

NEXT15

A specialist communications group driven by technology

Our aim is to become the home to the world's best specialist digital marketing businesses. We believe that 'best in class' will beat 'biggest' and that technology and data are the new cornerstones of marketing.

Strategic Report

- 01 Financial and operational highlights
- 02 At a glance
- 04 Chairman's statement
- 06 Chief Executive Officer's statement
- 08 Financial review
- 12 How we manage our risks
- 13 Principal risks and uncertainties

Corporate Governance

- 16 Board of Directors
- 18 Corporate Governance report
- 21 Audit Committee report
- 22 Directors' Remuneration report
- 27 Report of the Directors
- 30 Directors' responsibilities statement
- 31 Independent auditors' report

Financial Statements

- 32 Consolidated income statement
- 33 Consolidated statement of comprehensive income
- 34 Consolidated balance sheet
- 35 Consolidated statement of changes in equity
- 37 Consolidated statement of cash flow
- 39 Notes to the accounts
- 77 Company balance sheet
- 78 Statement of changes in equity
- 79 Notes forming part of the Company financial statements
- 87 Five-year financial information
- 88 Appendix 1
- 90 Appendix 2

Other Information

- 93 Financial calendar and contacts

Financial and operational highlights

Headline revenue
£m

£129.8m +18.9%

16	129.8
15	109.2
14	98.7

Headline profit before tax
£m

£16.1m +28.8%

16	16.1
15	12.5
14	8.3

Statutory retained profit
£m

£4.5m +384.5%

16	4.5
15	0.9
13	0.7

Headline diluted earnings per share
pence

16.9p +28.0%

16	16.9
15	13.2
14	7.4

Dividend per share
pence

4.2p +20.0%

16	4.2
15	3.5
14	2.6

Net debt
£m

£6.6m -22.7%

16	6.6
15	8.6
13	1.8

- Headline revenues increased by 18.9% to £129.8m from £109.2m last year; statutory revenue for the prior 18-month period was £158.5m
- Statutory retained profit has increased to £4.5m (2015: £0.9m)
- Organic revenue growth of 7.8% with double-digit growth of 14.1% in the US
- Net debt of £6.6m after £13.4m of acquisition-related payments in the 12-month period
- Encore, IncrediBull and ODD acquired during the period and performing to expectations

At a glance

Our mission is to create a new type of integrated marketing group

A Group that is centred on the technology of marketing: data, insight, analytics, apps, content platforms and, of course, content itself.

1,350

people

32

offices

14

countries

Our business

We believe that we are creating a strong alternative to the major advertising groups whose business models still rely heavily on traditional advertising revenues.

Our brands

Next 15 owns 17 marketing businesses. The Group comprises agencies spanning digital content, marketing, PR, consumer, technology, marketing software, market research, public affairs and policy communications. All brands operate as autonomous businesses, allowing the Group to service competing clients.

Find out more about our brands
www.next15.com/our-brands

Our sectors

Digital, digital content, policy communications, investor relations, marketing software, market research, consumer, technology.

Our clients

Next 15 represents many of the world's most interesting and important companies. Making brands famous is in our DNA and is behind our name, the origin of which was explained by Tim Dyson: "Everyone will be famous for 15 minutes, but we care about what happens next."

agent

bDA

beyond

bite

The Blueshirt Group

cm connections
media

encore

LEXIS

MORAR
A leap of insight

MBOOTH

ODD

The OutCast Agency

P
publitek
marketing communications

story

TEXT100

vrge

twogether



Chairman's statement



The plan comes together

The Group's focus on digital forms of marketing is delivering both organic growth and profitability.

Headline revenues for the year were up 18.9% to £129.8m; headline profits were up 28.8% to £16.1m; and headline EBITDA, as shown on page 9, a good indicator of the Company's underlying growth, rose 31.5% to £19.2m. Having invested £13.4m in the acquisitions of Encore, IncrediBull and ODD and other acquisition-related payments, the Group ended the year with a strong balance sheet showing a conservative £6.6m of net debt.

Several years ago we announced a plan to focus the Group's efforts on key markets and simplify its business model. These steps are now bearing fruit. The business in Asia has returned to growth in the second half of the year and has seen margins improve to double digits. In EMEA, where some smaller operations were closed, there is a similar trajectory, albeit a year behind APAC. In the UK, the plan to invest in acquisitions is showing encouraging results as Morar, Encore and ODD enhance revenues and margins. The US continues to be the powerhouse of the Group. It again delivered double-digit organic growth of 14.1% and strong operating margins.

Next 15 agencies continue to serve an enviable client list – many of the most exciting and forward-thinking companies in the world. Google (now Alphabet), IBM, Facebook, Amazon, American Express and Unilever are

all significant clients, alongside a number of earlier stage, disruptive businesses. During the year the Group added Oculus, Moneysupermarket.com and Etsy and suffered no material losses. The Board attributes this performance to a rounded client offer of sector expertise, creative ingenuity, digital marketing skills and technology-driven solutions.

We continue to believe that marketing technology expertise is a competitive advantage which will account for an ever greater share of marketing budgets. Understanding how to use that technology to reach and engage customers is crucial and is a relatively new skill in the sector. Next 15 is well placed in this regard. It has built an impressive group of people capable of deploying multiple technology platforms to drive measurable value for their clients.

Since the year end, the UK portfolio has been further enhanced by the acquisitions of Publitek, a specialist tech content agency, and Twogether, a technology-focused digital agency.

Looking ahead, the Group has made a good start to the new financial year with trading patterns continuing the momentum of the second half of our last fiscal year. As a result, the Board is recommending the payment

of a final dividend for the 12 months to 31 January 2016 of 3.0p per share which would represent a total dividend of 4.2p for the year to 31 January 2016, an increase of 20%.

Next 15 has built a strong portfolio of modern, technology-driven marketing businesses; the Group operates in most of the world's most important markets and can name many of the world's most important companies as its customers. But all of this has been possible because of the talent of the people who show up for work in our offices around the world every day. On behalf of the Board and our shareholders, I thank them for the quality and consistency of their work on behalf of our clients.

Across the 17 different businesses that now make up Next 15, I believe we have a line-up that can rival any of the most progressive marketing organisations in the world. This is the key to further progress in the year to come.



Richard Eyre
Chairman
11 April 2016

Chief Executive Officer's statement



The Group today has a great opportunity

As always I want to devote most of my letter to the road ahead, rather than the road we've just travelled. That ground is being well covered by our Chairman, Richard Eyre, in his letter.

However, I should point out that the last year has been another very good one for the Group. We have again seen strong organic growth which, coupled with some well-performing acquisitions, has delivered record revenues and profits. Headline revenues stood at £129.8m, up 18.9% on last year, while headline profits rose 28.8% to £16.1m. Headline EBITDA, as shown on page 9, was up 31.5% to £19.2m and our balance sheet remained strong with net debt of just £6.6m leaving us well placed to make further investments. And as a sign of our confidence in the business, the Board has proposed a final dividend of 3.0p per share, an increase of 20% over last year.

These results show that we have made good investments and that our bet on 'best rather than big' has proved a good one. In the last year it has become increasingly clear that customers care far less about the size of their marketing partners and far more about their ability to deliver real-time, measurable results for them. What has also become clear is that the importance of technology in marketing is accelerating. Marketing is now, in our view, a technology-driven activity. This is evident in the increasing proportion of marketing spend being allocated to technologies or the application of technology.

For some time we have believed that the internet is now the most important platform for a company's brand. The days of television and newspapers holding that position are long gone. Such a seismic shift in the marketing hierarchy requires businesses like ours to rethink the way that we tackle everything. For example, great creative was often the starting point for old-world campaigns. Today, knowing which technologies can best deliver a campaign is often far more important. I still believe there is a strong role for creative, but technology and insight skills are very much its equal.

It is against this backdrop that we have continued to invest in our current businesses such as OutCast, Text 100 and M Booth but have also added business such as Agent3, (our first pure software business), ODD, Publitek, Twogether, Encore and Morar. The reason we've added these business says more about the people inside them than anything and, of course, the skills they possess.

If there are skills we will hire more of in the next few years they are content specialists, data scientists and software developers. A few years ago, only the first of these was on the list and the idea of these others being so important to us would likely have surprised many of you. However, our skills base needs to map on to the way marketing is and will be delivered going forwards. So you should expect us to continue to seek out people and businesses that map on to these areas.

The Group today has a great opportunity to create a totally different type of marketing partner for the world's best companies. Unlike the major holding companies whose business models rely on advertising spend, we can offer solutions that are technology driven but channel neutral. We can create engaging content that will connect with customers on any platform, be it a smartphone, a laptop or their television. We can also create technology that connects people to content, some of which already exists, in ways and at times that are far more effective than a new TV ad that is being shown during a re-run of a TV soap opera.

In the old world, marketing fitted into media and took what it could get. Today technology has stripped away the restrictions that media placed on marketing, allowing companies the freedom to create marketing programmes that can adapt real-time. Put another way, in the old world the vast majority of marketing never reached its intended audience. When it did, it was either at the wrong time or in a way that was out of context. Today, thanks to technology, companies can create far more effective marketing programmes that surprise and delight rather than annoy. In time this will enable brands to get far more creative, thus bringing us full circle.

The year ahead looks set to be an interesting one with elections in the US, a referendum in the UK on the EU and the continual backdrop of troubles in the Middle East. But then, as Richard recently said to me, "uncertainty is the stage on which we play". As I sit here today I'm confident that Next 15 will have another good year. We have an incredibly strong team doing amazing work for many of the world's best companies. That's a great place to start.

All the best,



Tim Dyson

Chief Executive Officer
11 April 2016

Financial review



Another year of significant progress across the Group

We have improved each of our key performance indicators, with a strong revenue performance and improving operating margin leading to a record profit outcome.

Overview

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

In order to better aid shareholders' understanding of the underlying performance of the business, I have focused my comments on the headline performance of the business for the 12 months to 31 January 2016 compared with the 12 months to 31 January 2015. The commentary refers to financial measures which have been adjusted to take account of amortisation, impairments, restructuring charges and certain other non-recurring items. A reconciliation between the 12 months to January 2015 and 18 months to January 2015 is included in the appendices on pages 88 to 92.

Statutory revenues for the year were £129.8m (2015: £158.5m) which resulted in an operating profit of £8.4m, up 132% from £3.6m in the prior period. Diluted earnings per share were 5.6p, up from a 0.2p loss in the previous 18-month period.

Review of headline results to 31 January 2016

Group profit and loss account

The last 12 months have been another period of significant progress across the Group. We have succeeded in growing the revenues

KPIs

Headline operating profit
£m

£16.5m +29.9%

16	16.5
15	12.7
14	8.8

Headline operating profit margin
%

12.7%

16	12.7
15	11.7
14	8.9

Headline EBITDA
£m

£19.2m +31.5%

16	19.2
15	14.6
14	10.6

at our US businesses at a double-digit organic rate whilst achieving an operating profit margin in excess of 20%. M Booth and Beyond US have had stellar performances whilst OutCast, Connections Media and Blueshirt have continued to deliver solid results.

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

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

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

The Group headline operating margin increased to 12.7% from 11.7% in the prior period.

	Year to 31 January 2016 £m	Year to 31 January 2015 £m	Growth %
Headline results			
Revenue	129.8	109.2	18.9
EBITDA	19.2	14.6	31.5
Operating profit	16.5	12.7	29.9
Operating profit margin	12.7%	11.7%	
Net finance expense	(0.4)	(0.5)	
Share of profits of associate	0.0	0.3	
Profit before income tax	16.1	12.5	28.8
Tax rate on adjusted profit	22.0%	23.9%	
Diluted earnings per share	16.9p	13.2p	28.0

	Year to 31 January 2016 £m	18 months to 31 January 2015 £m
Statutory results		
Revenue	129.8	158.5
Retained profit	4.5	0.9
Diluted earnings per share	5.6p	(0.2)p

Taxation

The tax rate on the Group's headline profit for the year to January 2016 was at a rate of 22.0%, compared to the statutory period of 20.0%. This was lower than the rate achieved in previous periods of approximately 23.9% as we benefited from a higher proportion of our profit coming from lower tax regimes such as the UK, the reduction in the rate of corporation tax in the UK to 20% and the successful resolution of a number of historic tax queries. I would anticipate the tax rate on adjusted profits remaining at approximately 22% for the foreseeable future.

Earnings

Diluted headline earnings per share have increased by 28% to 16.9p for the year to January 2016 compared with 13.2p achieved in the prior period, as a result of improved profits and lower tax rates.

Financial review continued

Segmental review

US

Our US businesses have continued to perform strongly led by our Beyond, OutCast, M Booth, Connections Media and Blueshirt agencies. In the year to 31 January 2016 revenues grew by 30% to £83.5m from £64.0m which equated to an organic growth¹ rate of 14%, taking account of movements in exchange rates and acquisitions over the last two years. Margins have remained consistently strong at above 20% but were impacted marginally by the acquisition of Story Worldwide which had a disappointing performance. We incurred £0.5m in restructuring the business to align the cost base with the anticipated revenue and we are expecting a much improved operating performance in the current financial year. The headline operating profit from our US businesses was £17.5m compared with £14.1m in the previous 12 months to 31 January 2015.

UK

The UK businesses have showed a much improved performance, with revenue increasing by 17% to £27.9m from £23.8m in the prior period. Headline operating profit increased to £3.8m from £2.5m in the prior year with the headline operating margin increasing to 13.6% from 10.6% in the prior period.

Lexis and Bite UK have continued to improve their operational performance, whilst we merged our agencies Text 100, Republic and IncrediBull under the Text 100 brand with effect from 1 February 2016, which will lead to a broader product offering and operational efficiencies going forward. We merged our two research agencies under the Morar brand during the year and this has led to an improved performance in the second half. Finally, we acquired ODD, the fashion and lifestyle creative agency, in December 2015 and it has made an encouraging start.

EMEA

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

APAC

APAC produced an encouraging performance as we benefited from the restructuring we undertook last year. The operating margin improved to 11.5% from 8.0% in the prior period and we see scope for further improvement in operating margin in the current financial year.

Segmental information

	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
31 January 2016						
Headline revenue	27,885	6,426	83,456	11,990	–	129,757
Headline operating profit	3,805	452	17,492	1,380	(6,610)	16,519
Headline operating margin	13.6%	7.0%	21.0%	11.5%	–	12.7%
31 January 2015						
Headline revenue	23,754	8,970	63,966	12,504	–	109,194
Headline operating profit	2,526	822	14,074	998	(5,694)	12,726
Headline operating margin	10.6%	9.2%	22.0%	8.0%	–	11.7%

Headline results represent the audited performance for the 12 months to 31 January 2016, compared with the unaudited figures for the 12 months to 31 January 2015, adjusted to exclude amortisation, impairments, restructuring charges and certain other non-recurring items. These are reconciled to the audited statutory numbers in the appendices on pages 88 to 92.

¹ Organic growth is the constant currency growth for the 12 months to 31 January 2016 compared to the 12 months to 31 January 2015, excluding the effect of acquisitions made during those periods.

Cash flow

Headline cash flow KPIs	Year to 31 January 2016 £m	Year to 31 January 2015 £m
Net cash inflow from operating activities	16.1	12.4
Working capital movement	0.2	5.6
Net cash generated from operations	16.3	18.0
Income tax paid	(3.0)	(2.3)
Investing activities	(20.2)	(14.8)
Dividend paid to shareholders	(2.4)	(3.0)

Headline cash flow

The net cash inflow from operating activities for the year to 31 January 2016 increased to £16.1m from £12.4m in the prior period. Our management of working capital remained strong and this resulted in our net cash generated from operations before tax being £16.3m. Income taxes paid increased to £3.0m from £2.3m in the prior period reflecting the higher level of profitability.

We have increased our investment in acquisitions and capital expenditure from £14.8m to £20.2m reflecting the acquisitions of Encore, IncrediBull and ODD and the early buyouts of Republic and Beyond as well as capital expenditure on the property moves in London and New York.

The investment in acquisitions and capital expenditure was in part financed by the two placings which occurred in the year, raising a net £12.1m cash for the Group.

Dividends paid to Next 15 shareholders decreased to £2.4m from £3.0m in the prior period, partly reflecting the impact of the change in the Group's financial year end. Interest paid to the Group's banks reduced marginally to just over £450k.

Statutory cash flow

The statutory net cash flow from operating activities was £16.1m compared with £18.4m in the 18 months to 31 January 2015.

Balance sheet

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

Treasury and funding

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

As part of the facility, Next 15 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.



Peter Harris
Chief Financial Officer
11 April 2016

How we manage our risks

Risk management

Next 15 is exposed to a variety of risks that can have financial, operational and regulatory impacts on our business performance. The Board recognises that creating shareholder returns is the reward for taking and accepting risk. The effective management of risk is therefore critical to supporting the delivery of the Group's strategic objectives.

Risk management and internal control

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness at least annually. This control system is designed to manage rather than eliminate risk of failure to achieve business objectives and to provide reasonable but not absolute assurance that assets are safeguarded against unauthorised use or material loss, that its transactions are properly authorised and recorded and that material errors and irregularities are prevented or, failing which, are discovered on a timely basis.

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place for the period ended 31 January 2016 and up to the date of signing the annual report and accounts to safeguard the Group's assets and enhance over time the value of shareholders' investment. The Board also regularly reviews the effectiveness of the Group's system of internal control in accordance with revised guidance on internal control published by the Financial Reporting Council.

Internal controls review

The Group's internal control and risk management activities are managed through two primary activities: Board-led business risk reviews plus a supporting set of internal controls, and an Internal Audit review of the design and operation of internal controls.

Business risk reviews

Business risk evaluation takes place at operating company and Board level. Having identified risks, operating companies regularly monitor, review and update the risks, assessing the extent and likelihood of each risk. The principal risks of the Group are subject to review by the Board, which produces a significant risks review for the Group.

Internal Audit

The Group formed an Internal Audit function in 2012 to provide assurance over the Group's control environment with lead internal auditors in the US and the UK. A risk-based approach is used to prioritise the focus of Internal Audit. The team maintains a detailed understanding of the processes and controls in place around the Group and regularly highlights control recommendations to management in adherence with a standardised Group controls matrix. This is supported by a monthly self-certification checklist submitted by local finance teams to confirm that controls identified are continuing to operate. The next phase of the controls work, which has commenced this year, is to test the operating effectiveness of the controls identified on a periodic and rotational basis.

The Internal Audit function also has responsibility for reviewing the operating companies' balance sheets on a monthly basis to provide greater comfort to the Group finance team, as well as ad hoc pieces of work, such as audits of financial results used to determine earn-out payments and due diligence on acquisitions.

The Board gains assurance over the adequacy of design and operation of internal controls across the Group through the following process:

- significant findings from Internal Audit engagements are reported to management, the executive Directors and the Audit Committee. Reporting covers significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Board;
- depending on the risk associated with any weaknesses noted, recommendations made are followed up and reported on routinely; and
- Internal Audit independently reviews the risk identification procedures and control processes implemented by management and advises on policy and procedure changes.

Internal Audit presents findings of reports to the Audit Committee at each Audit Committee meeting.

During the course of its review of the risk management and internal control systems, the Board has not identified nor been advised of any failings or weaknesses, which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Whistle blowing and UK Bribery Act 2010

Whistle blowing procedures are in place for individuals to report suspected breaches of law or regulations or other malpractice. The Group has implemented an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

Principal risks and uncertainties

The system of risk management used to identify the principal risks facing the Group is described on page 12. Risk identification and evaluation, including the nature, likelihood and materiality of the risks affecting each Group business, is owned and assessed by management and reviewed periodically. The Board and the Audit Committee review risks and assess and monitor actions to mitigate them.

