze, Diageo and AIG
- Brandwidth, a UK-based innovation agency acquired in February
- Technical, a specialist technical content and digital marketing business, acquired in July
- Interim dividend up 20% from 1.8p to 2.16p per share

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

The pace of change in the marketing sector has shown no sign of slowing. Companies are increasingly focused on how consumers experience their brand through digital channels and especially mobile platforms. Next 15 remains committed to building and buying businesses that understand how to take advantage of these platforms, using technology and data to design and manage marketing programs. Our strong growth in the first half of the year is evidence of an effective strategy which we believe will continue to drive shareholder value.

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Notes:

Organic revenue growth
Organic revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions, and the impact of the disposal of our Story business in the prior period.

Operating profit margin
Operating profit margin is calculated based on the operating profit 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

Next 15, the digital communications group, is pleased to report its interim results for the six months ended 31 July 2018.

During the period the Group's net revenues increased by 14% to £106.8m (2017: £93.5m), while adjusted profit before tax increased by 26% to £15.1m (2017: £12.0m). Adjusted EBITDA for the six months period increased by 22% to £17.7m (2017: £14.5m), adjusted EPS increased by 25% to 14.2p and net debt remained relatively modest at £25.6m, following the acquisition of Brandwidth, an innovation consultancy, during the period. The group's operating margin increased to 14.4% from 13.2% in the prior period.

Organic revenue growth was 8.7% for the six months led by our UK based agencies which recorded organic revenue growth of 14.9%. On a constant currency basis, the Group's net revenue was up 19%.

The Group reported a statutory profit before tax of £10.3m compared with a statutory profit before tax of £5.2m in the prior period, while reported diluted earnings per share almost doubled to 9.4p compared with 4.8p in the prior period.

The strong trading performance has provided the Group with confidence that it is well placed to meet our expectations for the full year and as such the Board has increased the interim dividend by 20% to 2.16p per share.

Operational Review and Highlights

The group recently announced that it is merging its Text 100 and Bite businesses in the US and UK (Bite's mainland Europe and APAC businesses were merged into Text 100 two years ago). The new agency will be headed by Bite CEO, Helena Maus.

Our US businesses saw organic revenue growth of 7%, with revenues increasing from $70.7m to $76.2m. Sterling's strength against the US dollar and the disposal of most of the Story business resulted in a reduction in reported revenues of 2% to £55.8m from £57.0m. Beyond, M Booth, Outcast and Bite US grew their revenues significantly, whilst Text 100 US was held back after it ended its long-standing PR relationships with IBM and Lenovo. Operating margins reduced to 16.9% partly due to the investment in taking some of our UK brands to the US but also due to Beyond investing heavily in on-boarding a new signature client and in building out its capabilities in the US. We are expecting an improvement in our operating profit margin in our seasonally stronger second half.

Our UK businesses have increased revenues by 56% to almost £40.0m from £25.5m and the operating profit increased to £9.5m from £5.2m in the prior period. Operating margins have increased to 23.7% from 20.2% in the prior period due to a very strong performance from Beyond UK, Text UK, Twogether and our recent acquisitions. We have also benefitted from the operational restructuring we undertook in the prior period. Organic revenue growth was 14.9% in the period.

In EMEA we have seen an impressive improvement in both revenue and profitability, whilst in APAC we saw a modest decline in profitability due to client losses.

The Group is particularly pleased by the performance of its data and insight business, MIG Global, which accounted for approximately 8% of the Group's revenue and is in an area of continued investment for Next 15.

Adjusted results	**UK £'000**	**Europe & Africa £'000**	**US £'000**	**Asia Pacific £'000**	**Head Office £'000**	**Total £'000**
6 months ended 31 July 2018						
Net revenue	**39,958**	**4,202**	**55,812**	**6,804**	**-**	**106,776**
Operating profit	**9,451**	**628**	**9,433**	**517**	**(4,663)**	**15,366**
Operating profit margin	**23.7%**	**14.9%**	**16.9%**	**7.6%**	**-**	**14.4%**
Organic revenue growth	***14.9%***	***9.0%***	***7.0%***	***0.2%***	**-**	***8.7%***
6 months ended 31 July 2017						
Net revenue	25,542	3,773	57,040	7,111	-	93,466
Operating profit	5,165	287	10,321	602	(4,063)	12,312
Operating profit margin	20.2%	7.6%	18.1%	8.5%	-	13.2%
Organic revenue growth	*3.5%*	*4.4%*	*1.5%*	*(0.8%)*	-	*1.9%*

Dividend

The Board has resolved to pay an interim dividend of 2.16p per share, which is a 20% increase on the interim dividend for last year. This will be paid to shareholders on 23 November 2018 who are registered at close of business on 26 October 2018.

Current Trading and Outlook

Looking to the full year, the Board is encouraged by recent trading and the prospects for the second half remain good. As a result, the Board remains optimistic about the outlook for the Group and is confident that it will meet its expectations for the full year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000
Net revenue	**106,776**	**93,466**
Total operating charges	(89,094)	(79,008)
EBITDA	**17,682**	**14,458**
Depreciation and Amortisation	(2,316)	(2,146)
Operating profit	**15,366**	**12,312**
Operating profit margin	*14.4%*	*13.2%*
Net finance expense	(280)	(333)
Share of profits of associate	9	24
Profit before income tax	**15,095**	**12,003**
Tax	(3,017)	(2,401)
Retained profit	**12,078**	**9,602**
Weighted average number of ordinary shares	77,891,708	73,561,342
Diluted weighted average number of ordinary shares	82,863,429	81,544,242
Adjusted earnings per share	15.1p	12.6p
Diluted adjusted earnings per share	14.2p	11.4p
Cash inflow from operating activities	7,743	4,177
Cash outflow on acquisition related payments	(15,527)	(9,976)
Net debt	25,565	20,848
Dividend (per share)	2.16p	1.8p

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2018

	Note	Six months ended 31 July 2018 (Unaudited)	Six months ended 31 July 2017 *Restated (Unaudited) £'000	12 months ended 31 January 2018 *Restated (Audited) £'000
Billings		135,577	113,921	243,485
Revenue		127,931	108,473	233,922
Direct costs		(21,155)	(15,007)	(37,111)
Net revenue	2	**106,776**	**93,466**	**196,811**
Staff costs		73,070	65,880	136,346
Depreciation		2,076	1,978	3,985
Amortisation		4,004	3,381	7,413
Other operating charges		17,094	15,075	31,842
Total operating charges		(96,244)	(86,314)	(179,586)
Operating profit	2	**10,532**	**7,152**	**17,225**
Finance expense	6	(2,446)	(2,405)	(5,833)
Finance income	7	2,251	468	1,878
Share of profit from associate		9	24	26
Profit before income tax	3	**10,346**	**5,239**	**13,296**
Income tax expense	4	(2,265)	(1,044)	(4,000)
Profit for the period		**8,081**	**4,195**	**9,296**
Attributable to:				
Owners of the parent		7,773	3,874	8,632
Non-controlling interests		308	321	664
		8,081	**4,195**	**9,296**
Earnings per share				
Basic (pence)	8	10.0	5.3	11.6
Diluted (pence)	8	9.4	4.8	10.5

** See note 13 for details regarding the restatement following the adoption of IFRS 15*

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JULY 2018

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	12 months ended 31 January 2018 (Audited) £'000
Profit for the period	**8,081**	**4,195**	**9,296**
Other comprehensive income / (expense):			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	3,074	(1,804)	(5,427)
Net investment hedge	(616)	551	1,190
	2,458	(1,253)	(4,237)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of investments	(430)	-	-
Total other comprehensive income / (expense) for the period	2,028	(1,253)	(4,237)
Total comprehensive income for the period	**10,109**	**2,942**	**5,059**
Attributable to:			
Owners of the parent	9,801	2,621	4,395
Non-controlling interests	308	321	664
	10,109	**2,942**	**5,059**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2018