On the basis of these assessments, the risks outlined below are those that the Group believes are the principal and material risks. The matters described below are not intended to be an exhaustive list of possible risks and uncertainties and it should be noted that additional risks, which the Group does not consider material, or of which it is not aware, could have an adverse impact.

Risk description

Mitigating actions

Operational risk

Reliance on key customers

Losing a major client unexpectedly can have a significant impact on the resourcing, revenue and profit of an individual brand. The impact of this will depend on the brand.

The Group's strategy is to build a portfolio of brands which is diversified across different communications markets and geographic regions. Regular client feedback is sought (for instance, via client surveys) and appropriate steps are taken to retain existing clients.

The Board regularly reviews the Group's reliance on key customers through top ten client analysis and reviews of customers with revenues greater than US\$1m per annum. The Group is not deemed to be overly reliant on any one customer.

Staff retention and recruitment

The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. The market for these employees is competitive.

The Remuneration Committee considers the retention and incentive mechanisms in place for key personnel at both brand and Group level, and reviews remuneration trends across the Group.

The Group's human resources teams seek to recruit skilled employees and to offer exciting and challenging career opportunities with competitive remuneration and benefits. Policies are regularly reviewed to ensure high levels of staff motivation and development. Where possible the businesses ensure that client relationships are maintained as a team rather than by an individual.

Cyber security risk

The Group notes the increased risk facing companies from third-party attempts to exploit weaknesses in cyber security, which is constantly evolving. Inadequate security could lead to business disruptions, damage to reputation and loss of assets.

Access controls, firewalls and virus checkers are in place and a review of the current IT infrastructure is underway which will be used to inform future upgrade programmes. IT security training has been carried out with relevant staff and will be done on a rolling, regular basis.

At the Group's annual strategy meetings in San Francisco an external cyber risk consultant was invited to present to all brand leaders, to further educate the Group on the increasing risks associated with cyber fraud.

Principal risks and uncertainties continued

Risk description

Mitigating actions

Operational risk continued

Technology/IT infrastructure

The risks associated with the IT environment include failure to deliver projects on time and on budget and lack of management information.

The Group has grown, both organically and by acquiring new businesses, which has resulted in the use within the Group of a number of legacy accounting and operating systems.

The Group is engaged in the implementation of a common finance IT platform which will give the Group greater visibility over the effectiveness and appropriateness of local controls. The implementation is supported by consultants and, where possible, by using internal teams to reduce the risk of relying on third parties.

The Group ensures that there are appropriate business continuity plans in place and Internal Audit assesses the appropriateness of these plans. In addition, the Group has insurance cover in place to mitigate against business disruption.

Speed of change in the digital marketing space

As the marketing and communications landscape evolves through the opportunities provided by digital channels, there is a risk that some businesses lack the resource to transition effectively.

The Group follows a strategy of focusing on digital and content offerings and providing an integrated communications service (content, digital and traditional PR), underpinned by building appropriate skill sets within the businesses. The Group's Board has extensive digital, technology and commercial experience in the media and technology sectors.

Acquisitions

The Group pursues acquisitions as part of its overall growth strategy. Such acquisitions may not realise expected benefits. Integration of acquired businesses can be challenging and time consuming.

Robust due diligence is performed prior to all acquisitions, with representations, warranties and indemnities being obtained from vendors where possible. The consideration paid for a business typically includes a significant element of deferred consideration, contingent upon future performance. Vendors are usually subject to a long-term earn out arrangement to ensure their retention within the Group. The Internal Audit function works with newly acquired businesses to ensure that they are assimilated into the Group's control environment.

Misappropriation of assets

Particularly in smaller brands with fewer opportunities to segregate duties, there is a risk that, without appropriate oversight and review, there could be fraudulent activity or misreporting of financial information.

Overseen by the Audit Committee, the Internal Audit function provides assurance of the Group's control environment, with particular focus given to segregation of duties.

The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances.

Earn outs

The Group operates a number of earn-out mechanisms and incentive schemes. This gives rise to a local risk of management override and financial misreporting.

In addition, the accounting for the obligations at Group level involves the use of judgements which are deemed to be significant.

The Audit Committee reviews accounting for earn outs and the significant judgements used in the preparation of earn-out liabilities. Internal audits are performed on any local accounts involved in the determination of earn-out or incentive scheme obligations.

Risk description

Mitigating actions

Political risk

Uncertainty over EU referendum

The UK referendum on whether Britain should remain in the European Union is causing uncertainty over the economic outlook for the UK.

74% of the Group's revenue comes from the US and APAC, which are expected to be largely unaffected by the outcome of the referendum.

The Group has not yet noticed any effect of the referendum on the UK and EMEA businesses but will continue to monitor the situation closely.

Financial risk

Liquidity risk

Cash outflows related to significant acquisition-related obligations are unevenly spread throughout the year.

There would be a risk to the business if working capital was not appropriately managed to maximise the growth of the business.

There is an undiversified risk around going concern if there is a breach of covenants.

The Board has always maintained a prudent approach to taking on debt and the Group manages its risk of a shortage of funds with a mixture of long and short-term committed facilities. In 2014 the Group agreed a £20m revolving loan credit facility with HSBC Bank available in multiple currencies, replacing the previous £16m Barclays facility. On 8 March 2016 the Group entered into a new extended four-year £30m revolving credit facility with HSBC. The US has the largest working capital requirements due to the size of operations. All US cash is swept each night, which allows the working capital to be monitored centrally and used to maximum benefit.

In addition global and local short-term cash flow forecasts are monitored on a daily basis and a four-year long-term cash flow model is monitored quarterly.

Covenants are monitored regularly; they are forecast to have significant headroom within the foreseeable future.

Currency risk

As a result of global operations the Group's results can be affected by movements in foreign exchange rates against sterling. The Group has transactional currency exposure in the US, EMEA and APAC, including foreign currency bank accounts.

The Board and the Group treasury function consider the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates on a case-by-case basis. Net investment hedges are used where appropriate for significant foreign currency investments.

The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments.

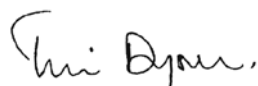
Compliance with laws and regulations

The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations. Any failure to respond quickly to legislative requirements could result in civil or criminal liabilities, leading to fines, penalties or restrictions being placed upon the Group's ability to trade resulting in reduced sales and profitability and reputational damage.

The Group has maintained an in-house legal function over the whole of its life as a public company and also uses external legal counsel to advise on local legal and regulatory requirements.

The Group has an in-house tax function to ensure compliance with tax legislation globally which consults with external advisers.

The Strategic Report as set out on pages 1 to 15 was approved by the Board on 11 April 2016 and signed on its behalf by:



Tim Dyson

Chief Executive Officer

Board of Directors



Richard Eyre, CBE

Chairman



Appointment May 2011

Richard Eyre was appointed in May 2011 as non-executive Chairman of the Group, Chairman of the Nomination Committee and member of the Audit and Remuneration Committees. His appointment was instrumental in moving Next 15 further into the digital marketing arena. Richard is Chairman of the UK Internet Advertising Bureau.

Richard has 40 years' experience across the media and marketing industries, including time as CEO of ITV Network LTD, Capital Radio plc and content and strategy director of RTL Group plc. He has served as chairman of RDF Media plc, GCap plc, mobile games publisher I Play, mobile tech company Rapid Mobile and The Eden Project. He was also a board member at the Guardian Media Group plc, Grant Thornton LLP and Results International LLP.

In 2013, he was awarded the prestigious Mackintosh Medal for outstanding personal and public service to advertising and in the 2014 New Year Honours list, Richard was awarded a CBE for services to advertising and the media.



Tim Dyson

Chief Executive Officer



Appointment December 1991

Tim joined the Group in 1984 straight from Loughborough University and became its global CEO in 1992. As one of the early pioneers of tech PR, he has worked on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM, Sun and Intel. Tim oversaw the flotation of the Company on the London Stock Exchange and has managed a string of successful acquisitions by the Group including The OutCast Agency, M Booth, Blueshirt Group in the US and Republic Publishing, Continuous Insight and Morar in the UK. Tim moved from London to set up the Group's first US business in 1995 in Seattle and is now based in Palo Alto.

Outside Next 15, Tim has served on several advisory boards of a number of emerging technology companies. Tim has been named an Emerging Power Player by PR Week US. In 2013, Tim was recognised on the Holmes Report's In2's Innovator 25, which recognises individuals who have contributed ideas that set the bar for the industry. He was also recently named in PR Week's Power Book.



Peter Harris

Chief Financial Officer

Appointment March 2014

Peter Harris joined Next 15 as its Chief Financial Officer in November 2013 and was appointed as executive Director in March 2014. He is also currently a non-executive director of Communis plc and chairman of its audit committee, following appointment in July 2013.

Peter's financial experience spans 30 years and he has extensive media experience, having spent the last 20 years in finance roles in the media sector. He was previously the interim finance director at Centaur Media plc, Interim CFO of Bell Pottinger LLP, CFO of the Engine Group, and CFO of 19 Entertainment. Prior to that, he was group finance director of Capital Radio plc. Peter has considerable experience in UK and US listed companies, with international exposure.



Alicja Lesniak FCA

Senior Independent Non-Executive Director



Appointment July 2011

Alicja joined the Board in July 2011 as non-executive Director and Senior Independent Director. She chairs the Audit Committee and is a member of the Nomination and Remuneration Committees. Alicja started her career as a Chartered Accountant at Arthur Andersen but rapidly moved into the financial, commercial and operational management of professional service businesses. Since 1987 Alicja has worked in the marketing services sector with global companies such as WPP Group plc, J Walter Thompson Group Ltd, Ogilvy & Mather Worldwide Inc, BBDO Worldwide Inc and Aegis Group plc, where she was chief financial officer. She has extensive experience of working internationally, including roles based in New York and Paris. Alicja is currently a non-executive director at Channel 4 Television Corporation, where she is a pension fund trustee and chairs the audit committee. Alicja is also a non-executive director of the British Standards Institution and chairs its social responsibility committee.



Genevieve Shore

Non-executive Director



Appointment February 2015

Genevieve joined Next 15 in February 2015 as an independent non-executive Director. Genevieve chairs the Remuneration Committee and is a member of the Nomination and Audit Committees. Her other current positions are non-executive director of Moneysupermarket.com Group PLC; non-executive director and remuneration committee chair at STV Group plc; non-executive director of Santander UK plc and a member of the SAN UK remuneration, audit and risk committees. She is also member of the advisory board for Lego Education and an adviser to the UK Parliamentary digital board.

Previously Genevieve has held senior leadership roles at Pearson PLC including chief information officer, chief product officer and chief digital officer. Genevieve has an extensive digital, technology and commercial background in the media and technology sectors, and strong experience of working in the USA and Asia.



Nick Lee Morrison

General Counsel and Company Secretary

Appointment January 2016

Nick qualified as a solicitor at Ashurst in 2008 where he stayed as an associate in the corporate department before moving to Clifford Chance in 2011 to focus on corporate and M&A work for a range of TMT sector clients.

In 2013 Nick joined the Financial Times Limited as in-house legal counsel and in 2016 joined Next 15 as General Counsel and Company Secretary.

Corporate Governance report



Chairman's introduction

The Board is committed to maintaining appropriate standards of corporate governance to support Next 15's strategy, and to managing the Group in a flexible and effective manner for the benefit of its shareholders, while fostering a corporate culture that encourages growth.

This Corporate Governance Report sets out our approach to governance, provides further information on the operation of the Board and its Committees, and explains how the Group seeks to comply with the Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies 2013 (the 'QCA Code'). As an AIM-listed company, the Company is not required to comply with the UK Corporate Governance Code ('UK Code'); however, the Board supports the UK Code and seeks to apply this when appropriate for the Group's size and complexity.

We acknowledge that shareholders look to us to promote the long-term success of the Company and, as Chairman, I recognise that it is my role to provide the leadership to enable it to do so effectively.

I look forward to meeting you at our AGM on Tuesday 28 June 2016.

Richard Eyre
Chairman
11 April 2016

The roles of the Chairman and Chief Executive

The Chairman of the Board, Richard Eyre, leads the Board in the determination of its strategy and in achieving its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and is also responsible for effective communication with the Group's shareholders. At the time of his appointment as Chairman, Richard Eyre was considered independent in accordance with the provisions of the UK Code.

The Chairman is responsible for leading the Board and ensuring it operates effectively, for setting the agenda for Board meetings and ensuring that Board and shareholder meetings are properly conducted.

The Chief Executive Officer, Tim Dyson, oversees the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer has day-to-day responsibility for all businesses of the Group and for implementing the agreed strategy and policies of the Board.

Senior Independent Non-Executive Director

Alicja Lesniak holds the position of Senior Independent Non-Executive Director of the Company. Any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the Senior Independent Non-Executive Director. Alicja Lesniak is considered to be independent as defined by the UK Code.

The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. As at 31 January 2016 the Board comprised two executive Directors, a non-executive Chairman and two non-executive Directors. On 1 February 2015, Genevieve Shore joined the Board as non-executive Director and Margit Wennmachers stepped down as non-executive Director on the same date. The Directors' biographies, including the Committees on which they serve and chair, are shown on pages 16 to 17.

The Board considers that the current Board structure is appropriate in that it encourages independent challenge to the executive Directors and senior management, and that it complies with the QCA Code. We believe that the Board retains a range of financial, commercial and entrepreneurial experience, and that there is a good balance of skills, independence, diversity and knowledge of both the Company and the sectors in which it operates. The non-executive Directors have been appointed on merit and for their specific areas of expertise and knowledge. This enables them to bring independent judgement on issues of strategy and performance and to debate matters constructively. No single Director is dominant in the decision-making process.

The Board aims to meet at least once per month, with additional meetings being held as required. As Tim Dyson is located in San Francisco, some of the Board meetings are held by telephone conference. The Board meets face to face whenever possible and aims to do so at least quarterly. Details of Board and Committee meetings held during the reporting period and the attendance records of individual Directors can be found on page 20.

The Board's responsibilities and processes

The principal matters considered by the Board during the period included:

- the Group's strategy, budget and financial resources;
- the Group's performance and outlook;
- opportunities for the Group to expand by acquisition;
- communication of our financial results for the interim and year end;
- review of the Group's risk management and internal controls;
- major capital projects and material contracts; and
- corporate governance matters.

There is a schedule of matters specifically reserved for decision by the Board which is regularly reviewed and is displayed on the Group's website at www.next15.com.

At each Board meeting there is a financial and business review and Board members receive monthly trading results, together with detailed commentary. Each Board member receives a Board pack in advance of each meeting which includes a formal agenda together with supporting papers for items to be discussed at the meeting.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

The Board appreciates the importance of the continued professional development of the Directors. Appropriate training for new and existing Directors is provided where required.

Appointment, election and re-election of Directors

Appointments to the Board are the responsibility of the Board as a whole, upon the recommendation of the Nomination Committee.

The Company's current articles of association provide that a Director appointed by the Board shall retire at the Annual General Meeting following their appointment and that, at each Annual General Meeting of the Company, one-third of the Directors must retire by rotation. At the forthcoming Annual General Meeting, Alicja Lesniak will retire and, being eligible, will offer herself for re-election by the shareholders.

In relation to the Directors who are standing for re-election, the Chairman is satisfied that each of the Directors continues to be effective and demonstrates commitment to their role, including the required commitment of time for Board and Committee meetings as well as any other duties that may be undertaken by them from time to time.

The Directors' service agreements, the terms and conditions of appointment of non-executive Directors and Directors' deeds of indemnity are available for inspection at the Company's registered office during normal business hours.

Board evaluation, succession planning and diversity

The Board periodically reviews its performance, as well as the performance of its committees and individual Directors.

The Board has agreed that its succession planning framework should ensure that Board appointments provide an appropriate mix of skills and experience and a level of independence which will support the Group's objectives for business growth and its key strategic goals. When planning succession, consideration is given to medium and long-term succession and to emergency cover.

The Board believes in the importance of diverse Board membership. Women comprise 40% of the Next 15 Board, meeting the recommendation set out by Lord Davies on diversity for a minimum of 33% female representation (applicable to FTSE 350 boards) by 2020.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's articles of association allow the Directors to authorise conflicts of interest and the Board has adopted a policy for managing and, where appropriate, approving potential conflicts of interest. In accordance with best practice, a review of Directors' conflicts of interest is conducted annually.

Committees of the Board

The Board is supported in its decisions by three Committees. The reports of the Audit, Nomination and Remuneration Committees can be found on pages 20 to 26.

Each Committee has access to such external advice as it may consider appropriate. The Company Secretary or his nominee acts as secretary to the Committees. The terms of reference of each Committee are reviewed regularly, updated as necessary to ensure ongoing compliance with best practice guidelines and referred to the Board for approval. Copies of the Committees' terms of reference are available from the Group's website at www.next15.com.

The Board appoints the Committee members. The Audit Committee comprises three non-executive Directors: Alicja Lesniak (Chair), Richard Eyre and Genevieve Shore. The Remuneration Committee comprises three non-executive Directors: Genevieve Shore (Chair), Alicja Lesniak and Richard Eyre. The Nomination Committee comprises Richard Eyre (Chair), Alicja Lesniak, Genevieve Shore and Tim Dyson. Attendance records of Committee meetings can be found on page 20.

Corporate Governance report continued

Relations with shareholders

The Board recognises the importance of effective communication with its shareholders, particularly through annual and interim reports and the AGM. The Chief Executive, Chief Financial Officer and the Chairmen of the Board and each of its Committees will be available at the AGM to answer shareholders' questions. Proxy votes are disclosed following a show of hands on each shareholder resolution. After the AGM, shareholders can meet informally with the Directors. Shareholders are encouraged to submit questions to the Board throughout the year.

The Board is happy to enter into dialogue with institutional shareholders based on a mutual understanding of objectives, subject to its duties regarding equal treatment of shareholders and the dissemination of inside information. The Chief Executive Officer and Chief Financial Officer meet institutional shareholders on a regular basis.

The Board as a whole is kept informed of the views and concerns of the major shareholders. When requested to do so, the non-executive Directors will attend meetings with major shareholders and are prepared to contact individual shareholders should any specific area of concern or enquiry be raised.

Copies of presentations given at investor and analysts' meetings, together with financial press releases, annual and interim reports, regulatory news announcements and short videos explaining the interim and full-year results, are available on the Group's website at www.next15.com.

Financial reporting and going concern statement

The Directors have, at the time of approving the financial statements, 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 the financial statements.

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.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 8 to 11.

In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 30.

Whistle blowing and Bribery Act 2010

Whistle blowing procedures are in place for individuals to report suspected breaches of law or regulations or other malpractice. The Group has implemented an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

Environment

Due to the nature of its businesses, the Board considers that its direct or indirect impact on the environment is minimal and of low risk. However, the Company still seeks to minimise the environmental impact of its activities and

its business practices support environmental good practice, such as reducing paper wastage through reuse, recycling, use of electronic communications and reducing business travel by replacing face-to-face meetings with conference calls where practical.

Nomination Committee

The Nomination Committee ('Committee') members are Richard Eyre (who also chairs the Committee), Alicja Lesniak, Genevieve Shore and Tim Dyson. The Committee aims to meet at least once per year, with other Directors and management attending by invitation. The Committee met in January 2015 to review the Board's composition and to make a recommendation to the Board for the appointment of Genevieve Shore as non-executive Director. It has not been deemed necessary for the Committee to meet during the year ended 31 January 2016.

The Committee's duties include:

- reviewing the structure, size and composition of the Board;
- identifying and nominating candidates to fill Board vacancies as they arise; and
- considering succession planning for Directors.

The Committee engages external search consultants to assist in the specification of Board positions and the selection of prospective candidates to ensure that there is a robust, measurable and orderly process. The Committee believes that this process has led to the recruitment of talented individuals, significantly enhancing the composition of the Board.

The Committee's terms of reference are available on the Company's website at www.next15.com.