	Note	31 July 2018 (Unaudited) £'000	31 July 2017 (Unaudited) £'000	31 January 2018 (Audited) £'000
Assets				
Property, plant and equipment		15,931	14,819	13,567
Intangible assets		102,242	91,926	94,843
Investment in equity accounted associate		118	139	132
Trade investment		1,387	1,216	1,211
Deferred tax asset		9,806	10,515	9,794
Other receivables		671	540	535
Total non-current assets		130,155	119,155	120,082
Trade and other receivables		64,996	54,762	49,538
Cash and cash equivalents	9	21,527	16,589	24,283
Corporation tax asset		807	940	784
Total current assets		87,330	72,291	74,605
Total assets		**217,485**	**191,446**	**194,687**
Liabilities				
Loans and borrowings	9	40,031	35,911	34,465
Deferred tax liabilities		4,216	3,426	3,869
Other payables		4,934	4,683	4,290
Provisions		439	116	141
Deferred consideration	10	1,657	-	1,784
Contingent consideration	10	10,421	15,228	13,271
Share purchase obligation	10	1,020	2,839	955
Total non-current liabilities		62,718	62,203	58,775
Loans and borrowings	9	7,058	1,517	1,406
Trade and other payables		54,903	46,128	45,003
Provisions		651	699	1,405
Corporation tax liability		2,009	2,617	2,154
Deferred consideration	10	1,651	-	4,255
Contingent consideration	10	2,359	6,053	5,368
Share purchase obligation	10	630	-	-
Total current liabilities		69,261	57,014	59,591
Total liabilities		**131,979**	**119,217**	**118,366**
TOTAL NET ASSETS		**85,506**	**72,229**	**76,321**
Equity				
Share capital		1,965	1,848	1,892
Share premium reserve		39,639	27,856	28,611
Foreign currency translation reserve		7,885	8,434	4,811
Other reserves		(1,570)	(1,593)	(954)
Retained earnings		39,175	35,335	42,604
Total equity attributable to owners of the parent		**87,094**	**71,880**	**76,964**
Non-controlling interests		(1,588)	349	(643)
TOTAL EQUITY		**85,506**	**72,229**	**76,321**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2018

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2017 (audited)	1,834	25,681	10,238	(2,144)	31,962	67,571	926	68,497
Profit for the period	-	-	-	-	3,874	3,874	321	4,195
Other comprehensive income / (expense) for the period	-	-	(1,804)	551	-	(1,253)	-	(1,253)
Total comprehensive income / (expense) for the period	-	-	(1,804)	551	3,874	2,621	321	2,942
Shares issued on satisfaction of vested share options	1	-	-	-	(1)	-	-	-
Shares issued on acquisitions	13	2,175	-	-	-	2,188	-	2,188
Movement in relation to share-based payments	-	-	-	-	2,493	2,493	-	2,493
Dividends to owners of the parent	-	-	-	-	(2,761)	(2,761)	-	(2,761)
Movement on reserves for non-controlling interests	-	-	-	-	(232)	(232)	232	-
Non-controlling interest dividend	-	-	-	-	-	-	(1,130)	(1,130)
At 31 July 2017 (unaudited)	**1,848**	**27,856**	**8,434**	**(1,593)**	**35,335**	**71,880**	**349**	**72,229**
Profit for the period	-	-	-	-	4,758	4,758	343	5,101
Other comprehensive income / (expense) for the period	-	-	(3,623)	639	-	(2,984)	-	(2,984)
Total comprehensive income / (expense) for the period	-	-	(3,623)	639	4,758	1,774	343	2,117
Shares issued on satisfaction of vested share options	39	-	-	-	(76)	(37)	-	(37)
Shares issued on acquisitions	5	755	-	-	-	760	-	760
Movement in relation to share-based payments	-	-	-	-	3,031	3,031	-	3,031
Dividends to owners of the parent	-	-	-	-	(1,360)	(1,360)	-	(1,360)
Movement on reserves for non-controlling interests	-	-	-	-	916	916	(916)	-
Non-controlling interest dividend	-	-	-	-	-	-	(419)	(419)
At 31 January 2018 as previously stated (audited)	**1,892**	**28,611**	**4,811**	**(954)**	**42,604**	**76,964**	**(643)**	**76,321**
Change in accounting policy (IFRS 9)[2]	-	-	-	-	48	48	-	48
At 1 February 2018 as restated	**1,892**	**28,611**	**4,811**	**(954)**	**42,652**	**77,012**	**(643)**	**76,369**
Profit for the period	-	-	-	-	7,773	7,773	308	8,081
Other comprehensive income / (expense) for the period	-	-	3,074	(616)	(430)	2,028	-	2,028
Total comprehensive income / (expense) for the period	-	-	3,074	(616)	7,343	9,801	308	10,109
Shares issued on satisfaction of vested share options	55	7,764	-	-	(7,819)	-	-	-
Shares issued on acquisitions	18	3,264	-	-	-	3,282	-	3,282
Obligation to purchase non-controlling interest	-	-	-	-	-	-	(630)	(630)
Movement in relation to share-based payments	-	-	-	-	1,105	1,105	-	1,105
Dividends to owners of the parent	-	-	-	-	(3,535)	(3,535)	-	(3,535)
Movement on reserves for non-controlling interests	-	-	-	-	(571)	(571)	571	-
Non-controlling interest purchased in the period	-	-	-	-	-	-	(135)	(135)
Non-controlling interest dividend	-	-	-	-	-	-	(1,059)	(1,059)
At 31 July 2018 (unaudited)	**1,965**	**39,639**	**7,885**	**(1,570)**	**39,175**	**87,094**	**(1,588)**	**85,506**

[1] Other reserves include ESOP reserve, hedging reserve, share purchase reserve and merger reserve.

[2] Refer to note 13

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2018

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Cash flows from operating activities			
Profit for the period	8,081	4,195	9,296
Adjustments for:			
Depreciation	2,076	1,978	3,985
Amortisation	4,004	3,381	7,413
Finance expense	2,446	2,405	5,833
Finance income	(2,251)	(468)	(1,878)
Share of profit from equity accounted associate	(9)	(24)	(26)
Loss on sale of property, plant and equipment	230	10	147
Income tax expense	2,265	1,044	4,000
Share-based payment charge	1,078	2,019	4,284
Net cash inflow from operating activities before changes in working capital	**17,920**	**14,540**	**33,054**
Change in trade and other receivables	(9,430)	(11,514)	(5,860)
Change in trade and other payables	2,677	795	2,143
Change in other liabilities	(289)	2,261	(472)
	(7,042)	(8,458)	(4,189)
Net cash generated from operations before tax outflows	**10,878**	**6,082**	**28,865**
Income taxes paid	(3,135)	(1,905)	(4,284)
Net cash inflow from operating activities	**7,743**	**4,177**	**24,581**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(6,358)	(5,073)	(9,824)
Payment of contingent and deferred consideration	(8,617)	(4,439)	(5,062)
Purchase of investment	(552)	(464)	(464)
Acquisition of property, plant and equipment	(3,667)	(1,460)	(2,974)
Proceeds on disposal of property, plant and equipment	23	3	7
Acquisition of intangible assets	(927)	(504)	(1,193)
Net movement in long-term cash deposits	(83)	120	(6)
Interest received	188	42	117
Net cash outflow from investing activities	**(19,993)**	**(11,775)**	**(19,399)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2018