Board and Committee attendance for the year ended 31 January 2016

	Board	Audit	Remuneration	Nomination
Richard Eyre	11 of 11	4 of 4	3 of 4	0 of 0
Tim Dyson	11 of 11	–	–	0 of 0
Peter Harris	11 of 11	–	–	–
Alicja Lesniak	11 of 11	4 of 4	4 of 4	0 of 0
Genevieve Shore	10 of 11	4 of 4	4 of 4	0 of 0

Audit Committee report



Dear shareholder,

I am pleased to present the report of the Audit Committee ('Committee') for the year to 31 January 2016. This report details the Committee's ongoing responsibilities and key activities over the period. The principal aims of the Committee are to review and report to the Board on the Group's financial reporting, to ensure the integrity of the financial information provided to our shareholders, and to support the development and maintenance of the Group's risk management and internal control environment.

I look forward to meeting our shareholders at the AGM and will be happy to answer any questions you may have.

Alicja Lesniak
Audit Committee Chair
11 April 2016

Composition of the Audit Committee

The Committee is composed entirely of non-executive Directors who between them possess a range of commercial and financial experience as detailed on pages 16 to 17. The current members of the Committee are Alicja Lesniak (Chair), Richard Eyre and Genevieve Shore. The Board is satisfied that the Committee members are sufficiently competent in financial matters and that the Chair has recent and relevant financial experience.

The Committee meets periodically and at least three times a year, with the external auditor, other Directors and management attending by invitation. Attendance records of meetings held during the year can be found on page 20. Subsequent to the period end, one further meeting has taken place. The Committee Chair is in frequent contact with the Chief Financial Officer, Head of Internal Audit and the external auditor and preparatory meetings are held ahead of each Committee meeting to identify and discuss key areas for consideration by the Committee.

Roles, responsibilities and activities during the reporting period

The Committee works to a programme of activities aligned to key events in the financial reporting cycle, standing items which occur regularly as required by the Committee's terms of reference and other agenda items that the Committee identifies.

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the Group's financial statements and other announcements relating to its financial performance;
- considering the Group's accounting policies and practices, application of accounting standards and significant judgements;
- overseeing the relationship with the Group's external auditor, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditor;

- reviewing the effectiveness of the Group's risk management and internal control systems;
- approving the remit and monitoring the effectiveness of the Group's Internal Audit function; and
- monitoring the Group's whistle blowing arrangements and anti-bribery policies.

During the period the Audit Committee met to discuss a number of items including:

- key accounting matters and judgement areas around adjusting items, tax provisions, goodwill impairment, earn-out liabilities, acquisition accounting;
- assisting the Board in its assessment of the Group's risk environment, internal controls and risk review process;
- regular monitoring for whistle blowing reports and other applicable legal and regulatory requirements; and
- policy on the employment of former employees of the external auditor.

The Committee's terms of reference are regularly reviewed and are available on the Company's website at www.next15.com.

Auditor independence, objectivity and fees

The independence and objectivity of the auditor is considered regularly by the Committee. The Group has in place a formal policy on the engagement of external auditor for non-audit services. The objective of the policy is to ensure that the provision of non-audit services by the external auditor does not impair, or is not perceived to impair, the external auditor independence or objectivity. The policy sets out monetary limits and imposes guidance on the areas of work that the external auditor may be asked to undertake and those assignments where the external auditor should not be involved. The policy is reviewed regularly and its application is monitored by the Committee. The split between audit and non-audit work for the period is set out in note 4 to the financial statements. The non-audit fees were in respect of tax services and advice regarding covenants. This work is not considered to affect the independence or objectivity of the auditor.

Directors' Remuneration report



Dear shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2016. The report sets out our approach to pay, benefits, incentives and the amounts earned by the Directors during the year. The Remuneration Committee (the 'Committee') has focused upon keeping remuneration policy best practice and regulation under close review, taking into account changes to the competitive landscape.

We believe strongly in aligning our remuneration policy with shareholders' interests. To do this we seek to attract, retain and reward the very best talent by offering competitive remuneration.

We link performance-related bonuses and equity-based remuneration to targets that are tightly aligned to our business growth objectives, our key strategic goals and shareholder return.

The executive team has continued to focus this year on advancing the Group's growth strategy both through targeted acquisitions, our award-winning digital and technology capabilities and an increased focus upon data

and insight services for our clients. As described in the Strategic Report, 2015/16 was a successful year for Next 15 and consequently individual cash bonuses of up to 42% of base salary were awarded to reflect the successful achievement of the relevant performance targets. Details of the total bonus amounts earned by individual Directors are outlined in the table on page 25.

Full details of our Long-Term Incentive Plan and equity schemes for the key management teams at our brands are also detailed on page 23. As the Group continues to be acquisitive and target high growth in our digital business, we continue to look for ways to attract and retain key talent and entrepreneurs. We remain mindful of the headroom granted by our shareholders and are carefully monitoring this and the ways in which we will satisfy these schemes as they mature.

As the Company is AIM listed, the Directors are not required to prepare a remuneration report for each financial year under section 420(1) of the Companies Act 2006. However, this report does take into account the QCA Code and will, as in previous years, be subject to an advisory vote at the AGM.

The Committee believes our framework provides a fair balance between fixed remuneration, short-term cash bonus and long-term incentives.

We thank our investors for their continued support and I look forward to meeting you at the AGM where I will be happy to address any questions you may have.

Genevieve Shore

Remuneration Committee Chair

11 April 2016

Composition of the Remuneration Committee

The Committee comprises three non-executive Directors: Genevieve Shore (Committee Chair, appointed 1 February 2015), Alicja Lesniak and Richard Eyre, each of whom the Company deems to be independent. The Company's Chief Executive Officer and Chief Financial Officer attend the Committee meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed. No Director is involved in deciding his or her own remuneration. The Company Secretary or his nominee acts as secretary to the Committee. The Committee can, where it judges it necessary to discharge its responsibilities, obtain independent professional advice at the Company's expense.

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference which were last revised in April 2015 and can be found on the Company's website. The Committee meets as frequently as needed, with at least two meetings per year. Details of attendance can be found in the Corporate Governance Report on page 20. Subsequent to the year end, two further meetings have taken place.

The Committee is responsible for setting remuneration policy for the executive Directors and for key senior executives. The principal matters considered by the Committee during the year included:

- reviewing the ongoing appropriateness and relevance of the remuneration framework;
- applying formal and transparent procedures regarding executive remuneration and remuneration packages;

- determining the individual remuneration packages of each executive Director including, where appropriate, bonuses, incentive payments and pension arrangements within the terms of the agreed framework and policy;
- introducing a new Next 15 Long-Term Incentive Plan; and
- reviewing remuneration trends across the Group and in the market.

Remuneration packages for executive Directors

The Company's approach to executive Directors' remuneration seeks to ensure that individual contributions to the Group's performance are fairly rewarded. This is achieved through a combination of a competitive salary and the opportunity to increase remuneration with short-term and long-term incentives. The Committee reviews executive remuneration packages annually. The remuneration package for executive Directors consists of a basic salary, benefits, an annual performance-related cash bonus, pension and participation in a long-term equity incentive plan. Details for each Director are set in the table on page 25.

As the Chief Executive Officer has a large shareholding in the Company, this is also taken into consideration when decisions are made regarding short-term and long-term incentives for him.

Short-term incentives

The executive Directors' remuneration includes an element of performance-related pay so that awards can be aligned to improvements in shareholder value. During the year the Committee agreed the introduction of a revised annual bonus framework which would be based on stretching performance targets, with an annual opportunity at 60% of salary. The targets are closely aligned to the Company's strategic aims and the interests of shareholders. Bonuses are based on the performance of the Group against market expectations, cash flow and financial KPIs and the Committee's assessment of performance against individuals' personal objectives aligned to the Group's strategic goals.

Long-term incentive plan

During the year the Committee commissioned a review to consider the design of a new LTIP, to replace the Company's previous LTIP which expired on 30 June 2015. Following this review, the Committee proposed a new share-based LTIP, the design of which was driven by four principles: incentive plans should be used to reinforce a high-performance culture; the interests of Directors and shareholders should be aligned as far as reasonably possible; total rewards should be market competitive; and the reward structure should be easily understood by all. The new Next Fifteen Communications Group plc Long-Term Incentive Plan 2015 ('2015 LTIP') was proposed and approved by shareholders at the Company's 2015 AGM. Under the 2015 LTIP performance shares or share options may be awarded to Directors and to senior executives who are not Board members but who have a significant influence over the Group's ability to meet its strategic objectives.

Under the terms of the 2015 LTIP, participants are either awarded share options with a grant price equal to the market price on the day before the grant date, or are awarded performance shares in the Company which vest subject to the satisfaction of certain performance conditions and the participant remaining an employee of the Group. The total value of awards that may be granted to a participant each year will be subject to a limit of 100% of his or her basic salary. The awards vest when the Company's Annual Report for the final financial year of the relevant performance period is published on the Company's website.

The performance in relation to executive Directors' awards is measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The level of vesting is determined using the best three of the four years' performance. The 2015 LTIP includes clawback provisions which may be applied by the Committee between the award and vesting, and at any time within three years of the end of the performance period.

Awards under the 2015 LTIP are subject to performance conditions as determined by the Committee. The Committee has decided that, initially, there will be two performance conditions for Directors and employees of the Company and its subsidiaries:

- an earnings per share ('EPS') target which will determine 70% of the total vesting. EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. If the annual growth in the Company's earnings per share in three years out of four over the performance period exceeds the growth in the Consumer Prices Index by at least 15% per annum, 100% of 70% the total award will vest. If the compound growth in the Company's earnings per share in the three years out of four over the performance period exceeds the growth in the Consumer Prices Index by at least 5% per annum, 25% of 70% of the total award will vest. Between 25% and 100% of 70% of the total award will vest for EPS growth between these two points (calculated on a straight-line basis). If EPS does not grow at an average of 5% or more over the growth in the Consumer Prices Index per annum over the performance period, the full award will lapse; and
- a key performance indicator ('KPI') target, which will determine 30% of the total vesting. Each participant will have a small number of KPIs relating to his or her role in the Group. For executive Directors, the Committee will determine the extent to which the KPIs have been met over the four-year performance period. 100% of 30% of the total award will only vest if the KPIs have been met in full. A smaller percentage of 30% of the total award will vest if the Committee determines that the KPIs have been substantially met. The Committee has considered the level of discretion provided by this performance condition and is of the opinion that, in practice, the specific targets will be measurable and challenging.

Directors' Remuneration report continued

Long-term incentive plan continued

During the 12-month period, no performance shares or share options were awarded under the 2015 LTIP to Directors as the timing of awards was re-aligned with the Company's new financial year.

The executive Directors hold unvested awards under the 2005 Next Fifteen Communications Group plc Long-Term Incentive Plan ('2005 LTIP'). No further awards will be made under the 2005 LTIP, which expired on 30 June 2015. The awards are subject to a four-year performance period, commencing with the financial year in which the award was granted. For executive Directors, the performance shares awarded under the 2005 LTIP are subject to the conditions as set out below:

- for 100% of the award to vest, the EPS growth of the Group must exceed the Consumer Prices Index ('CPI') by an average of 10% or more per annum over the performance period;
- if there is an average of between 3% and 10% EPS growth over CPI per annum over the performance period, between 20% and 100% of the award will vest on a straight-line basis; and
- if EPS does not grow at an average of 3% or more over CPI per annum over the performance period, the full award will lapse.

The performance conditions are based upon adjusted earnings per share measure, with EPS growth calculated from the information published in the Group's accounts. Following the Company's change of year end, the 2005 LTIP awards vest following the publication of the Company's interim results during the financial year of the relevant performance period. The level of vesting is determined using the best three of the four years' performance for each performance measure.

For more information on performance shares, see notes 21 and 22.

Equity incentive schemes

The Group has established equity incentive schemes for the senior management teams at a number of its brands, to drive improved revenue growth and margin increases. It is anticipated that providing senior management with a direct stake in their brand will focus on fostering profitable growth in the business and assist with the long-term retention of key individuals and team members.

Under the schemes, new units were issued to members of the brands' senior management, granting rights to a percentage of future equity appreciation for the participant's brand and thereby creating a partnership between the Group and the individual executives. Additionally, the units hold value based on access to non-cumulative and restricted profit distributions on the business's operating earnings. Equity appreciation is measured based on a multiple of the brand's operating earnings achieved in subsequent years over base line value determined at the date of grant.

At the end of the minimum holding period following an award of equity, the holders of the non-controlling interest have the option to sell a percentage of their units back to Next 15, while the remaining percentage can be sold in subsequent years or held indefinitely. Value is realised on any subsequent sale of the units to the Group, restricted by defined terms around the timing and pricing formula. The purchase of the units will be settled in Next 15 shares, which may be sold immediately upon receipt. If the unit holder leaves the business before the end of the minimum holding period, the Group retains the right to re-purchase the shares under a consistent pricing formula, or require the participant to wait until the minimum holding period has elapsed.

Further details of the Group's equity incentive schemes are shown in note 26 to the financial statements.

In 2005 the Company obtained shareholder approval to issue up to 20% of its issued share capital pursuant to employee share schemes. This authority has been used to issue shares under the LTIP and will be used to issue shares under the equity incentive schemes above. The nature of the equity incentive schemes means that the number of shares to be issued contain significant judgements, including forecasting the underlying performance of the business, movement in the Group's share price and foreign currency fluctuations. In the event that the Company is required to issue shares to participants in excess of the authority given by shareholders, the Company's employee trust will purchase shares in the market. In order to ensure that sufficient shares are available, the Company regularly reviews its headroom and has agreed to create a buy-back policy whereby the employee trust will purchase shares as and when required. As at 31 January 2016 no shares had been purchased to settle future vestings of the equity incentive schemes.

Directors' service contracts

All executive Directors have rolling contracts that are terminable on six months' notice. There are no contractual entitlements to compensation on termination of the employment of any of the Directors other than payment in lieu of notice at the discretion of the Company and a payment for compliance with post-termination restrictions. The executive Directors are allowed to accept appointments and retain payments from sources outside the Group, provided such appointments are approved by the Board in writing. The dates of the executive Directors' current service contracts and notice periods are set out in the table below.

Non-executive Directors

The remuneration for each of the non-executive Directors is payable solely in cash fees and is not performance related. Fees are determined by the executive Directors, reflecting the time commitment required, the responsibility of each role and the level of fees paid in other comparable companies. All non-executive Directors are engaged under letters of appointment terminable on three months' notice at any time. Non-executive Directors are not entitled to any pension benefit or any payment in compensation for early termination of their appointment. The dates of the current letters of appointment and notice periods for non-executive Directors are set out in the table below.

	Date of current letter of contract	Notice period
Executive Directors		
Tim Dyson	1 June 1997	6 months
Peter Harris	25 March 2014	6 months
Non-executive Directors		
Richard Eyre	8 May 2014	3 months
Alicja Lesniak	30 June 2014	3 months
Genevieve Shore ¹	23 January 2015	3 months

Directors' remuneration for the 12-month period to 31 January 2016

	Salary and fees 2016 £'000	Performance-related bonus 2016 £'000	Pension contributions 2016 £'000	Other benefit 2016 £'000	Total 2016 £'000	Total 2015 ³ £'000
Executive Directors						
Tim Dyson	570	171	60	14	815	962
Peter Harris	309	118	–	4	431	358
Non-executive Directors						
Richard Eyre	120	–	–	–	120	149
Alicja Lesniak	56	–	–	–	56	72
Genevieve Shore ¹	45	–	–	–	45	–
Margit Wennmachers ²	–	–	–	–	–	62

1 Genevieve Shore was appointed as non-executive Director with effect from 1 February 2015.

2 Margit Wennmachers stepped down as non-executive Director on 1 February 2015.

3 2015 figures are for the 18-month reporting period from 1 August 2013 to 31 January 2015.

Directors' interests in share plans for the year to 31 January 2016

As at 31 January 2016 the following Directors held performance share awards under the 2005 LTIP over Ordinary Shares of 2.5p each, as detailed below:

	Number of shares at 1 February 2015 (or date of appointment if later)	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	Number of shares at 31 January 2016 (or date of resignation if earlier)	Grant date	End of performance period	Total gain on vesting £
Executive Directors								
Tim Dyson	150,000	–	(150,000)	–	–	09.05.2012	31.07.2015	292,500
	175,000	–	–	–	175,000	07.01.2013	31.07.2016	–
	125,000	–	–	–	125,000	21.01.2014	31.07.2017	–
	150,000	–	–	–	150,000	14.11.2014	31.01.2018	–
Peter Harris	150,000	–	–	–	150,000	16.04.2014	31.07.2017	–
	150,000	–	–	–	150,000	14.11.2014	31.01.2018	–

Directors' Remuneration report continued

Directors' interests in the shares of Next Fifteen Communications Group plc

The interests of the Directors in the share capital of the Company at 1 February 2015 and 31 January 2016 are as follows:

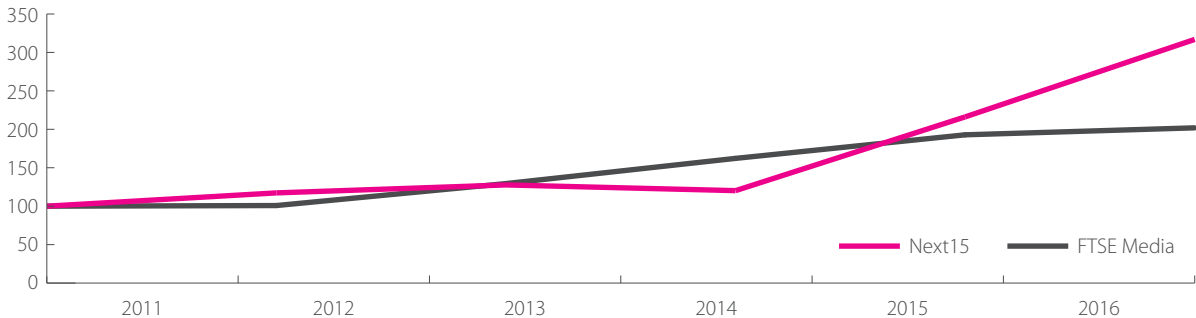
	Ordinary Shares		LTIP performance shares	
	1 February 2015 (or date of appointment if later)	31 January 2016 (or date of resignation if earlier)	1 February 2015 (or date of appointment if later)	31 January 2016 (or date of resignation if earlier)
Executive Directors				
Tim Dyson	5,077,997	5,077,997	600,000	450,000
Peter Harris	42,372	42,372	300,000	300,000
Non-executive Directors				
Richard Eyre	156,331	183,921	–	–
Alicja Lesniak	–	–	–	–
Genevieve Shore ¹	–	–	–	–
Margit Wennmachers ²	–	–	–	–

¹ Genevieve Shore was appointed as non-executive Director with effect from 1 February 2015.

² Margit Wennmachers stepped down as non-executive Director on 1 February 2015.

Total shareholder return

The Company's total shareholder return performance for the five financial years to 31 January 2016 is shown on the graph below compared with the FTSE Media Index.



This graph shows the value on 31 January 2016 of £100 invested in the Company on 31 January 2011 compared with £100 invested in the FTSE Media Index.

The Directors consider that a comparison of the Company's total shareholder return to that of similar businesses on the Main Market is more relevant than a comparison with the FTSE AIM All-Share index.

Payments for loss of office

Margit Wennmachers ceased to be a Director from 1 February 2015 and no payment for loss of office was made.

Payments made to past Directors

As disclosed in the 2013 Remuneration Report, David Dewhurst agreed to step down as a Director on 29 October 2013. As part of the settlement agreement, it was agreed at the Company's discretion that Mr Dewhurst's LTIP performance shares would not lapse when he ceased to be an eligible employee on his last day of employment but that, in addition to the usual performance condition, the vesting of these LTIPs would continue and would be based on the time elapsing between the grant date and Mr Dewhurst's termination date. Accordingly, Mr Dewhurst's LTIP award vested on 13 October 2015 and the pre-tax value at the vesting date was £176,902.

Report of the Directors

The Directors present their annual report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 January 2016.

The Group has chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Group in the Strategic Report which otherwise would be required to be disclosed in the Directors' Report.

Group results and dividends

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 33. The Directors recommend a final dividend of 3.0p per ordinary share (2015: 2.5p) on 5 August 2016 for the year ended 31 January 2016 which, when added to the interim dividend of 1.2p (2015: 0.7p and 2.3p) paid on 11 December 2015, gives a total dividend for the period of 4.2p per share (2015: 5.5p).

Directors

Details of Directors who served during the year can be found on page 25. Biographies for Directors currently in office can be found on pages 16 to 17.

On 1 February 2015 Genevieve Shore was appointed as non-executive Director and was elected by shareholders as a Director of the Company at the AGM on 14 July 2015. Margit Wennmachers stepped down as a Director on 1 February 2015.

Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the report of the Remuneration Committee on pages 22 to 26.

Except for Directors' service contracts, no Director has a material interest in any contract to which the Company or any of its subsidiaries is a party.

Directors' indemnity

In accordance with its Articles of Association the Company has entered into contractual indemnities with each of the Directors in respect of its liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the period. Although the Directors' defence costs may be met, neither the Company's indemnity nor the insurance policy provides cover in the event that the Director is proved to have acted dishonestly or fraudulently. No claims have been made against this policy or under the indemnity.

Acquisitions

The following is a summary of Group acquisitions made in the year to 31 January 2016, more detailed disclosure of which can be found in note 26 to the financial statements.

On 11 March 2015, Next 15 purchased 30% of the issued share capital of Animl Limited, a two-year old creative business, for £110,000. It was founded to deliver "a newer, better response to conventional marketing spend" by fusing great storytelling and digital innovation. There is a put and call option to purchase the remaining 70% of the shares over the next five years.

On 2 April 2015, Next 15 acquired the remaining 32.8% minority interests in Beyond Corporation Limited and Beyond International Corporation ('Beyond'), its digital experience design agency, for an aggregate consideration of £2,370,000. The consideration comprised £2,000,000 in cash with the balance being satisfied in Next 15 shares.

Further to the acquisition of the 51% interest in Republic on 21 January 2014, Next 15 purchased the remaining minority interest in Republic on 2 April 2015 for an aggregate consideration of £3,000,000. The consideration comprised £1,800,000 in cash, 302,094 shares in the Company and a deferred payment of £700,000.

On 27 April 2015, Next 15 purchased 75% of the issued share capital of Encore Digital Media Limited, a programmatic advertising technology business, for initial cash consideration of £687,000, with a right to purchase the remaining shares over a five-year period.

On 1 July 2015, the Company acquired the entire issued share capital of IncrediBull World Limited ('IncrediBull'), a brand marketing consultancy based in London. Initial consideration consisted of cash on completion of £1.3m and an additional £0.3m satisfied in Next 15 shares. After an initial earn-out period, IncrediBull was fully integrated into Text100, Next 15's global communications agency.

On 10 December 2015, Next 15 purchased 100% of the issued share capital of ODD Communications Limited ('ODD'). The initial consideration payable was £3.74 million in cash with a further top-up payment in July 2016. Deferred consideration may be payable over the next six years subject to the achievement of certain revenue and profit performance targets.

Significant post-balance sheet events

Material events since the balance sheet date are described in note 30 and form part of the Directors' Report disclosures.

Report of the Directors continued

Future development of the business

The Group's priorities for 2016/17 are disclosed in the Strategic Report on pages 1 to 15.

Employee involvement

Employees are key to the Group's success and we rely on a committed workforce to help us to achieve our business objectives. The Group's employee equity incentive schemes, long-term incentive plans and bonus schemes seek to encourage employees at all levels to contribute to the achievement of the Group's short-term and long-term goals. In addition, the Group operates a policy of regularly informing employees of the Group's financial performance, through a combination of meetings and electronic communications.

Equal opportunities

The Group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of sex, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation. The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

Any candidate with a disability will not be excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having taken into account reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of his or her disability. The Group's policies for training, career development and promotion do not disadvantage people with disabilities.

Health and safety

The Group recognises and accepts its responsibilities for health, safety and the environment. The Group is committed to maintaining a safe and healthy working environment in accordance with applicable requirements at all locations in the UK and overseas. The Chief Financial Officer is responsible for the implementation of the Group policy on health and safety.

Political donations

It is the Group's policy not to make donations for political purposes and, accordingly, there were no payments to political organisations during the year (2015: £Nil).

Acquisition of shares

Acquisitions of shares by the Next Fifteen Employee Trust purchased during the period are as described in note 23 to the financial statements.

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the Group's exposure to relevant risks in respect of financial instruments is set out in note 19 and in the Strategic Report.

Auditor

The Board appointed Deloitte LLP to act as auditor for the year ended 31 January 2016. A resolution to reappoint Deloitte LLP as auditors of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware.
2. The Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting

The notice convening the Company's 2016 AGM at the Company's offices at 75 Bermondsey Street, London SE1 3XF on Tuesday 28 June 2016 at 3.30 p.m. is set out in a separate document and will be mailed separately to shareholders who requested a paper copy. The notice of AGM will also be made available on the Company's website at www.next15.com.

Substantial shareholdings

As at 31 January 2016 and 4 April 2016 the Company had received notifications of the following substantial holdings in the issued ordinary share capital carrying rights to vote in all circumstances of the Company:

	4 April 2016		31 January 2016	
	Total	%	Total	%
Liontrust Investment Partners LLP	12,340,369	17.50	11,966,487	16.97
Octopus Investments	5,847,256	9.79	5,847,256	9.79
Herald Investment Management	5,231,796	8.76	5,231,796	8.76
Mr Tim Dyson	5,077,997	8.47	5,077,997	8.47
Hargreave Hale Limited	3,785,000	6.33	3,785,000	6.33
Aviva plc	3,573,273	5.07	3,573,273	5.07
FIL Limited	Below 5%	–	3,098,160	5.18
Slater Investments Ltd	2,862,700	4.06	2,007,778	3.09
Investec Asset Management	2,846,045	4.24	2,846,045	4.24
River and Mercantile Asset Management LLP	2,820,549	4.72	2,820,549	4.72
Mr Thomas Lewis	2,804,000	4.79	2,804,000	4.79
J O Hambro Capital Management Group	1,846,000	3.09	1,846,000	3.09

The percentage holding is based on the Company's issued share capital at the date of the notification.

Approved by the Board on 11 April 2016 and signed on its behalf by:



Peter Harris

Chief Financial Officer
11 April 2016

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 11 April 2016 and is signed on its behalf by:



Peter Harris
Chief Financial Officer

Independent auditors' report to the members of Next Fifteen Communications Group plc

We have audited the financial statements of Next Fifteen Communications Group plc for the year ended 31 January 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flow, and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at <https://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Bates

(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom
11 April 2016

Consolidated income statement

for the year ended 31 January 2016 and 18-month period ended 31 January 2015

	Note	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000
Billings			151,658		185,900
Revenue	2		129,757		158,495
Staff costs	3	92,721		110,626	
Depreciation	4,12	2,348		2,332	
Amortisation	4,11	3,796		2,812	
Impairment	4,11	–		7,000	
Other operating charges		22,463		32,084	
Total operating charges			(121,328)		(154,854)
Operating profit	2,5		8,429		3,641
Finance expense	6		(4,905)		(4,699)
Finance income	7		2,059		1,129
Net finance expense			(2,846)		(3,570)
Share of (loss)/profit of associate			(5)		334
Profit before income tax	5		5,578		405
Income tax (expense)/credit	8		(1,116)		516
Profit for the period			4,462		921
Attributable to:					
Owners of the Parent			3,992		(107)
Non-controlling interests			470		1,028
			4,462		921
Earnings/(loss) per share	10				
Basic (pence)			6.0		(0.2)
Diluted (pence)			5.6		(0.2)

The accompanying notes are an integral part of this Consolidated Income Statement.

All results relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 31 January 2016 and 18-month period ended 31 January 2015

	Note	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Profit for the year		4,462	921
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,585	418
Translation differences on long-term foreign currency intercompany loans		–	(77)
Loss on net investment hedges	19	(662)	(104)
		923	237
Amounts reclassified and reported in the income statement:			
Profit/(loss) on net investment hedges	19	4	(44)
		4	(44)
Total other comprehensive income for the year		927	193
Total comprehensive income for the year		5,389	1,114
Total comprehensive income attributable to:			
Owners of the Parent		4,919	86
Non-controlling interests		470	1,028
		5,389	1,114

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

All results relate to continuing operations.

Consolidated balance sheet

as at 31 January 2016 and 31 January 2015

	Note	31 January 2016 £'000	31 January 2015 £'000	31 January 2015 £'000	31 January 2015 £'000
Assets					
Property, plant and equipment	12	9,988		5,451	
Intangible assets	11	53,555		44,915	
Investment in equity-accounted associate		465		294	
Trade investment		235		211	
Deferred tax assets	18	6,485		6,012	
Other receivables	13,19	702		575	
Total non-current assets			71,430		57,458
Trade and other receivables	13,19	40,924		31,254	
Cash and cash equivalents	19	14,132		9,315	
Corporation tax asset		1,097		788	
Total current assets			56,153		41,357
Total assets			127,583		98,815
Liabilities					
Loans and borrowings	19	20,683		17,712	
Deferred tax liabilities	18	–		177	
Other payables	14,19	5,739		2,295	
Provisions	15,19	450		642	
Contingent consideration	17,19	5,701		3,333	
Share purchase obligation	17,19	2,225		4,990	
Total non-current liabilities			(34,798)		(29,149)
Loans and borrowings	19	–		100	
Trade and other payables	14,19	34,088		25,909	
Provisions	15,19	989		926	
Corporation tax liability		765		742	
Share purchase obligation	17,19	1,509		852	
Contingent consideration	17,19	2,643		3,841	
Deferred consideration	17,19	–		94	
Total current liabilities			(39,994)		(32,464)
Total liabilities			(74,792)		(61,613)
Total net assets			52,791		37,202
Equity					
Share capital		1,763		1,545	
Share premium reserve		21,523		8,272	
Merger reserve		3,075		3,075	
Share purchase reserve		(2,673)		(2,673)	
Foreign currency translation reserve		5,110		3,525	
Other reserves	24	(1,168)		(510)	
Retained earnings		24,418		24,741	
Total equity attributable to owners of the Parent			52,048		37,975
Non-controlling interests			743		(773)
Total equity			52,791		37,202

The accompanying notes are an integral part of this Consolidated Balance Sheet.

These financial statements were approved and authorised by the Board on 11 April 2016.



Peter Harris

Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2016 and 18-month period ended 31 January 2015

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves ¹ £'000	Retained earnings £'000	Equity attributable to owner of the Parent £'000	Non- controlling interests £'000	Total equity £'000
At 31 January 2015	1,545	8,272	3,075	(2,673)	3,525	(510)	24,741	37,975	(773)	37,202
Profit for the period	–	–	–	–	–	–	3,992	3,992	470	4,462
Other comprehensive income/(expense) for the year	–	–	–	–	1,585	(658)	–	927	–	927
Total comprehensive income/(expense) for the year	–	–	–	–	1,585	(658)	3,992	4,919	470	5,389
Shares issued on satisfaction of vested share options	38	–	–	–	–	–	–	38	–	38
Shares issued on acquisitions	19	1,331	–	–	–	–	–	1,350	–	1,350
Shares issued on placing	161	11,920	–	–	–	–	–	12,081	–	12,081
Movement in relation to share-based payments	–	–	–	–	–	–	1,274	1,274	–	1,274
Deferred tax on share-based payments	–	–	–	–	–	–	239	239	–	239
Dividends to owners of the Parent	–	–	–	–	–	–	(2,441)	(2,441)	–	(2,441)
Movement due to ESOP share purchases	–	–	–	–	–	(38)	–	(38)	–	(38)
Movement due to ESOP share option exercise	–	–	–	–	–	38	–	38	–	38
Movement on reserves for non-controlling interests	–	–	–	–	–	–	(3,494)	(3,494)	3,494	–
Share options issued on acquisition of subsidiary	–	–	–	–	–	–	107	107	–	107
Non-controlling interest arising on acquisition	–	–	–	–	–	–	–	–	(1,888)	(1,888)
Non-controlling dividend	–	–	–	–	–	–	–	–	(560)	(560)
At 31 January 2016	1,763	21,523	3,075	(2,673)	5,110	(1,168)	24,418	52,048	743	52,791

1 Other reserves include ESOP reserve, treasury reserve and hedging reserve; see note 24.

Consolidated statement of changes in equity continued

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves ¹ £'000	Retained earnings £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 July 2013	1,494	7,557	3,075	(2,673)	3,184	(583)	23,954	36,008	2,185	38,193
(Loss)/profit for the period	–	–	–	–	–	–	(107)	(107)	1,028	921
Other comprehensive income/(expense) for the period	–	–	–	–	341	(148)	–	193	–	193
Total comprehensive income/(expense) for the period	–	–	–	–	341	(148)	(107)	86	1,028	1,114
Shares issued in satisfaction of vested share options	35	82	–	–	–	–	–	117	–	117
Shares issued on acquisitions	16	633	–	–	–	–	–	649	–	649
Movement due to ESOP share purchases	–	–	–	–	–	(35)	–	(35)	–	(35)
Movement due to ESOP share option exercises	–	–	–	–	–	256	–	256	–	256
Movement in relation to share-based payments	–	–	–	–	–	–	580	580	–	580
Deferred tax on share-based payments	–	–	–	–	–	–	208	208	–	208
Share-based payment charge for disposal of equity in a subsidiary to employees	–	–	–	–	–	–	684	684	–	684
Dividends to owners of the Parent	–	–	–	–	–	–	(3,006)	(3,006)	–	(3,006)
Movement on reserves for non-controlling interests	–	–	–	–	–	–	1,206	1,206	(1,206)	–
Share options issued on acquisition of subsidiary	–	–	–	–	–	–	1,222	1,222	–	1,222
Non-controlling interest arising on acquisition	–	–	–	–	–	–	–	–	(1,896)	(1,896)
Non-controlling interest dividend	–	–	–	–	–	–	–	–	(884)	(884)
At 31 January 2015	1,545	8,272	3,075	(2,673)	3,525	(510)	24,741	37,975	(773)	37,202

¹ Other reserves include ESOP reserve, treasury reserve and hedging reserve; see note 24.

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

Consolidated statement of cash flow

for the year ended 31 January 2016 and 18-month period ended 31 January 2015

	Note	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000
Cash flows from operating activities					
Profit for the year		4,462		921	
Adjustments for:					
Depreciation	4,12	2,348		2,332	
Amortisation	4,11	3,796		2,812	
Impairment	4,11	–		7,000	
Finance expense	6	4,905		4,699	
Finance income	7	(2,059)		(1,129)	
Share of loss/(profit) from equity-accounted associate		5		(285)	
Loss on sale of property, plant and equipment	4	156		73	
Income tax expense/(credit)	8	1,116		(516)	
Share-based payment charge	4,21	1,393		2,486	
			16,122		18,393
Net cash inflow from operating activities before changes in working capital					
Change in trade and other receivables		(6,740)		(1,705)	
Change in trade and other payables		6,447		2,234	
Movement in provisions		459		285	
			166		814
Net cash generated from operations					
Income taxes paid		(2,954)		(3,031)	
			13,334		16,176
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired		(4,190)		(5,597)	
Payment of contingent consideration		(9,160)		(8,217)	
Acquisition of property, plant and equipment		(6,411)		(3,712)	
Proceeds on disposal of property, plant and equipment		7		24	
Acquisition of intangible assets		(562)		(691)	
Net movement in long-term cash deposits		109		230	
Interest received	7	49		62	
			(20,158)		(17,901)
			(6,824)		(1,725)

Consolidated statement of cash flow continued

	Note	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000
Net cash from operating and investing activities			(6,824)		(1,725)
Cash flows from financing activities					
Proceeds from sale of own shares		12,540		90	
Issue costs on issue of Ordinary Shares		(457)		(5)	
Purchase of own shares		–		(34)	
Capital element of finance lease rental repayment		(23)		(103)	
Increase in bank borrowings and overdrafts		6,661		16,698	
Repayment of bank borrowings and overdrafts		(3,790)		(8,608)	
Interest paid	6	(471)		(743)	
Dividend and profit share paid to non-controlling interest partners	9	(560)		(884)	
Dividend paid to shareholders of the Parent	9	(2,441)		(3,006)	
Net cash inflow from financing activities			11,459		3,405
Net increase in cash and cash equivalents			4,635		1,680
Cash and cash equivalents at beginning of the year			9,315		8,064
Exchange gains/(losses) on cash held			182		(429)
Cash and cash equivalents at end of the year	19		14,132		9,315

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

Notes to the accounts for the year ended 31 January 2016

1 Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations adopted by the European Union ('Adopted IFRSs') and the parts of the Companies Act 2006 applicable to companies reporting under Adopted IFRSs.

B. Change in year end

In the prior period, the Group changed the end of its reporting period to 31 January 2015. The prior period covered by the financial statements is therefore the 18 months from 1 August 2013 to 31 January 2015. The reason for this was to better align with clients' budgeting cycles, the majority of whom have December year ends. This means that the amounts presented in the financial statements are not directly comparable as the current period is for the 12 months to 31 January 2016. An appendix is included in the financial statements in order to present comparative financial information for the six and 12-month period.

C. New and amended standards adopted by the Group

In the current year, the Group has applied a number of amendments to IFRSs and new interpretations that are mandatorily effective for an accounting period that begins on or after 1 February 2015. These have not had a material impact on the Group financial statements:

Amendment to IFRS 10 'Consolidated Financial Statements' regarding investment entities. The main change resulting from these amendments is an exemption for investment entities from preparing consolidated financial statements. However, the Parent Company does not qualify as an investment entity and therefore this amendment will not affect the Group financial statements.

IFRS 11 'Joint Arrangements' outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control. However, the Next Fifteen Communications Group does not hold any such arrangements and therefore this amendment has had no impact on the Group financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' requires disclosure of subsidiaries with material non-controlling interest ('NCI') or associates which are material to the Group. In the Group there are no material subsidiaries with NCI greater than £0.5m. Furthermore, there are no subsidiaries with NCI greater than 50% of total voting rights.

Total income from associates is less than £0.5m; therefore it is also deemed immaterial to require disclosures.

IFRS 13 'Fair Value Measurement' applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures above fair value measurement. Additional disclosures, including a description of how the fair value has been determined, have been included in note 19 regarding the Group's Level 3 financial instruments, which include contingent and deferred consideration.

D. Basis of consolidation

The Group's financial statements consolidate the results of Next Fifteen Communications Group plc and all of its subsidiary undertakings using the acquisition method of accounting.

Subsidiaries are all entities over which the Group has control. Control is achieved where the Company has existing rights that give it the ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Parent's ownership interests in them. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Each of these approaches have been used by the Group. Non-controlling interests are subsequently measured as the amount of those non-controlling interests at the date of the original combination and the non-controlling interest's share of changes in equity since the date of the combination.

Notes to the accounts continued

1 Accounting policies continued

D. Basis of consolidation continued

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associates are accounted for under the equity method of accounting, where the investment in the associate is carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Consolidated Income Statement reflects the share of the results of the operations of the associate after tax.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Intercompany transactions, balances and unrealised gains on transactions between Group companies (Next Fifteen Communications Group plc and its subsidiaries) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

E. Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 or equivalent sections of previous Companies Acts are met, shares issued as part of the consideration in a business combination are measured at their fair value in the Consolidated Balance Sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

F. Revenue

Billings represent amounts receivable from clients, exclusive of VAT, sales taxes and trade discounts in respect of charges for fees, commission and rechargeable expenses incurred on behalf of clients.