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Cash flows from financing activities			
Capital element of finance lease rental repayment	(3)	(13)	(17)
Net movement in bank borrowings	10,512	3,970	4,484
Interest paid	(469)	(375)	(831)
Dividend and profit share paid to non-controlling interest partners	(1,059)	(1,130)	(1,549)
Dividends paid to shareholders of the parent	-	-	(4,121)
Net cash inflow / (outflow) from financing activities	**8,981**	**2,452**	**(2,034)**
Net (decrease) / increase in cash and cash equivalents	**(3,269)**	**(5,146)**	**3,148**
Cash and cash equivalents at beginning of the period	24,283	22,072	22,072
Exchange gains / (losses) on cash held	513	(337)	(937)
Cash and cash equivalents at end of the period	**21,527**	**16,589**	**24,283**

NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JULY 2018

1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2018 except for the adoption of the following accounting standards effective for the Group from 1 February 2018:

- IFRS 15 *Revenue from contracts with customers*
- IFRS 9 *Financial instruments*

Refer to note 13 for further details on the impact on the Group's results and the adjustments made to prior periods.

The comparative financial information for the year ended 31 January 2018 has been derived from the audited statutory financial statements for that period, adjusted as detailed in note 13. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Measurement of operating segment profit

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

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Six months ended 31 July 2018 (Unaudited)						
Net revenue	**39,958**	**4,202**	**55,812**	**6,804**	**-**	**106,776**
Adjusted operating profit / (loss)	**9,451**	**628**	**9,433**	**517**	**(4,663)**	**15,366**
Adjusted operating profit margin	**23.7%**	**14.9%**	**16.9%**	**7.6%**	**-**	**14.4%**
Organic revenue growth	**14.9%**	**9.0%**	**7.0%**	**0.2%**	**-**	**8.7%**
Six months ended 31 July 2017 (Unaudited)						
Net revenue	25,542	3,773	57,040	7,111	-	93,466
Adjusted operating profit / (loss)	5,165	287	10,321	602	(4,063)	12,312
Adjusted operating profit margin	20.2%	7.6%	18.1%	8.5%	-	13.2%
Organic revenue growth	3.5%	4.4%	1.5%	(0.8%)	-	1.9%
Twelve months ended 31 January 2018 (Audited)						
Net 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	7.6%	3.4%	5.1%	(0.7%)	–	5.2%

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

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Segment adjusted operating profit	**15,366**	**12,312**	**30,026**
Amortisation of acquired intangibles	(3,764)	(3,212)	(7,036)
Share based payment charge (note 3)	(578)	(1,452)	(3,050)
Charges associated with office moves (note 3)	-	-	(525)
Restructuring costs (note 3)	(172)	(427)	(1,700)
Deal costs (note 3)	(320)	(69)	(490)
Operating profit	**10,532**	**7,152**	**17,225**

3) RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Profit before income tax	**10,346**	**5,239**	**13,296**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,282	1,068	2,510
Change in estimate of future contingent consideration and share purchase obligation payable	(1,367)	536	731
Share-based payment charge[1]	578	1,452	3,050
Restructuring costs	172	427	1,700
Charge associated with office moves	-	-	525
Deal costs[2]	320	69	490
Amortisation of acquired intangibles	3,764	3,212	7,036
Adjusted profit before income tax	**15,095**	**12,003**	**29,338**

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. The adjusting items are consistent with those in the prior period.

[1] This charge relates to transactions whereby a restricted grant of brand equity was given to key management in ODD Communications Limited and Twogether Creative Limited (2017: Text 100 LLC, Bite Communications LLC and The Outcast Agency 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. The charge also includes acquisition related payments linked to the continuing employment of the sellers which is being recognised over the required period of employment.
[2] This charge relates to third party professional fees incurred during acquisitions, see note 11.

4) TAXATION

The tax charge for the six months ended 31 July 2018 is based on the Group's estimated effective tax rate for the year ending 31 January 2019 (20%).