Revenue is billings less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses. Revenue is recognised on the following bases:

- Retainer and other non-retainer fees are recognised as the services are performed, in accordance with the terms of the contractual arrangement.
- Project fees are recognised on a percentage-of-completion basis as contract activity progresses, if the final outcome can be assessed with reasonable certainty. The stage of completion is generally measured on the basis of the services performed to date as a percentage of the total services to be performed.
- Expenses are recharged to clients at cost plus an agreed mark-up when the services are performed.

G. Intangible assets

Goodwill

Goodwill represents the excess of the fair value of consideration payable, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired. The fair value of consideration payable includes assets transferred, liabilities assumed and equity instruments issued. The amount relating to the non-controlling interest is measured on a transaction-by-transaction basis, at either fair value or the non-controlling interest's proportionate share of net assets acquired. Both approaches have been used by the Group. Goodwill is capitalised as an intangible asset, not amortised but reviewed annually for impairment or in any period in which events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in carrying value is charged to the Consolidated Income Statement.

1 Accounting policies continued

G. Intangible assets continued

Software

Licences for software that are not integral to the functioning of a computer are capitalised as intangible assets. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development and employee costs. Amortisation is provided on software at rates calculated to write off the cost of each asset evenly over its expected useful life of between two and five years. Costs associated with maintaining computer software programs are recognised as an expense as it is incurred. No amortisation is charged on assets in the course of construction until they are available for operational use in the business.

Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives of five to 20 years.

Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of three to six years.

Non-compete

Certain acquisition agreements contain non-compete arrangements restricting the vendor's ability to compete with the acquiring business during an earn-out period. The non-compete arrangements have a finite useful life equivalent to the length of the earn-out period and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the length of the arrangement.

H. Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation. Depreciation is provided on all property, plant and equipment at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold improvements	– Over the term of the lease
Office equipment	– 20% to 50% per annum straight-line
Office furniture	– 20% per annum straight-line
Motor vehicles	– 25% per annum straight-line

I. Impairment

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets (excluding deferred tax) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is measured as the higher of value in use and fair value less costs to sell, the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, defined as the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill. The cash-generating units represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment charges are included within the amortisation and impairment line of the Consolidated Income Statement unless they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Notes to the accounts continued

1 Accounting policies continued

J. Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Consolidated Income Statement. In the consolidated financial statements, foreign exchange movements on intercompany loans with indefinite terms, for which there is no expectation of a demand for repayment, are recognised directly in equity within a separate foreign currency translation reserve.

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the accounting period. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rates and the results of overseas operations at average rates are recognised directly in the foreign currency translation reserve within equity. The effective portion arising on the retranslation of foreign currency borrowings which are designated as a qualifying hedge is recognised within equity. See note 19 for more detail on hedging activities.

On disposal of a foreign operation, the cumulative translation differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are transferred to the Consolidated Income Statement as part of the profit or loss on disposal.

On a reduction of ownership interest in a subsidiary that does not affect control, the cumulative retranslation difference is only allocated to the non-controlling interests (the 'NCI') and not recycled through the Consolidated Income Statement.

K. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

L. Financial instruments

Financial assets and liabilities are recognised on the Group's Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the asset or liability. The Group's accounting policies for different types of financial asset and liability are described below.

Trade receivables

Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment. An allowance for impairment of trade receivables is established when there is objective evidence (such as significant financial difficulties on the part of the counterparty, or default or significant delay in payment) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows associated with the impaired receivable.

Such provisions are recorded in a separate allowance account, with the loss being recognised as an expense in the other operating charges line in the Consolidated Income Statement. On confirmation that the trade receivable will not be collectable, the gross carrying value is written off against the associated allowance.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term call deposits held with banks. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Balance Sheet, except where there is a pooling arrangement with a bank that allows them to be offset against cash balances. In such cases the net cash balance will be shown within cash and cash equivalents in the Consolidated Balance Sheet.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date, with gains and losses on revaluation being recognised immediately in the Consolidated Income Statement. The fair value of derivative financial instruments is determined by reference to third-party market valuations.

1 Accounting policies continued

L. Financial instruments continued

Hedging activities

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk-management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Where a foreign currency loan is designated as a qualifying hedge of the foreign exchange exposure arising on retranslation of the net assets of a foreign operation, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in a separate hedging reserve included within other reserves. This offsets the foreign exchange differences arising on the retranslation of the foreign operation's net assets, which is recognised in the separate foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within finance income/expense.

Gains and losses accumulated in equity on retranslation of the foreign currency loans are recycled through the Consolidated Income Statement when the foreign operation is sold or is partially disposed of so that there is a loss of control. At this point the cumulative foreign exchange differences arising on the retranslation of the net assets of the foreign operation are similarly recycled through the Consolidated Income Statement. Where the hedging relationship ceases to qualify for hedge accounting, the cumulative gains and losses remain within the foreign currency translation reserve until control of the foreign operation is lost; subsequent gains and losses on the hedging instrument are recognised in the Consolidated Income Statement.

Where there is a change in the ownership interest without effecting control, the exchange differences are adjusted within reserves.

Bank borrowing

Interest-bearing bank loans and overdrafts are recognised at their fair value, net of direct issue costs and, thereafter, at amortised cost. Finance costs are charged to the Consolidated Income Statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs that are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deal costs

Costs associated with acquisitions are recognised in the Consolidated Income Statement within the 'other operating charges' line in the year in which they are incurred.

Contingent consideration

On initial recognition, the liability for contingent consideration relating to acquisitions is measured at fair value. The liability is calculated based on the present value of the ultimate expected payment with the corresponding debit included within goodwill. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement.

Share purchase obligation

Put-option agreements that allow the non-controlling interest shareholders in the Group's subsidiary undertakings to require the Group to purchase the non-controlling interest are recorded in the Consolidated Balance Sheet as liabilities. On initial recognition, the liability is measured at fair value and is calculated based on the present value of the ultimate expected payment with the corresponding debit included in the share purchase reserve. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement.

Trade payables

Trade payables are initially recognised at fair value and thereafter at amortised cost.

M. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material. Provisions are created for vacant or sublet properties when the Group has a legal obligation for future expenditure in relation to onerous leases. The provision is measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Notes to the accounts continued

1 Accounting policies continued

N. Retirement benefits

Pension costs which relate to payments made by the Group to employees' own defined contribution pension plans are charged to the Consolidated Income Statement as incurred.

O. Share-based payments

The Group issues equity-settled share-based payments to certain employees via the Group's Long-Term Incentive Plan. The share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period. The cumulative expense is adjusted for failure to achieve non-market performance vesting conditions.

Fair value is measured by use of the Black-Scholes model on the grounds that there are no market-related vesting conditions. The expected life used in the model has been adjusted, based on the Board's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group grants brand equity appreciation rights to key individuals in the form of LLC units. The LLC units give the individuals a right to a percentage of the future appreciation in their particular brand's equity. Appreciation is measured based on a multiple of the brand operating earnings in subsequent year(s), over the base line value determined at the date of grant. Since any brand appreciation payments are to be settled in Group equity, they are accounted for as equity-settled share-based payments. The Group fair values the LLC units at the date of grant and expenses them fully at that point.

P. Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the Consolidated Income Statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Where Group assets are leased out under operating leases with the Group acting as lessor, the asset is included in the Consolidated Balance Sheet and lease income is recognised over the term of the lease on a straight-line basis.

Q. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

R. Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated Balance Sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the asset can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

1 Accounting policies continued

R. Deferred tax continued

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Where a temporary difference arises between the tax base of employee share options and their carrying value, a deferred tax asset should arise. To the extent the future tax deduction exceeds the related cumulative IFRS 2 'Share-Based Payments' ('IFRS 2') expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent the future tax deduction matches the cumulative IFRS 2 expense, the associated deferred tax balance is recognised in the Consolidated Income Statement.

S. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

T. Employee Share Ownership Plan ('ESOP')

As the Group is deemed to have control of its ESOP trust, the trust is treated as a subsidiary and is consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

U. Significant estimates and judgements

I. Impairment of goodwill

In line with IAS 36 'Impairment of Assets', the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of the goodwill is determined using value-in-use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions around growth rates and discount rates. Further details are contained in note 11.

II. Contingent consideration, share purchase obligation and valuation of put options

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates. Further details are contained in note 17.

V. New standards and amendments not applied

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 February 2016 or later periods. These new pronouncements are listed below:

- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective periods beginning on or after 1 January 2016)
- Annual Improvements 2012–2014 cycle (effective periods beginning on or after 1 July 2016)¹
- IFRS 15 'Revenue from Contracts with Customers' (effective periods beginning on or after 1 January 2018)¹
- IFRS 9 'Financial Instruments' (effective periods beginning on or after 1 January 2018)¹
- IFRS 16 'Leases' (effective periods beginning on or after 1 January 2019)¹

¹ Not yet endorsed for use in the EU.

Notes to the accounts continued

1 Accounting policies continued**V. New standards and amendments not applied continued**

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

- IFRS 15 may impact the timing of revenue recognition for the Group and is effective for the Group's year ending 31 January 2019. The Group is currently evaluating the impact of the adoption of this standard in future periods.

2 Segment information**Reportable segments**

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

The Group's business is separated into a number of brands which are considered to be the underlying operating segments. These brands are organised into regional segments, within these reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, amortisation of acquired intangibles, goodwill impairment 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. Inter-segment 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	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2016						
Revenue	27,885	6,426	83,456	11,990	–	129,757
Segment adjusted operating profit/(loss)	3,805	452	17,492	1,380	(6,610)	16,519
18-month period ended 31 January 2015						
Revenue	33,460	13,778	92,358	18,899	–	158,495
Segment adjusted operating profit/(loss)	3,299	584	21,018	1,208	(8,150)	17,959

2 Segment information continued

Measurement of operating segment profit continued

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

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Segment adjusted operating profit	16,519	17,959
Impairment of goodwill (note 11)	–	(7,000)
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments ¹	(1,549)	(1,906)
Income for misappropriation of assets	–	65
Transaction costs	(208)	–
Costs associated with restructuring ²	(1,492)	(2,066)
Charge associated with office moves ³	(1,354)	(1,036)
Total exceptional costs in operating profit excluding amortisation	(4,603)	(11,943)
Amortisation of acquired intangibles	(3,487)	(2,375)
Total exceptional costs in operating profit	(8,090)	(14,318)
Total operating profit	8,429	3,641

- 1 This charge relates to the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration, a transaction whereby a restricted grant of brand equity was given to key management in Bite Communications Limited, Bite Communications LLC and The OutCast Agency LLC (2015: Story Worldwide, M Booth and Bite NA) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement. It also includes charges associated with equity transactions accounted for as share-based payments.
- 2 In the current period the Group has incurred exceptional costs in relation to EMEA (£0.9m) following the decision to exit both South Africa and Denmark and reduce the cost base elsewhere in line with the operational performance, in relation to Story Worldwide (£0.5m) restructuring the business to align the cost base with the anticipated revenues and finally in relation to our research agencies (£0.1m) which were merged under the Morar brand.
- 3 Following the decision in the prior year to move all the offices in San Francisco into one location, the Group has pursued similar initiatives in New York and London. Due to this the Group has suffered a period of double rent and one-off costs associated with the moves.

3 Employee information

Staff costs for all employees, including Directors, consist of:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Wages and salaries	83,200	98,286
Social security costs	5,836	7,848
Pension costs	1,613	2,006
Share-based payment charge (note 21)	2,072	2,486
	92,721	110,626

Notes to the accounts continued

3 Employee information continued

The average number of employees during the period, by geographical location, was as follows:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
UK	304	260
Europe and Africa	85	114
US	611	514
Asia Pacific	314	337
Head office	36	23
	1,350	1,248

Key management personnel are considered to be the Board of Directors as set out on pages 16 and 17.

Directors' remuneration consists of:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Short-term employee benefits	1,186	1,231
Pension costs	60	202
Share-based payment charge	165	165
	1,411	1,598

The highest paid Director received total emoluments of £815,000 (2015: £962,000).

4 Operating profit

This is arrived at after charging/(crediting):

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Depreciation of owned property, plant and equipment	2,246	2,325
Depreciation of assets held under finance leases	102	7
Amortisation of intangible assets	3,796	2,812
Impairment of goodwill	–	7,000
Loss on sale of property, plant and equipment	156	73
Share-based payment charge	523	580
Share-based payment charge – exceptional	1,549	1,906
Operating lease income	(543)	(473)
Operating lease rentals – property	4,413	6,066
– plant and machinery	45	186
Foreign exchange (gain)/loss	(105)	379

4 Operating profit continued

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and their associates:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	183	192
The auditing of financial statements of the subsidiaries pursuant to legislation	127	144
Non-audit services:		
Tax advisory services	42	30
Other assurance services	5	39
	357	405

5 Reconciliation of pro forma financial measures

The following reconciliations of pro forma financial measures have been presented to provide additional information which will be useful to the users of the financial statements in understanding the underlying performance of the Group.

The adjusted measures are also used for the performance calculation of the adjusted earnings per share used for the vesting of employee share options (note 10), banking covenants and cash flow analysis.

Adjusted profit before income tax and earnings to ordinary shareholders

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Profit before income tax	5,578	405
Movement in fair value of interest rate cap-and-collar contract	–	(206)
Unwinding of discount on contingent and deferred consideration (note 17)	936	1,473
Unwinding of discount on share purchase obligation (note 17)	576	979
Total exceptional costs in operating profit (note 2)	8,090	14,318
Change in estimate of future contingent consideration payable (note 17)	439	1,253
Change in estimate of future share purchase obligation (note 17)	473	(610)
Adjusted profit before income tax	16,092	17,612

Adjusted EBITDA

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Operating profit	8,429	3,641
Depreciation of owned property, plant and equipment (note 12)	2,246	2,325
Depreciation of assets under finance leases (note 12)	102	7
Amortisation of intangible assets (note 11)	3,796	2,812
Total exceptional costs in operating profit excluding amortisation (note 2)	4,603	11,943
Adjusted EBITDA	19,176	20,728

Notes to the accounts continued

5 Reconciliation of pro forma financial measures continued**Adjusted staff costs**

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Staff costs	92,721	110,626
Reorganisation costs	(1,219)	(1,136)
Charges associated with equity transactions accounted for as share-based payments (note 2)	(1,549)	(1,906)
Adjusted staff costs	89,953	107,584

6 Finance expense

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Financial liabilities at amortised cost		
Bank interest payable	445	720
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	576	979
Change in estimate of future share purchase obligation (note 17)	759	135
Unwinding of discount on contingent and deferred consideration (note 17)	936	1,473
Change in estimate of future contingent consideration payable (note 17)	2,163	1,369
Other		
Finance lease interest	8	5
Other interest payable	18	18
Finance expense	4,905	4,699

7 Finance income

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Financial assets at amortised cost		
Bank interest receivable	42	46
Financial assets at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	286	745
Movement in fair value of interest rate cap-and-collar contract	-	206
Change in estimate of future contingent consideration (note 17)	1,724	116
Other		
Other interest receivable	7	16
Finance income	2,059	1,129

8 Taxation

The major components of income tax expense/(credit) for the year ended 31 January 2016 and 18-month period ended 31 January 2015 are:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	2,019	3,591
Adjustments in respect of current income tax in prior years	30	100
Deferred income tax		
Relating to the origination and reversal of temporary differences	(957)	(1,806)
Adjustments in respect of deferred tax for prior years	24	(2,401)
Income tax expense/(credit) reported in the Consolidated Income Statement	1,116	(516)
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	(239)	(208)
Income tax benefit reported in equity	(239)	(208)
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.17% (2015: 21.89%). The difference is explained below:		
Profit before income tax	5,578	405
Corporation tax expense at 20.17% (2015: 21.89%)	1,125	89
Effects of:		
Disallowed expenses	765	2,482
Recognition of previously unrecognised tax losses	(354)	(479)
Non-utilisation of tax losses	26	51
Higher rates of tax on overseas earnings	734	1,148
Deduction for overseas taxes	(1,234)	(1,506)
Adjustments in respect of prior years	54	(2,301)
	1,116	(516)
Reconciliation of tax expense/(credit) in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense/(credit) reported in the Consolidated Income Statement	1,116	(516)
Add back:		
Tax on adjusting items		
Movement in fair value of interest rate cap-and-collar contract	–	(41)
Costs associated with the current period restructure (note 2)	497	84
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	200	911
Share-based payment charge (note 2)	312	731
Charge associated with office moves (note 2)	491	414
Amortisation of acquired intangibles	924	713
Tax adjustments in respect of prior years relating to intangible fixed assets	–	2,082
Adjusted tax expense	3,540	4,378
Adjusted profit before income tax (note 5)	16,092	17,612
Adjusted effective tax rate	22%	25%

Notes to the accounts continued

8 Taxation continued

The Group presents the adjusted effective tax rate to help users of this report better understand its tax charge. In arriving at this rate, the Group removes the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax disclosed in note 5. The Group considers that the resulting adjusted effective tax rate is more representative of its tax payable position.

The UK income tax expense is based on a blended rate of the UK statutory rates of corporation tax during the year to 31 January 2016 of 20.17% (2015: 21.89%) and reflects the reduction in the UK corporation tax rate from 21% to 20% from 1 April 2015.

As a result of the reduction in the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 that was substantively enacted on 26 October 2015, the UK deferred tax balances have been remeasured.

9 Dividend

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Dividends paid during the period		
Final dividend paid for prior year of 2.500p per Ordinary Share (2015: 1.925p)	1,635	1,160
Interim dividend paid of 1.200p per Ordinary Share (2015: 0.700p)	806	425
Second interim dividend paid of £Nil per Ordinary Share (2015: 2.300p)	–	1,421
	2,441	3,006
Non-controlling interest dividend ¹	560	884

¹ During the year, a profit share was paid to the holders of the non-controlling interest of 463 Communications of £29,000 (2015: £94,000), The Blueshirt Group LLC of £120,000 (2015: £376,000), Outcast of £278,000 (2015: £251,000), M Booth of £64,000 (2015: £Nil), Beyond of £Nil (2015: £72,000), Bite NA of £1,000 (2015: £Nil) and Connections Media of £68,000 (2015: £91,000).

The ESOP waived its right to dividends in the financial period ended 31 January 2016 and 2015.

A final dividend of 3.0p per share (2015: 2.5p) has been proposed. This has not been accrued. This makes the total dividend for the year of 4.2p per share (2015: 5.5p). The prior year dividend of 5.5p is comprised of a 3.5p proforma dividend for the 12 months to 31 January 2015 and a special 2.0p dividend to take account of the long accounting period. The final dividend, if approved at the AGM on 28 June 2016, will be paid on 5 August 2016 to all shareholders on the Register of Members as at 1 July 2016. The ex-dividend date for the shares is 30 June 2016.

10 Earnings per share

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Earnings/(loss) attributable to ordinary shareholders	3,992	(107)
Movement in fair value of interest rate cap-and-collar contract	–	(165)
Unwinding of discount on contingent and deferred consideration	793	(39)
Unwinding of discount on share purchase obligation	519	769
Income from recovery and sale of misappropriated assets	–	(65)
Change in estimate of future contingent consideration payable	439	134
Change in estimate of share purchase obligation	473	(531)
Costs associated with the current period restructure (note 2)	995	1,983
Share-based payment charge (note 2)	1,237	1,175
Charge associated with office moves (note 2)	863	622
Deal costs (note 2)	208	–
Amortisation of acquired intangibles	2,563	1,433
Impairment of intangibles	–	7,000
Adjusted earnings attributable to ordinary shareholders	12,082	12,209
	Number	Number
Weighted average number of Ordinary Shares	66,298,503	60,825,828
Dilutive LTIP shares	2,904,335	4,868,493
Dilutive growth deal shares ¹	1,689,729	1,126,939
Other potentially issuable shares	745,340	570,657
Diluted weighted average number of Ordinary Shares	71,637,907	67,391,917
Basic earnings/(loss) per share	6.0p	(0.2)p
Diluted earnings/(loss) per share	5.6p	(0.2)p
Adjusted earnings per share	18.2p	20.1p
Diluted adjusted earnings per share	16.9p	18.1p

1 This relates to the brand equity appreciation rights as discussed in note 1.

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 5 is the tax effect of those adjusting items.

Notes to the accounts continued

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-compete £'000	Goodwill £'000	Total £'000
Cost						
At 31 July 2013	3,534	2,307	6,312	79	39,503	51,735
Acquisitions	706	–	–	–	–	706
Capitalised internal development	79	–	–	–	–	79
Acquired through business combinations ¹	1,174	937	3,874	388	6,150	12,523
Disposals	(231)	–	–	–	–	(231)
Exchange differences	(70)	16	(123)	(1)	(144)	(322)
At 31 January 2015	5,192	3,260	10,063	466	45,509	64,490
Acquisitions	562	–	–	–	–	562
Capitalised internal development	197	–	–	–	–	197
Acquired through business combinations ¹	801	635	3,083	313	5,586	10,418
Disposals	(242)	–	–	–	–	(242)
Exchange differences	23	200	318	2	1,218	1,761
At 31 January 2016	6,533	4,095	13,464	781	52,313	77,186
Amortisation and impairment						
At 31 July 2013	2,854	418	3,456	30	3,608	10,366
Charge for the period	739	172	1,806	95	–	2,812
Disposals	(231)	–	–	–	–	(231)
Impairment ²	–	–	–	–	7,000	7,000
Exchange differences	(99)	17	(19)	–	(271)	(372)
At 31 January 2015	3,263	607	5,243	125	10,337	19,575
Charge for the year ³	933	395	2,085	383	–	3,796
Disposals	(185)	–	–	–	–	(185)
Impairment ²	–	–	–	–	–	–
Exchange differences	23	64	264	–	94	445
At 31 January 2016	4,034	1,066	7,592	508	10,431	23,631
Net book value at 31 January 2016	2,499	3,029	5,872	273	41,882	53,555
Net book value at 31 January 2015	1,929	2,653	4,820	341	35,172	44,915

1 During the year, the Group acquired Delta, Encore, IncrediBull and ODD (note 26). The Group recognised customer relationships of £202,038, £577,844, £803,117 and £1,500,998 in Delta, Encore, IncrediBull and ODD respectively. £188,653 and £446,104 of trade name were recognised in Encore and ODD respectively. £231,353, £56,256 and £25,471 of intangibles relating to non-compete clauses were recognised in Encore, IncrediBull and ODD respectively. £801,245 of software intangibles were recognised in Encore.

2 The prior year impairment for goodwill relates to Lexis. Further details are provided later in this note.

3 Amortisation charge for the period includes acquired intangibles of £383,000 for non-compete agreements, £2,085,000 for customer relationships, £395,000 for trade names and £624,000 relating to software.

11 Intangible assets continued

Impairment testing for cash-generating units containing goodwill

Goodwill acquired through business combinations is allocated to cash-generating units ('CGUs') for impairment testing as follows:

	2016 £'000	2015 £'000
Text 100 Group	2,840	1,471
Lexis (UK) ¹	2,349	2,349
OutCast (US)	7,453	7,021
M Booth (US)	4,783	4,505
Blueshirt	4,832	4,552
Bourne	5,631	5,631
Story Worldwide (note 26)	1,840	1,734
Morar (note 26)	1,913	1,913
ODD (note 26)	2,458	–
Other ²	7,783	5,996
	41,882	35,172

1 During the prior year, Lexis was impaired by £7,000,000; see further detail below.

2 Other goodwill represents goodwill on a number of cash-generating units, none of which is individually significant in comparison to the total carrying value of goodwill.

Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. The CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The Group performs a three stage impairment testing process by considering:

Stage 1) the performance of the brands during the previous financial year.

Stage 2) the value in use of the brands, calculated by taking the present value of expected future cash flows based on a 2.5% long-term growth rate applied to the Board approved FY17 budget.

Stage 3) the value in use of the brands, calculated by taking the present value of expected future cash flows based on management's best estimate of brand specific growth rates for the following four years applied to the Board approved FY17 budget.

Note that the long-term perpetuity growth rate in stages 2 and 3 is 2.5%. Stage three is only reached if impairment is indicated at stage one and two.

Cash flow projections

The recoverable amounts of all CGUs have been determined from value-in-use calculations based on the pre-tax operating profits before non-cash transactions including amortisation and depreciation. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets.

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 14.4% (2015: 16.0%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 14.4% to be appropriate as this is already in the higher end of the spectrum amongst its peers, and views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar PR businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required.

Notes to the accounts continued

11 Intangible assets continued**Impairment testing for cash-generating units containing goodwill continued***Sensitivity to changes in assumptions*

Two CGUs have been identified, which show indicators of impairment, those being Bourne and Lexis. With the exception of those two businesses, if expected growth rates reduced by 1% and the discount rates increased by 1%, this would not cause the carrying values of the individual CGUs to exceed their recoverable amounts.

Financial year	Brand	Key assumptions	Reasonably possible change
FY16	Bourne	<p>In stage two analysis, the carrying value of Bourne UK goodwill exceeds its recoverable amount. The business was negatively impacted by the merger and demerger with Bite UK during FY13 resulting in business disruption and loss of clients to Bourne UK. Despite these changes, the operating profit margin at Bourne has improved from 10% in FY15 to 11.8% in FY16.</p> <p>Next year, the business has budgeted further improvements in operating profit, with 18% for the budgeted full-year margin. Furthermore, the agency expects to grow in terms of revenue next year with strong growth in existing clients.</p> <p>When a growth rate of 5% for revenue is used for the four years following the FY17 budget the recoverable amounts exceeds the carrying amount by £0.9m (15%).</p> <p>It is deemed that these models are appropriate given the current growth rates in the Company and it is expected that they will be met. As such, no impairment has been proposed, although management will continue to monitor the position closely.</p>	<p>In order for the carrying amount to exceed the recoverable amount, revenue growth would have to decrease to 2.0% with no proportionate increase in costs, or 5% with an increase in underlying costs to 4.1% for direct staff costs and 3.0% for other overheads, respectively.</p>
FY16	Lexis	<p>In the prior period the Board determined that the value of goodwill should be impaired by £7,000,000. This was based on management's best estimate of the value in use at the time.</p> <p>In the stage two analysis performed at the current year end, the carrying value of goodwill exceeds its recoverable amount.</p> <p>However, when a growth rate of 5% for revenue is used the recoverable amount exceeds the carrying amount by £2.0m (86%). Management has deemed a 5% increase in revenue in periods FY18 to FY21 to be reasonable as it equates to a modest amount in real terms (£0.15m), which management believes is achievable given Lexis' recent turn in momentum. Operating margin is forecast to continue the trend of the last 12 months with further improvements. Hence management believes that direct staff costs and other overheads will increase at a slower rate of 3.0% and 2.5% over the period.</p> <p>It is deemed that although the headroom is tight, the management forecasts used as the basis for the projection period are conservative in predicting future growth and the key assumptions applied are prudent. Given the uncertain environment and sensitivity to results, management will continue to monitor the investment in Lexis closely.</p>	<p>The further impairment review performed has indicated that the recoverable amount is 86% higher than the carrying amount and that a reasonably possible change to key assumptions used in determining the recoverable amount could cause an impairment. It was noted that in order for the carrying amount to exceed its recoverable amount, the revenue growth would need to reduce to 3.0% or the discount rate would need to increase to 28.5%.</p>

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 July 2013	4,578	7,209	1,484	14	13,285
Exchange differences	130	(162)	(22)	5	(49)
Additions	2,285	1,492	320	75	4,172
Acquired through business combinations	195	172	55	–	422
Disposals	(773)	(2,542)	(576)	–	(3,891)
At 31 January 2015	6,415	6,169	1,261	94	13,939
Exchange differences	469	209	140	4	822
Additions	3,921	1,099	754	–	5,774
Acquired through business combinations	98	279	383	–	760
Disposals	(1,081)	(1,766)	(631)	(22)	(3,500)
At 31 January 2016	9,822	5,990	1,907	76	17,795
Accumulated depreciation					
At 31 July 2013	3,107	5,993	1,012	8	10,120
Exchange differences	27	(164)	(14)	5	(146)
Charge for the period	853	1,173	288	18	2,332
Disposals	(770)	(2,497)	(551)	–	(3,818)
At 31 January 2015	3,217	4,505	735	31	8,488
Exchange differences	159	140	75	2	376
Charge for the year	990	972	376	10	2,348
Disposals	(1,046)	(1,736)	(607)	(16)	(3,405)
At 31 January 2016	3,320	3,881	579	27	7,807
Net book value at 31 January 2016	6,502	2,109	1,328	49	9,988
Net book value at 31 January 2015	3,198	1,664	526	63	5,451

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts is as follows: £30,000 of leasehold improvements (2015: £Nil) and £36,000 of office equipment and furniture (2015: £109,000). Depreciation charged in the year in respect of finance leases was £102,000 (2015: £7,000).

Notes to the accounts continued

13 Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	31,029	23,353
Less: provision for impairment of trade receivables	(697)	(662)
Trade receivables – net	30,332	22,691
Other receivables	3,648	2,604
Prepayments	2,297	1,876
Accrued income	4,647	4,083
	40,924	31,254
Non-current		
Rent deposits	702	575

As of 31 January 2016, trade receivables of £697,000 (2015: £662,000) were impaired. Movements in the provision were as follows:

	2016 £'000	2015 £'000
At start of period	662	651
Provision for receivables impairment	174	284
Receivables written off during the year as uncollectable	(49)	(93)
Unused amounts reversed	(101)	–
Foreign exchange movements	11	(180)
At period end	697	662

The provision for receivables impairment has been determined by considering specific doubtful balances and by reference to historical default rates. Owing to the immaterial level of the provision for impairment of receivables, no further disclosure is made. The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

As at 31 January, the analysis of trade receivables that were not impaired is as follows:

	2016 £'000	2015 £'000
Not past due	17,784	11,745
Up to 30 days	6,611	6,166
31 to 60 days	3,312	2,767
Greater than 61 days	2,625	2,013
At period end	30,332	22,691

14 Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade creditors	4,677	4,502
Finance lease obligation	56	40
Other taxation and social security	2,338	1,575
Short-term compensated absences	1,563	1,500
Other creditors	1,655	878
Accruals	13,712	10,300
Deferred income	10,087	7,114
	34,088	25,909
Non-current		
Finance lease obligation	11	40
Rental lease liabilities	5,728	2,255
	5,739	2,295

The Group considers that the carrying amount of trade and other payables approximates their fair value.

15 Provisions

	Onerous lease £'000	Property £'000	Other ¹ £'000	Total £'000
At 31 July 2013	–	248	159	407
Additions	751	734	140	1,625
Used during the year	–	(259)	(205)	(464)
At 31 January 2015	751	723	94	1,568
Additions	–	200	1,033	1,233
Used during the year	(699)	(588)	(75)	(1,362)
At 31 January 2016	52	335	1,052	1,439
Current	36	–	953	989
Non-current	16	335	99	450

1 Other includes redundancy provisions of £648,000, and other immaterial provisions.

16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amounts payable:				
Within one year	52	40	56	40
In two to five years	20	30	11	12
	72	70	67	52
Less: finance charges allocated to future periods	(5)	(18)	–	–
Present value of lease obligations	67	52	67	52

Notes to the accounts continued

17 Other financial liabilities

	Deferred consideration ¹ £'000	Contingent consideration ² £'000	Share purchase obligation £'000	Total £'000
At 31 July 2013	1,319	6,152	3,546	11,017
Reclassification	1,241	(1,241)	–	–
Arising during the period	–	4,562	3,439	8,001
Changes in assumptions	–	1,253	(610)	643
Exchange differences	(65)	(37)	(88)	(190)
Utilised	(2,642)	(4,747)	(1,424)	(8,813)
Unwinding of discount	241	1,232	979	2,452
At 31 January 2015	94	7,174	5,842	13,110
Reclassification	–	–	–	–
Arising during the year	–	4,092	916	5,008
Changes in assumptions ³	–	439	473	912
Exchange differences	–	223	93	316
Utilised	(95)	(4,519)	(4,166)	(8,780)
Unwinding of discount	1	935	576	1,512
At 31 January 2016	–	8,344	3,734	12,078
Current	–	2,643	1,509	4,152
Non-current	–	5,701	2,225	7,926

1 Opening deferred consideration relates to Bite India where the payment for the final 15% NCI has been agreed and was fully settled in the year.

2 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in IncrediBull, Encore and ODD (prior year: Republic Publishing, Agent3 and Morar Consulting). See note 26 for additional information on these acquisitions.

3 Gross movements in changes in assumptions is disclosed in note 6 and 7.

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY17 budget with further consideration being given to current and forecast wider market conditions. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earn out and discounted back to present value using a pre-tax discount rate.

Sensitivity analysis

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earn-out agreements by approximately £34,000 (2015: £56,000). There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing on the earn-out agreements would have approximately a £13,000 (2015: £70,000) impact on the liabilities. An increase in the liability would result in a reduction in the revaluation of financial instruments, while a decrease would result in a further gain.

18 Deferred taxation

Temporary differences between the carrying value of assets and liabilities in the balance sheet and their relevant value for tax purposes result in the following deferred tax assets and liabilities:

	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Derivative financial instruments £'000	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 July 2013	247	527	1,135	121	(1,442)	43	1,643	–	2,274
Credit/(charge) to income	236	89	604	(55)	2,491	(43)	525	360	4,207
Exchange differences	7	14	–	1	(69)	–	37	(43)	(53)
Acquisition of subsidiaries	3	–	–	–	(874)	–	–	70	(801)
Reclassified	–	–	–	–	–	–	(126)	126	–
Taken to equity	–	–	208	–	–	–	–	–	208
At 31 January 2015	493	630	1,947	67	106	–	2,079	513	5,835
(Charge)/credit to income	(685)	(90)	(96)	17	998	–	824	(35)	933
Exchange differences	(33)	24	–	5	210	–	186	10	402
Acquisition of subsidiaries	(8)	–	–	–	(922)	–	6	–	(924)
Taken to equity	–	–	239	–	–	–	–	–	239
At 31 January 2016	(233)	564	2,090	89	392	–	3,095	488	6,485

After netting off balances, the following are the deferred tax assets and liabilities recognised in the Consolidated Balance Sheet:

	2016 £'000	2015 £'000
Net deferred tax balance		
Deferred tax assets	6,485	6,012
Deferred tax liabilities	–	(177)
Net deferred tax asset	6,485	5,835

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £360,000 (2015: £956,000).

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £4m. No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

Notes to the accounts continued

19 Financial instruments**Financial risk management, policies and strategies**

The Group's principal financial instruments comprise bank loans, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax at 31 January 2016, based on period-end balances and rates.

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Group's actual exposure to market rates changes as the Group's portfolio of debt and cash changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Group. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

	Movement in basis points	2016 £'000	2015 £'000
Group	+200	(410)	(356)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities. On 29 October 2014, the Group signed a £20,000,000 revolving loan credit facility agreement with HSBC Bank available in multiple currencies, replacing the previous £16,000,000 facility with Barclays Bank. As at 31 January 2016 the Group had an undrawn amount of £96,441 (2015: £2,338,000). The interest rate is variable dependent on the net debt:EBITDA ratio and the facility is available to 29 October 2018.

In addition, on 18 December 2014, the Group entered into an overdraft facility with HSBC Bank of £2,000,000 available at a rate of 2.25% above HSBC Bank's base rate in multiple currencies. This replaced the previous £1,500,000 facility with Barclays Bank (1.5% above Barclays Bank base rate) and US\$2,735,000 credit line with Wells Fargo Bank (available at the prime rate (3.25% as at 31 July 2013)). The overdraft facility is reviewed at the bank's discretion with no expiry date. At the balance sheet date, the Group had utilised £Nil of the HSBC overdraft bank facility (2013: £Nil).

On 8 March 2016 the Group entered into an extended four-year £30m revolving credit facility with HSBC. See note 30 for further information.

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2016 and 31 January 2015, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	More than five years £'000	Total £'000
As at 31 January 2016				
Financial liabilities	40,338	37,259	1,061	78,658
	40,338	37,259	1,061	78,658
As at 31 January 2015				
Financial liabilities	31,065	34,882	–	65,947
	31,065	34,882	–	65,947

19 Financial instruments continued

Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe, Africa and Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates; however, the Group has not held derivative financial instruments at the end of either period.

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax based on period-end balances and rates.

	Weakening against sterling	2016 £'000	2015 £'000
US dollar	20%	1,234	612
Euro	20%	39	(144)
Australian dollar	20%	(176)	(79)
Chinese renminbi	20%	(6)	(321)

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's equity based on period-end balances and rates.

	Weakening against sterling	2016 £'000	2015 £'000
US dollar	20%	(336)	(100)
Euro	20%	28	(1)
Australian dollar	20%	7	(27)
Chinese renminbi	20%	(14)	33

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on investigation into the facts surrounding overdue debts, historic experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies, although the Board recognises that in the current economic climate these indicators cannot be relied upon exclusively.

Maximum exposure to credit risk

	2016 £'000	2015 £'000
Total trade and other receivables	40,924	31,254
Cash and cash equivalents	14,132	9,315

Notes to the accounts continued

19 Financial instruments continued**Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings and finance leases, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2016 to 2022.

	2016 £'000	2015 £'000
Total loans and borrowings ¹	20,683	17,812
Obligations under finance leases	72	70
Less: cash and cash equivalents	(14,132)	(9,315)
Net debt	6,623	8,567
Total equity	52,791	37,202
Total capital	59,414	45,769

¹ Total loans and borrowings is made up of current obligations (£Nil) and non-current obligations (£20,683,000).

	2016 £'000	2015 £'000
Net debt	6,623	8,567
Share purchase obligation	3,734	5,842
Deferred consideration	–	94
Contingent consideration	8,344	7,174
	18,701	21,677

Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on gross borrowings to earnings before interest, tax, depreciation, amortisation ('EBITDA') and impairment; gross borrowings including earn-out liabilities (note 17) to EBITDA and impairment; and net finance charges to EBITDA. There have been no breaches of the banking covenants in the current or prior period.

Fair values of financial assets and liabilities

Fair value is the amount at which a financial instrument can be exchanged in an arm's-length transaction between informed and willing parties, other than a forced or liquidation sale.

The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 January 2016, with the exception of obligations under finance leases. The book value of obligations under finance leases is £72,000 (2015: £70,000) and the fair value is £67,000 (2015: £52,000). The fair value of obligations under finance lease is estimated by discounting future cash flows to net present value.

19 Financial instruments continued

Financial instruments – detailed disclosures

Financial instruments recognised in the balance sheet

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the heading in which they are included are as follows:

	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 January 2016				
Non-current financial assets				
Other receivables	-	-	702	702
	-	-	702	702
Current financial assets				
Cash and cash equivalents	-	-	14,132	14,132
Trade and other receivables	-	-	40,924	40,924
	-	-	55,056	55,056
Current financial liabilities				
Loans and borrowings	-	-	-	-
Trade and other payables	-	34,088	-	34,088
Provisions	-	989	-	989
Share purchase obligation ¹	1,509	-	-	1,509
Contingent consideration ¹	2,643	-	-	2,643
Deferred consideration ¹	-	-	-	-
	4,152	35,077	-	39,229
Non-current financial liabilities				
Loans and borrowings	-	20,683	-	20,683
Provisions	-	450	-	450
Other payables	-	5,739	-	5,739
Contingent consideration ¹	5,701	-	-	5,701
Share purchase obligation ¹	2,225	-	-	2,225
	7,926	26,872	-	34,798

¹ See note 17.