5) DIVIDENDS

An interim dividend of 2.16p (six months ended 31 July 2017: 1.8p) per ordinary share will be paid on 23 November 2018 to shareholders listed on the register of members on 26 October 2018. Shares will go ex-dividend on 25 October 2018.

6) FINANCE EXPENSE

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	467	375	831
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	1,282	1,068	2,510
Change in estimate of future contingent consideration and share purchase obligation payable	695	962	2,492
Other			
Other interest payable	2	-	-
Finance expense	**2,446**	**2,405**	**5,833**

7) FINANCE INCOME

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	45	29	98
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable	2,062	426	1,761
Other interest receivable	144	13	19
Finance income	**2,251**	**468**	**1,878**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2018

8) EARNINGS PER SHARE

	Six months ended 31 July 2018 (Unaudited) £'000	Six months ended 31 July 2017 (Unaudited) £'000	Twelve months ended 31 January 2018 (Audited) £'000
Earnings attributable to ordinary shareholders	7,773	3,874	8,632
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	1,264	1,019	2,445
Change in estimate of future contingent consideration and share purchase obligation payable	(1,349)	607	822
Share based payment charge	572	899	2,498
Restructuring costs	139	345	1,241
Costs associated with office moves	-	-	354
Amortisation of acquired intangibles	3,053	2,468	5,506
US rate change	-	-	817
Deal costs	317	69	489
Adjusted earnings attributable to ordinary shareholders	11,769	9,281	22,804
	Number	**Number**	**Number**
Weighted average number of ordinary shares	77,891,708	73,561,342	74,344,883
Dilutive LTIP shares	1,156,602	2,737,223	1,297,444
Dilutive Growth Deal shares	3,084,835	4,338,031	5,336,533
Other potentially issuable shares	730,284	907,646	1,099,352
Diluted weighted average number of ordinary shares	82,863,429	81,544,242	82,078,212
Basic earnings per share	10.0p	5.3p	11.6p
Diluted earnings per share	9.4p	4.8p	10.5p
Adjusted earnings per share	15.1p	12.6p	30.7p
Diluted adjusted earnings per share	14.2p	11.4p	27.8p

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 notes 2 and 3 is the tax effect of those adjusting items.

9) NET DEBT

The HSBC Bank revolving credit facility of £40m expires in 2022 and therefore the outstanding balance has been classified in non-current borrowings. The £20m loan drawn from HSBC is repayable in annual instalments (see note 11) and is classified in non-current borrowings with the exception of the instalment due in less than one year.

	31 July 2018 (Unaudited) £'000	31 July 2017 (Unaudited) £'000	31 January 2018 (Audited) £'000
Total loans and borrowings	47,089	37,428	35,871
Obligations under finance leases	3	9	5
Less: cash and cash equivalents	(21,527)	(16,589)	(24,283)
Net debt	**25,565**	**20,848**	**11,593**
Share purchase obligation	1,650	2,839	955
Contingent consideration	12,780	21,281	18,639
Deferred consideration	3,308	-	6,039
	43,303	**44,968**	**37,226**

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration £'000	Contingent consideration £'000	Share purchase obligation £'000
At 1 February 2017 (Audited)	-	14,905	3,433
Arising during the period	-	7,578	-
Change in estimate	-	859	(323)
Exchange differences	-	(40)	(50)
Utilised	-	(2,910)	(400)
Unwinding of discount	-	889	179
At 31 July 2017 (Unaudited)	-	21,281	2,839
Arising during the period	500	708	-
Change in estimate	-	281	(86)
Exchange differences	-	(65)	(77)
Utilised	(360)	(809)	-
Written off	-	(21)	-
Reclassification	5,586	(3,789)	(1,797)
Unwinding of discount	313	1,053	76
At 31 January 2018 (Audited)	6,039	18,639	955
Arising during the period	842	973	630
Change in estimate	-	(1,293)	(74)
Exchange differences	-	16	79
Utilised	(4,255)	(6,095)	-
Reclassification	445	(445)	-
Unwinding of discount	237	985	60
At 31 July 2018 (Unaudited)	**3,308**	**12,780**	**1,650**
Current	1,651	2,359	630
Non-current	1,657	10,421	1,020

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2018

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

HSBC Facility

On 5 February 2018 the Group extended its facilities agreement with HSBC to include a loan of £20m in addition to the RCF of £40m which is available until 5 July 2022. The £20m was drawn down on 9 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 6 February 2018, Next 15 purchased the entire issued 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 the profit before interest and tax of Brandwidth for the year to 30 June 2018 of up to £3.3m in September 2018 and £0.8m in April 2020.

Technical

On 12 July 2018, Next 15 purchased Technical Associates Group ("TAG") through the entire issued share capital of Technical Publicity Limited, a specialist technical content and digital marketing business focused on the industrial engineering sector, for initial consideration of £2.2m. Further deferred consideration of £0.6m is payable in April 2020. Contingent consideration based on the combined EBIT performance of TAG and Publitek, an existing Next 15 business, is also payable in April 2020.

12) EVENTS AFTER THE BALANCE SHEET DATE

The group announced that it is merging its Text 100 and Bite businesses in the UK and US (having previously merged the businesses in APAC and continental Europe). This action is likely to lead to material restructuring costs in the second half.

13) CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS *15 Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 February 2018, where they are different to those applied in prior periods.

IFRS 9

IFRS 9 has been adopted without restating comparative information. The adjustments arising from the impact of IFRS 9 are not reflected in the balance sheet at 31 January 2018 however they are recognised in the opening balance sheet on 1 February 2018.

The adoption of IFRS 9 from 1 February 2018 resulted in the following changes for the Group.

The Group's financial assets that are subject to IFRS 9's new expected credit loss model are its trade and other receivables and cash balances. The Group has revised its impairment methodology as a result. The impact of the change in impairment methodology on the Group's brought forward retained earnings is immaterial.

The Group has opted to continue to account for its net investment hedges under IAS 39 rather than transition to IFRS 9.

The Group has opted to designate its investment in equity instruments at fair value through other comprehensive income ("FVTOCI") as allowed under IFRS 9 as they are not held for trading. An adjustment has been made to opening retained earnings to reflect the adjustment to fair value for these unquoted investments at 1 February 2018:

	As previously stated at 31 January 2018	Adjustment required under IFRS 9	As restated at 1 February 2018
	£'000	£'000	£'000
Trade investments	1,211	48	1,259

IFRS 15

The group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 February 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted IFRS 15 retrospectively and has restated comparatives for the 2018 financial year. In summary, the following adjustments were made to the reported financial performance.

	Six months ended 31 July 2017	Twelve months ended 31 January 2018
Impact on profit for the period / year	£'000	£'000
Revenue		
Increase due to principal versus agent considerations (i)	15,007	37,111
Direct costs		
Increase due to principal versus agent considerations (i)	15,007	37,111
Impact on net revenue	-	-

(i) Under IFRS 15 the group is considered principal for certain third-party costs which are billed onto clients, where the Group previously accounted for these costs as agent. An adjustment to increase revenue has therefore been made to reflect this change, with a corresponding increase in direct costs. As a result, there has been no impact to net revenue or profit for the prior periods.

The Group also assessed whether the adoption of IFRS 15 had any impact on the timing of revenue recognition. Under IAS 18 the Group recognised revenue based on stage of completion whereas under IFRS 15 the recognition should be when a customer obtains control of the goods or service. Following assessment of the contracts held by the Group, it was determined that the impact of aligning the Group's revenue recognition with performance obligations to the customer did not have a material impact on the revenue in the prior periods. Therefore, no restatement has been made.