The Group has no fair value Level 1 or 2 instruments. All instruments at fair value through profit of loss are Level 3 instruments as per the table above. In 2015 the Group had no Level 1 or 2 instruments; Level 3 instruments were as per the table overleaf.

Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation; see note 17. They are not based on observable market data.

Notes to the accounts continued

19 Financial instruments continued**Financial instruments – detailed disclosures continued***Financial instruments recognised in the balance sheet continued*

	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 January 2015				
Non-current financial assets				
Other receivables	–	–	575	575
	–	–	575	575
Current financial assets				
Cash and cash equivalents	–	–	9,315	9,315
Trade and other receivables	–	–	31,254	31,254
	–	–	40,569	40,569
Current financial liabilities				
Loans and borrowings	–	100	–	100
Trade and other payables	–	25,909	–	25,909
Provisions	–	926	–	926
Share purchase obligation ¹	852	–	–	852
Contingent consideration ¹	3,841	–	–	3,841
Deferred consideration ¹	94	–	–	94
	4,787	26,935	–	31,722
Non-current financial liabilities				
Loans and borrowings	–	17,712	–	17,712
Provisions	–	642	–	642
Other payables	–	2,295	–	2,295
Contingent consideration ¹	4,990	–	–	4,990
Share purchase obligation ¹	3,333	–	–	3,333
	8,323	20,649	–	28,972

¹ See note 17.

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2016:

	Effective interest rate	2016 £'000	2015 £'000
Current			
Obligations under finance leases	3.42%	52	40
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.60%	20,683	17,662
Obligations under finance leases	3.42%	20	30

19 Financial instruments continued

Hedge of net investment in foreign entity

A proportion of the Group's US dollar-denominated borrowings amounting to US\$6,100,000 is designated as a hedge of the net investment in the Group's US subsidiary M Booth & Associates, Inc. US\$1,700,000 has been designated as a hedge of the net investment in the Group's US subsidiary Blueshirt. A further US\$1,000,000 has been designated as a hedge of the net investment in the Group's US subsidiary Connections Media. An additional US\$6,600,000 has been designated as a hedge of the net investment in the Group's US subsidiary Story Worldwide LLC.

The fair value of the borrowings at 31 January 2016 is \$15,400,000 (£10,855,000) (FY15: US\$14,100,000 (£9,363,000)). The foreign exchange loss of £662,000 (FY15: £104,000) on translation of the borrowing to functional currency at the end of the reporting period is recognised in a hedging reserve, in shareholders' equity. As a result of ineffectiveness, £4,000 was transferred during the period from the hedging reserve as a credit (FY15: debit of £44,000) to the income statement.

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2016 Number	2015 Number
Allotted, called up and fully paid		
At start of period	61,797,256	59,757,027
Issued in the year in respect of contingent consideration and share purchase obligations	740,663	631,969
Issued in the year in satisfaction of exercised share options (note 21)	1,539,554	1,408,260
Issued in the year in respect of placing	6,448,228	–
At end of period	70,525,701	61,797,256

Fully paid Ordinary Shares carry one vote per share and right to dividends.

21 Share-based payments

The Group uses the Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications. At each period end the cumulative expense is adjusted to take into account any changes in estimate of the likely number of shares expected to vest. Details of the relevant option schemes are given in note 22. All the share-based payment plans are subject to non-market performance conditions such as adjusted earnings per share targets and continued employment. All schemes are equity settled.

In the period ended 31 January 2016 the Group recognised a charge of £2,072,000 (2015: £2,486,000) made up of £523,000 (2015: £580,000) in respect of employment-related LTIP shares; £1,549,000 (2015: £1,906,000) given in performance shares offered given in consideration for the remaining non-controlling interest acquired in Bourne in 2012 and in respect of the disposal of a 10% interest in OutCast, 5% interest in Bite UK and 5% interest in Bite US (note 26).

Movement on options and performance shares granted (represented in Ordinary Shares):

	Outstanding 31 January 2015 Number (‘000)	Granted Number (‘000)	Lapsed Number (‘000)	Exercised Number (‘000)	Outstanding 31 January 2016 Number (‘000)	Exercisable 31 January 2016 Number (‘000)
Long-Term Incentive Plan – performance shares	3,927	46	(202)	(854)	2,917	–
Bourne Acquisition Grant	1,247	–	(36)	(685)	526	–
	5,174	46	(238)	(1,539)	3,443	–

Notes to the accounts continued

21 Share-based payments continued

The fair value of options granted in the period calculated using the Black-Scholes model was as follows:

	May 2015	June 2015
Fair value of performance shares granted under the LTIP (p)	149	163
Share price at date of grant (p)	176	192
Risk-free rate (%)	2.08	2.08
Expected life (years)	4	4
Expected volatility (%)	29	29
Dividend yield (%)	1.99	1.82

Performance shares issued by the Company under the Next Fifteen Communications Group plc Long-Term Incentive Plan are granted at a nil exercise price.

22 Share options

The Company has issued options over its shares to employees that remain outstanding as follows:

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications				
Long-Term Incentive Plan	1,211,000	1 August 2012	31 July 2016	7 January 2013
	20,000	1 August 2012	31 July 2016	1 May 2013
	980,000	1 August 2013	31 July 2017	21 January 2014
	200,000	1 August 2013	31 July 2017	16 April 2014
	460,000	1 February 2014	31 January 2018	14 November 2014
	26,500	1 February 2015	31 January 2019	6 May 2015
	20,000	1 February 2015	31 January 2019	5 June 2015
	2,917,500			
Bourne Acquisition Grant	525,773	1 August 2012	31 July 2017	5 April 2012
	3,443,273			

During the period the Company issued 1,539,554 shares to satisfy the vesting under the Next 15 and Bourne LTIPs which were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23).

For all awards under the LTIP, performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The level of vesting will be determined using the best three of the four years' performance for each performance measure. The growth of adjusted EPS of the Group must exceed the UK Consumer Prices Index ('CPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest. If the growth of adjusted EPS over CPI is between an average of 3% and 10% per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis. The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit targets over the performance period. To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of the award will lapse on a straight-line basis. Employees who work in Group roles will be measured by reference to whole Group performance, rather than any particular business unit.

On 5 April 2012 the Group acquired the remaining 20% non-controlling interest in CMG Worldwide Limited ('Bourne'). As part of the settlement, three grants of performance shares were awarded. Two of these grants were closed out during the year; the remaining grant of 525,773 performance shares contains a different performance condition based on a pure profit target to be achieved which is based on the average of the results for the 12 months to 31 July 2016 and 2017.

23 Investment in own shares

Employee share ownership plan ('ESOP')

The purpose of the ESOP is to enable the Company to offer participation in the ownership of its shares to Group employees, principally as a reward and incentive scheme. Arrangements for the distribution of benefits to employees, which may be the ownership of shares in the Company or the granting of options over shares in the Company held by the ESOP, are made at the ESOP's discretion in such manner as the ESOP considers appropriate. Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

At 31 January 2016 the ESOP held Nil (2015: Nil) Ordinary Shares in the Company, which represents 0% (2015: 0%) of the Ordinary Share capital. The ESOP reserve of £Nil (2015: £Nil) represents the cost of these shares held by the ESOP in the Company at 31 January 2016. The nominal value of shares held was £Nil (2015: £Nil), and the market value at 31 January 2015 was £Nil (2013: £Nil). The right to receive dividends on all shares has been waived.

The ESOP subscribed for 1,539,554 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting for £Nil consideration (2015: 1,406,871 shares for £Nil consideration). No shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2015: Nil shares for £Nil proceeds).

Treasury shares

At 31 January 2016, the Group held no treasury shares (2015: Nil) at a cost of £Nil (2015: £Nil).

24 Other reserves

	ESOP reserve ¹ £'000	Treasury shares £'000	Hedging reserve £'000	Total other reserves £'000
At 1 August 2013	(221)	–	(362)	(583)
Total comprehensive income for the year	–	–	(148)	(148)
Purchase and take on of shares	(35)	–	–	(35)
Movement due to ESOP share option and LTIP exercises	256	–	–	256
At 31 January 2015	–	–	(510)	(510)
Total comprehensive income for the year	–	–	(658)	(658)
Purchase and take on of shares	(38)	–	–	(38)
Movement due to ESOP share option and LTIP exercises	38	–	–	38
At 31 January 2016	–	–	(1,168)	(1,168)

¹ The ESOP Trust's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

25 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 January 2016, the Group's total future minimum lease rentals are as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	4,663	41	5,038	122
In two to five years	22,089	44	13,611	234
After five years	20,066	–	9,957	–
	46,818	85	28,606	356

Notes to the accounts continued

26 Acquisitions and equity transactions

During the year the following transactions took place:

1. the acquisition of UK-based Encore Digital Media Limited;
2. the acquisition of UK-based IncrediBull World Limited;
3. the acquisition of UK-based ODD;
4. the purchase of remaining NCI in Beyond Communications; and
5. the purchase of remaining NCI in Republic.

More details on each transaction are provided below.

1. Encore Digital Media Limited

On 27 April 2015 Next 15 acquired 75% of the issued share capital of Encore Digital Media Limited ('Encore'), a programmatic advertising technology business based in London. A mechanism is in place to purchase the remaining 25% over a five-year period. The total present value of the share purchase obligation is £719,693.

Goodwill of £1,394,717 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Encore has contributed £914,341 to revenue and £316,179 to profit before tax. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	1,799	1,799
Property, plant and equipment	7	–	7
Current assets			
Cash and cash equivalents	156	–	156
Other current assets ¹	361	–	361
Current liabilities	(246)	–	(246)
Deferred tax liability	–	(345)	(345)
Net assets acquired	278	1,454	1,732
Goodwill			1,395
			3,127
Consideration			
Cash consideration			1,165
Total contingent consideration			1,443
			2,608
Fair value of non-controlling interest			519
			3,127

1 The fair value of receivables acquired is £361,000.

26 Acquisitions and equity transactions continued

2. IncrediBull World Limited

On 2 July 2015 Next 15 acquired the entire issued share capital of IncrediBull World Limited ('IncrediBull'), a brand marketing consultancy based in London.

Goodwill of £1,369,278 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period IncrediBull has contributed £1,056,806 to revenue and £52,008 to profit before tax. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	859	859
Property, plant and equipment	50	–	50
Current assets			
Cash and cash equivalents	355	–	355
Other current assets ¹	609	–	609
Current liabilities	(822)	–	(822)
Deferred tax liability	–	(163)	(163)
Net assets acquired	192	696	888
Goodwill			1,369
			2,257
Consideration			
Cash consideration			1,625
Total contingent consideration			632
			2,257

1 The fair value of receivables acquired is £609,000.

Notes to the accounts continued

26 Acquisitions and equity transactions continued**3. ODD**

On 10 December 2015 Next 15 acquired the entire issued share capital of ODD, a London-based digital agency that specialises in consumer-facing communications for fashion and lifestyle brands.

Goodwill of £2,457,896 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period ODD has contributed £506,310 to revenue and £75,853 to profit before tax. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	1,973	1,973
Property, plant and equipment	69	–	69
Current assets			
Cash and cash equivalents	1,084	–	1,084
Other current assets ¹	430	–	430
Current liabilities	(946)	–	(946)
Deferred tax liability	–	(375)	(375)
Net assets acquired	637	1,598	2,235
Goodwill			2,458
			4,693
Consideration			
Cash consideration			3,735
Total contingent consideration			958
			4,693

¹ The fair value of receivables acquired is £430,000.

4. Beyond

On 2 April 2015, Next 15 acquired the remaining 32.8% minority interests in Beyond Corporation Limited and Beyond International Corporation ('Beyond'), its digital experience design agency, for an aggregate consideration of £2,370,000. The consideration comprises £2,000,000 in cash with the balance being satisfied in Next 15 shares.

5. Republic

Further to the acquisition of the 51% interest in Republic on 21 January 2014, on 2 April 2015 Next 15 purchased the remaining minority interest in Republic for an aggregate consideration of £3,000,000. The consideration comprises £1,800,000 in cash, 302,094 shares in Next 15 and a deferred payment of £700,000 which is due to be settled in 2016.

27 Subsidiaries

The Group's subsidiaries at 31 January 2016 are listed below.

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group
Agent 3 Limited	England		54
Agent 3 LLC	USA		54
August One Communications International Limited	England	✓	100
Beijing Text 100 Consulting Services Limited	China		100
Beyond Corporation Limited	England	✓	100
Beyond International Corporation	USA		100
Bite Asia Holdings Limited	England	✓	100
Bite Communications Corporation	USA		100
Bite Communications Group Ltd	England	✓	100
Bite Communications Limited	England		100
Bite Communications Hong Kong Limited	Hong Kong		100
Bite Communications (Canada) Ltd	Canada		100
Bite Communications (Beijing) Ltd	China		100
Bite Consulting GmbH	Germany		100
BITEDA Ltd	England		100
biteDA Inc	USA		100
Bite Marketing Consulting Pte Limited	Singapore		100
Blueshirt Group LLC	USA		89.3
Connection Media LLC	USA	✓	80
Delta Value Ltd	England		75
Encore	England		75
Hypertext Communications Private Ltd (formerly Bite Digital Communications Private Limited)	India		100
IncrediBull America Inc	USA		100
IncrediBull Ltd	England		100
IncrediBull UK Holdings Ltd	England		100
IncrediBull World Limited	England		100
Joe Public Relations Corp	USA		100
Joe Public Relations Ltd	England		100
The Lexis Agency Limited	England		100
M Booth & Associates, Inc.	USA		100
Morar Consulting Limited	England		75
Next Fifteen Communications Corporation	USA	✓	100
Next Fifteen Communications Hong Kong Ltd	Hong Kong	✓	100
Next Fifteen Communications Limited	England		100
Next Fifteen LLC	USA		100
Next Fifteen UK Limited	England	✓	100

Notes to the accounts continued

27 Subsidiaries continued

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group
ODD Communications Ltd	England	✓	100
ODD London Ltd	England		100
The OutCast Agency	USA		100
Paratus Communications Limited	England		100
Redshift Research Limited	England	✓	100
Republic Publishing Corporation	USA		100
Republic Publishing Limited	England		100
Soundbite Communications SARL	France		100
Story Worldwide LLC	USA	✓	100
Text 100 AB	Sweden		100
Text 100 BV	Netherlands		100
Text 100 Communications Pty Ltd (formerly Bite Marketing Consulting Pty Limited)	Australia		100
Text 100 Corporation	USA		100
Text 100 GmbH	Germany	✓	100
Text 100 Holding GmbH	Germany		100
Text 100 International Limited	England	✓	100
Text 100 Italy Srl	Italy		100
Text 100 Limited	England		100
Text 100 Malaysia Sdn Bhd	Malaysia		100
Text 100 Proprietary Ltd	South Africa		100
Text 100 Pte Limited	Singapore		100
Text 100 Pty Limited	Australia		100
Text 100 SARL	France		100
Text 100 SL	Spain		100
Text Hundred India Private Limited	India		100
Vox Public Relations India Private Limited	India		100
Vrge Strategies LLC (formerly 463 Communications, LLC)	USA		100

All shares held are class of Ordinary Shares.

The principal activity of the subsidiary undertakings is communications consultancy specialising predominantly in the technology sector, except for The Lexis Agency Limited, ODD and M Booth & Associates, Inc. (which work for clients predominantly in consumer sectors), Morar Consulting Limited (which is a research company), Blueshirt Group LLC (which is an investor and media relations agency) and Connections Media, Beyond Corporation Limited and Beyond International Corporation (which are digital marketing consultancies).

All subsidiary undertakings operate in the country in which they have been incorporated. All subsidiary undertakings listed are included in the consolidated results. None of the Group's subsidiaries have a non-controlling interest that is individually material to the Group.

As a result the disclosure requirements for subsidiaries with a material non-controlling interest under IFRS 12 are not considered necessary.

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. During the period to 31 January 2016 there were the following related-party transactions:

Brand	Services	Related party	Income/(expense) impact 2016 £'000	Asset/(liability) at year end 2016 £'000	Income/(expense) impact 2015 £'000	Asset/(liability) at year end 2015 £'000
Vrge	Consultancy	Digital Citizens Advisory Alliance – A director of Vrge has an interest in this company	(614)	(216)	(922)	(133)
Bite NA	PR, marketing and consulting services and sublease office space	Series C LLC – Next 15 has a 20% interest	–	–	12	–
Text 100 France	Consultancy services	Sofitel – Sister-in-law of a director at Text 100 has an interest in this company	–	–	10	–
Text 100 Denmark	Media relations services	Barsmark – A senior executive at Text 100 has an interest in this company through their parent	–	–	7	–
Blueshirt	Received website design services	Danna Design Corp – one Director has interest in this company through their parent	(1)	(1)	(2)	(1)
Text Hong Kong	Received video editing and shooting services	Merz Productions Ltd – one Director has an interest through their spouse	(7)	(1)	(10)	–
Agent3	Received research and analysis services	TATA Communications Ltd – wife of a Director has an interest in this company	(1)	–	(1)	–
Bite Australia	Leased motor vehicle	Spouse of a Director	–	–	(15)	–
Story Worldwide	Tax	Story paid for a Director's tax and other personal charges	(6)	(1)	–	–

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris and Richard Eyre received dividends of £158,666, £1,324 and £5,748 respectively. Key management personnel compensation is disclosed in note 3.

During the year, Beyond performed consumer experience work for Moneysupermarket.com, for which Genevieve Shore has a non-executive directorship. The total value of the transaction during FY16 was £79,000 and the amount outstanding at the year end is £79,000.

Notes to the accounts continued

29 Operating lease rental receivables

As at 31 January, the Group's total future minimum lease payments receivable under non-cancellable leases are as follows:

	2016 £'000	2015 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	86	122
In two to five years	–	–
In greater than five years	21	82
	107	204

30 Events after the balance sheet date**Morar**

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

HSBC facility

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

Publitek

On 10 March 2016, Next 15 purchased the entire issued share capital of Publitek Limited, a specialist technical content marketing business that services customers in the global semiconductor and electronic component market, for initial consideration of £6.2m. Further consideration may become payable based on the average profits of Publitek for the years ending 31 January 2018, 2019, 2020 and 2021.

Twogether

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

Company balance sheet

as at 31 January 2016 and 31 January 2015

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Intangible assets	4	837		489	
Tangible assets	5	1,177		64	
Investments in subsidiaries	6	91,430		75,295	
Investments in associates		462		–	
			93,906		75,848
Current assets					
Debtors: due within one year	7	15,175		10,098	
		15,175		10,098	
Current liabilities					
Creditors: amounts falling due within one year	8	19,090		17,956	
Net current liabilities			(3,915)		(7,858)
Total assets less current liabilities			89,991		67,990
Creditors: amounts falling due after more than one year	9		(28,899)		(25,056)
Net assets			61,092		42,934
Capital and reserves					
Called up share capital		1,763		1,545	
Share premium account		21,523		8,272	
Merger reserve		3,075		3,075	
Share-based payment reserve		4,571		3,941	
ESOP reserve		–		–	
Other reserve		27,759		28,417	
Profit and loss account		2,401		(2,316)	
Total shareholders' funds			61,092		42,934

The following notes are an integral part of this Company Balance Sheet.

These financial statements were approved and authorised for issue by the Board on 11 April 2016.



Peter Harris

Chief Financial Officer

Company number 01579589

Statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 31 July 2013	1,494	7,557	3,075	3,183	(221)	28,566	12,665	56,319
Loss for the period	–	–	–	–	–	–	(11,975)	(11,975)
Dividends	–	–	–	–	–	–	(3,006)	(3,006)
Shares issued in satisfaction of vested share options and performance shares	35	82	–	–	–	–	–	117
Shares issued on acquisition	16	633	–	173	–	–	–	822
Movement in hedging reserve	–	–	–	–	–	(149)	–	(149)
Movement in relation to share-based payments	–	–	–	585	–	–	–	585
Movement due to ESOP share purchases	–	–	–	–	(34)	–	–	(34)
Movement due to ESOP share option exercises	–	–	–	–	255	–	–	255
At 31 January 2015	1,545	8,272	3,075	3,941	–	28,417	(2,316)	42,934
Profit for the period	–	–	–	–	–	–	7,158	7,158
Dividends	–	–	–	–	–	–	(2,441)	(2,441)
Shares issued in satisfaction of vested share options and performance shares	38	–	–	–	–	–	–	38
Shares issued on acquisition	19	1,331	–	–	–	–	–	1,350
Shares issued on placing	161	11,920	–	–	–	–	–	12,081
Movement in hedging reserve	–	–	–	–	–	(658)	–	(658)
Movement in relation to share-based payments	–	–	–	630	–	–	–	630
Movement due to ESOP share purchases	–	–	–	–	38	–	–	38
Movement due to ESOP share option exercises	–	–	–	–	(38)	–	–	(38)
At 31 January 2016	1,763	21,523	3,075	4,571	–	27,759	2,401	61,092

The following notes are an integral part of this Statement of changes in equity.

Notes forming part of the Company financial statements for the year ended 31 January 2016

1 Accounting policies

A. Basis of preparation

Next Fifteen Communications Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 93. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 15. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 January 2016 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6–33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year. See note 3 for further information.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments measured at fair value at the end of each reporting period, and are in accordance with applicable accounting standards in the United Kingdom. The Company fair value accounting policies are consistent with those of the Group. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Group accounts of Next Fifteen Communications Group plc. The Group accounts of Next Fifteen Communications Group plc are available to the public and are at the beginning of this section.

The Company has early adopted the July 2015 amendments to FRS 101 in relation to the exemption from presenting a statement of financial position and related notes as at 1 August 2013, the date of transition to FRS 101.

B. Change in year end

In the prior period, the Group changed the end of its reporting period to 31 January 2015. The prior period covered by the financial statements is therefore the 18 months from 1 August 2013 to 31 January 2015. The reason for this was to better align with clients' budgeting cycles, the majority of whom have December year ends. This means that the amounts presented in the financial statements are not directly comparable as the current period is for the 12 months to 31 January 2016.

C. Adoption of new and revised standards

As explained above, the Company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised standards and interpretations have been adopted in the current year. The application of these specific standards and interpretations has not had a material effect on the Company.

D. Amendments to IAS 1 'Presentation of Financial Statements'

(as part of the Annual Improvements to IFRSs 2009–2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009–2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. In the current year, the Company has applied IFRSs for the first time (see the discussion above), which has resulted in material effects on the information in the statement of financial position as at 1 February 2015. Accordingly the Company has presented an opening balance sheet and related notes as at 1 February 2015 to comply with the requirements of IFRS 1 'First Time Adoption of IFRS'.

Notes forming part of the Company financial statements continued

1 Accounting policies continued

E. Adoption of new and revised standards continued

IFRS 13 'Fair Value Measurement'

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 'Share-based Payment', leasing transactions that are within the scope of IAS 17 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 includes extensive disclosure requirements; the Company has taken advantage of the exemption provided under IFRS 101 from providing these disclosures. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

F. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Corporate Governance section of the annual report, which also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

G. Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 are met, shares issued as part of an acquisition the Company records the cost of the investment at the nominal value of the shares issued and records the excess of fair value over nominal value as a merger reserve. This is applicable where equity interest is greater than 90%.

H. Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on all tangible fixed assets at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Office equipment – 20% to 50% per annum straight-line

The carrying values of tangible fixed assets are reviewed for impairment periodically if events or changes in circumstances indicate the carrying value may not be recoverable.

Useful lives and residual values are reviewed at the end of every reporting period.

I. Intangible fixed assets

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is provided on all intangible assets at annual rates calculated to write off the cost, less estimated residential value, of each asset evenly over its expected useful life as follows:

Computer software – 20% to 50% per annum straight-line.

1 Accounting policies continued

J. Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rates of exchange ruling at the dates of the transactions. Exchange gains and losses and translation differences are taken directly to the profit and loss account, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/ hedge accounting).

K. Leasing transactions

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

L. Pension costs

Pension costs, which relate to payments made by the Company to employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

M. Investments

Fixed asset investments are stated at cost less provisions for impairment.

N. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

O. Deferred taxation

Deferred tax is provided in full on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on temporary differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

P. Share-based employee remuneration

Details of all grants are disclosed in note 22 of the consolidated financial statements.

Fair value is measured by use of a Black-Scholes model on the grounds that there are no market-related vesting conditions. The expected life used in the model has been adjusted, based on the Board's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Details of the risk-free rate and dividend yield used to underpin these assumptions are included in note 21 of the consolidated financial statements. The market price on the grant date is obtained from external publicly available sources.

Q. Employee share ownership plan

The cost of the Company's shares held by the ESOP is deducted from shareholders' funds in the Consolidated and Company Balance Sheets. Any gain or loss made by the ESOP on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the ESOP (including borrowings) are recognised as assets and liabilities of the Company.

Notes forming part of the Company financial statements continued

1 Accounting policies continued

R. Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument.

S. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Dividends receivable from investments are recognised in the profit and loss account in the period in which they are paid.

T. Critical accounting judgements and key sources of estimation uncertainty

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £97m. For details on impairments in the period see note 4 below.

2 Profit and loss account of the Parent Company

The Parent Company's profit after tax for the financial year was £7,158,000 (2015: loss after tax of £11,975,000). The auditors' remuneration is disclosed in note 4 of the Group accounts.

3 Reconciliation of total comprehensive income for the 18-month period ended 31 January 2015

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under previous GAAP (pre-2015 UK GAAP) were for the 18-month period ended 31 January 2015 and the date of transition to FRS 101 was therefore 1 August 2013.

	Total £'000	
Total comprehensive loss for the financial year under previous UK GAAP		(8,137)
Fair value accounting expense in relation to share purchase obligations		(3,838)
Total comprehensive income for the financial year under FRS 101		(11,975)
	At 1 August 2015	At 31 January 2015
Equity reported under previous UK GAAP	56,949	47,402
Fair value accounting expense in relation to share purchase obligations	(630)	(4,468)
Equity reported under FRS 101	56,319	42,934

Notes to the reconciliation of profit or loss for the 18-month period ended 31 January 2015.

4 Intangible assets

Computer
software
£'000

Cost

At 1 February 2015	2,042
Additions	434
Transfers	395
Disposals	(82)

At 31 January 2016 **2,789**

Accumulated depreciation

At 1 February 2015	1,553
Charge for the year	117
Transfers	364
Disposals	(82)

At 31 January 2016 **1,952**

Net book value

At 31 January 2016 **837**

At 31 January 2015 489

5 Tangible assets

	Short leasehold premises £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2015	–	695	695
Additions	773	666	1,439
Transfers	–	(395)	(395)
Disposals	–	(245)	(245)
At 31 January 2016	773	721	1,494
Accumulated depreciation			
At 1 February 2015	–	631	631
Charge for the year	145	25	170
Transfers	–	(239)	(239)
Disposals	–	(245)	(245)
At 31 January 2016	145	172	317
Net book value			
At 31 January 2016	628	549	1,177
At 31 January 2015	–	64	64

Notes forming part of the Company financial statements continued

6 Investments

	Total £'000
Cost	
At 1 January 2015	75,295
Acquisitions ¹	10,519
Additional investment in 100% owned subsidiary ²	6,426
Investment write off	(739)
Disposal of subsidiary ³	(71)
At 31 January 2016	91,430

- On 2 April 2015 the Company purchased the non-controlling interest of Republic Publishing Limited. The NCI accounted for 49.0% of the Company. On 2 April 2015 the Company purchased the non-controlling interest of Beyond Corporation Limited. The NCI accounted for 32.8%. On 27 April 2015, the Company purchased 75% of the issued share capital of Encore Digital Media Limited. On 1 July 2015, the Company purchased 100% of the issued share capital of IncrediBull World Limited. On 9 December 2015, the Company purchased 100% of the issued share capital of ODD Communications Limited. In December 2014 the Company purchased 75.0% of the issued share capital in Morar Consulting Limited.
- The additional investment in a subsidiary follows the issue of additional shares by two of the Company's 100% subsidiaries, August.One International Limited and Bite Communications Group Limited. The additional shares were acquired at a premium in order to fund the settlement of contingent and deferred consideration payments for certain US subsidiaries.
- On 12 January 2016 Text Germany was sold to Text 100 Holding GmbH, which is wholly owned by Bite Communications Group Limited, another 100% owned subsidiary.

The Directors consider the value of investments in subsidiary undertakings to be not less than that stated in the balance sheet of the Company.

The Group's subsidiaries are listed in note 27 of the consolidated financial statements.

7 Debtors

	Company 2016 £'000	Company 2015 £'000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	14,305	8,562
Other debtors	446	561
Prepayments and accrued income	343	197
Deferred tax asset	78	400
Corporation tax	–	247
Other taxation	3	131
Total debtors	15,175	10,098

8 Creditors: amounts falling due within one year

	Company 2016 £'000	Company 2015 £'000
Overdraft	2,236	4,038
Trade creditors	–	546
Amounts owed to subsidiary undertakings	15,438	12,227
Corporation tax	35	–
Other taxation and social security	61	112
Other creditors	637	104
Accruals and deferred income	683	205
Total	19,090	17,232

9 Creditors: amounts falling due after more than one year

	Company 2016 £'000	Company 2015 £'000
Bank loan¹	20,633	17,662
Between one and two years	–	–
Between two and five years	20,633	17,662
After five years	–	–
Contingent consideration	5,788	3,650
Between one and two years	780	2,105
Between two and five years	4,478	1,545
After five years	520	–
Share purchase obligation	2,478	4,468
Between one and two years	1,509	724
Between two and five years	969	2,425
After five years	–	1,319
Total	28,899	25,780

1 The entire bank facility is secured on guarantees from the guarantor pool.

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2016.

10 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 July 2013	83	–	45	128
(Charge)/credit to income	(6)	319	(41)	272
At 31 January 2015	77	319	4	400
Charge to income	(107)	(211)	(4)	(322)
At 31 January 2016	(30)	108	–	78

11 Share capital and reserves

	2016 £'000	2015 £'000
Allocated, called up and fully paid		
70,525,701 Ordinary Shares of 2.5p each	1,763	1,545

For details on changes to issued share capital in the year, please refer to note 20 in the Group financial statements.

Notes forming part of the Company financial statements continued

12 Operating leases

As at 31 January 2016, the Company's total future minimum lease rentals are as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	169	–	150	44
In two to five years	846	–	–	–
After five years	338	–	–	–
	1,353	–	150	44

13 Related-party transactions

During the period the Company received/(paid) the following amounts in respect of Head office costs and intercompany interest from/(to) undertakings which were not wholly owned at the balance sheet date:

	Intercompany interest		Recharges	
	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Agent3 Limited	4	(20)	119	98
Blueshirt Group LLC	–	–	171	109
Connection Media LLC	–	–	64	38
M Booth & Associates LLC	–	–	406	217
The OutCast Agency LLC	–	–	397	273
Morar Consulting Limited	–	–	116	–
Encore Digital Media	–	–	35	–
Story Worldwide	–	–	165	–

At 31 January the Company had the following intercompany amounts receivable from/(payable to) the subsidiaries below:

	Year ended 31 January 2016 £'000	18-month period ended 31 January 2015 £'000
Agent3 Limited	1,182	921
Blueshirt Group LLC	48	21
Connection Media LLC	21	13
M Booth & Associates LLC	165	93
The OutCast Agency LLC	(67)	79
Morar Consulting Limited	186	37
Encore Digital Media	30	–
Story Worldwide LLC	(1)	(7)

Five-year financial information

for the 12-month period ended 31 January (unaudited)

	Year ended 2016 IFRS £'000	Year ended 2015 IFRS £'000	Year ended 2014 IFRS £'000	Year ended 2013 IFRS £'000	Year ended 2012 IFRS £'000
Profit and loss					
Billings	151,658	126,159	118,278	109,427	108,958
Revenue	129,757	109,194	98,749	92,890	90,553
Staff costs	92,721	77,108	68,988	64,705	62,465
Operating profit	8,429	(555)	4,705	5,381	8,309
Net finance expense	(2,846)	(2,577)	(1,382)	(60)	(602)
Profit before income tax	5,578	(2,864)	3,313	5,332	7,707
Income tax expense	(1,116)	1,486	(1,802)	(1,384)	(2,314)
Profit for the year	4,462	(1,378)	1,511	3,948	5,393
Non-controlling interests	470	589	475	485	333
Profit attributable to owners of the Parent	3,992	(1,967)	1,036	3,463	5,060
Balance sheet					
Non-current assets	71,430	57,458	49,868	48,124	46,587
Net current assets	16,159	8,893	(1,920)	9,903	11,917
Non-current liabilities	(34,798)	(29,149)	(8,048)	(18,714)	(23,095)
Total equity attributable to owners of the Parent	52,048	37,974	37,060	37,070	31,778
Non-controlling interests	743	(773)	2,840	2,243	3,631
Total equity	52,791	37,202	39,900	39,313	35,409
Cash flow					
Profit for the year	4,462	(1,378)	1,511	3,948	5,393
Non-cash adjustments and working capital movements	11,826	5,600	(1,493)	(600)	(471)
Net cash generated from operations	16,288	17,960	8,976	8,639	11,080
Income tax paid	(2,954)	(2,316)	(1,461)	(2,968)	(2,251)
Net cash from operating activities	13,334	15,644	7,515	5,671	8,829
Acquisition of subsidiaries net of cash acquired	(4,190)	(5,544)	(616)	(705)	(2,913)
Acquisition of property, plant and equipment	(6,411)	(3,225)	(1,052)	(1,736)	(1,368)
Net cash outflow from investing activities	(20,158)	(14,842)	(4,522)	(4,473)	(8,576)
Net cash movement in bank borrowings	2,871	6,300	(586)	(763)	2,074
Dividends paid to owners of the Parent	(2,441)	(3,006)	(1,409)	(1,208)	(1,045)
Net cash inflow/(outflow) from financing activities	11,459	2,042	(3,156)	(2,609)	160
Increase/(decrease) in cash for the year	4,635	2,844	(163)	(1,411)	413
Dividend per share (p)	4.2	3.50	2.63	2.36	2.10
Basic earnings per share (p)	6.0	(3.23)	1.73	5.99	9.08
Diluted earnings per share (p)	5.6	(2.91)	1.55	11.09	7.82
Key performance indicator and other non-statutory measures					
Headline staff costs as a % of revenue ¹	69.3	68.9	69.7	69.1	69.0
Headline EBITDA ²	19,176	14,609	10,556	11,806	11,557
Headline profit before income tax ³	16,092	12,535	8,271	5,066	8,950
Diluted headline earnings per share (p) ⁴	16.9	13.2	7.4	9.8	9.5
Net debt ⁵	(6,618)	(8,567)	(5,367)	(5,200)	(4,430)

1 Staff costs excluding restructuring costs and charges associated with equity transactions accounted for as share-based payments. See note 5 of the financial statements.

2 Operating profit before depreciation, amortisation and the impact of fraudulent activity.

3 See note 5 of the financial statements.

4 See note 10 of the financial statements.

5 Net debt excludes contingent consideration and share purchase obligations. See note 19 of the financial statements.

Appendix 1

Results for the 12-month period to 31 January 2016 and 31 January 2015 (unaudited)

1.1 Consolidated Income Statement

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

1.2 Consolidated Statement of Cash Flow

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

1.3 Segment information

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

1.4 Reconciliation of adjusted items

	12 months ended 31 January 2016 £'000	12 months ended 31 January 2015 £'000
Profit before income tax	5,578	(2,864)
Movement in fair value of interest rate cap-and-collar contract	–	(135)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,512	1,911
Income from recovery and sale of misappropriated assets	–	(53)
Change in estimate of future contingent consideration and share purchase obligation payable	912	342
Share-based payment charge	1,549	1,906
Charge associated with current period restructure	1,492	1,758
Charge associated with office moves	1,354	1,036
Amortisation of acquired intangibles	3,487	1,688
Deal costs	208	–
Impairment of goodwill	–	7,000
Adjusted profit before income tax	16,092	12,535

Appendix 2

Reconciliation of the 12-month period to 31 January 2015 to audited results

2.1 Consolidated Income Statement

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

2.2 Consolidated Statement of Cash Flow

	18 months ended 31 January 2015 £'000 (Audited)	12 months ended 31 January 2015 £'000 (Unaudited)	Six months ended 31 January 2014 £'000 (Unaudited)
Net cash inflow from operating activities	18,393	12,360	6,033
Working capital movement	814	5,600	(4,786)
Income tax paid	(3,031)	(2,316)	(715)
Net cash from operating activities	16,176	15,644	532
Net cash outflow from investing activities	(17,901)	(14,842)	(3,059)
Net cash outflow from financing activities	3,405	2,041	1,364
Cash and cash equivalents at beginning of the year	8,064	6,217	8,064
Exchange (losses)/gains on cash held	(429)	255	(684)
Cash and cash equivalents at end of the year	9,315	9,315	6,217

2.3 Segment information

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

Appendix 2 continued

2.4 Reconciliation of adjusted items

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

Financial calendar and contacts

Final dividend

Ex-dividend date	30 June 2016
Record date	1 July 2016
Annual General Meeting	28 June 2016
Payment of 2016 final dividend	5 August 2016

These dates are provisional and may be subject to change.

Interim dividend

Interim results announcement	September 2016
Ex-dividend date	November 2016
Record date	November 2016
Payment of 2017 interim dividend	December 2016

Preliminary results

2017 full-year results announcement	April 2017
-------------------------------------	------------

Advisers

Nominated adviser and brokers

Investec Bank

2 Gresham Street
London EC2V 2QP

Auditors

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Registrars

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone from the UK: 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge.
Lines are open Monday to Friday (9.00 a.m.–5.30 p.m.)

Telephone from overseas: +44 371 664 0300

E-mail: shareholderenquiries@capita.co.uk

Registered office

Next Fifteen Communications Group plc

75 Bermondsey Street
London SE1 3XF
T: +44 (0)20 7908 6444

Company number

01579589

Investor relations contact

Peter Harris

Chief Financial Officer

T: +44 (0)20 7908 6444

Bankers

HSBC Bank plc

8 Canada Square
London E14 5HQ

Registrar

Shareholders who change address, lose their share certificates, want to have dividends paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the Company's Registrar using the contact information above. Shareholders can also check their details and transaction histories via the Registrar's website at www.capitaregistrars.com.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan ('DRIP') enables shareholders to use their dividends to buy further Next 15 shares. Full details of the DRIP can be obtained from the Registrar. If shareholders would like their final 2016 and future dividends to qualify for the DRIP, completed application forms must be returned to the Registrar by 11 July 2016.

Unauthorised brokers (boiler room scams)

Shareholders are advised to be wary of scams, where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should note the name of the person and organisation contacting you and check that they are properly authorised by the FCA (www.fca.org.uk/register/) before handing over any money. If you deal with an unauthorised firm, you will not have access to the Financial Ombudsmen or the Services Compensation Scheme if things go wrong. If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768. More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

Next Fifteen Communications Group plc

75 Bermondsey Street
London SE1 3XF

T: +44 (0)20 7908 6444

www.next15.com