7th October 2014

Next Fifteen Communications Group plc

Second interim results for the six and twelve months ended 31 July 2014

Next Fifteen Communications Group plc ("Next 15" or "the Group"), the digital communications group, today announces its interim results for the six and twelve months ended 31 July 2014. As previously announced, the Company has changed its accounting reference date to 31 January and accordingly these results are the second interim results in respect of the 18 month financial period ending 31 January, 2015.

Financial highlights

	Twelve months to 31st July 2014 Unaudited	Twelve months to 31st July 2013 Audited	
Revenue	£101.5m	£96.1m	+6%
Adjusted EBITDA[1]	£12.6m	£10.0m	+26%
Adjusted PBT[2]	£10.5m	£7.7m	+36%
Diluted adjusted EPS[3]	10.0p	6.7p	+49%
Total Interim Dividends per share	3.0p	2.55p	+18%
Reported (loss) / profit before tax	£(0.95)m	£2.09m	
Reported basic EPS	(6.0)p	0.6p	
Net Debt	£1.4m	£1.8m	

- Constant currency, like for like ("organic") revenue growth of 5% over the prior period, including 12% in US and improved second half performance in UK and EMEA
- £1.4m of exceptional restructuring costs incurred in UK and EMEA in twelve months to 31 July 2014
- £7.0m non-cash goodwill write-off against UK businesses in twelve months to 31 July 2014
- Net debt of £1.4 million (2013: £1.8 million) after a net £4.4 million of acquisition-related payments in the period

Corporate Progress

- Continued strong trading with organic revenue growth of 7% in the six months to 31 July 2014
- Next 15 announces today the acquisition of Story Worldwide, a content advertising agency with offices in New York and Seattle for $6.6m. Annualised revenue of approximately $15m and clients include Unilever, Lexus, Beech-Nut and SEI
- Integration of Text and Bite in EMEA and APAC well underway
- Significant Group client wins: GoPro, DropBox and BT
- New global £20m banking facility agreed with HSBC at lower interest rate margin
- Consolidation of all the Group's San Francisco operations into one location with effect from 1 February 2015

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

Next 15 continues to make good progress, with strong revenue growth in the US and an improving performance in the UK. The acquisition of Story Worldwide adds an exciting new business in line with the Group's strategy of investment in content, insight and technology. Significant steps are being taken to streamline operations whilst preserving first class client service; the simplifying of our international operations in EMEA and APAC is well under way and we are co-locating our businesses in San Francisco.

[1] *Adjusted EBITDA is calculated as adjusted operating profit (Note 2) adding back remaining amortisation and depreciation.*

[2] *Adjusted PBT has been reconciled in Note 3*

[3] *Diluted Adjusted EPS has been reconciled in Note 8*

Financial highlights for six months to 31 July 2014

	Six months to 31st July 2014 Unaudited	Six months to 31st July 2013 Unaudited	
Revenue	£52.2m	£49.4m	+6%
Adjusted EBITDA	£6.4m	£4.4m	+45%
Adjusted PBT	£5.4m	£3.2m	+69%
Diluted adjusted EPS	5.1p	2.5p	+101%
Second Interim Dividend per share	2.3p	1.925p	+19%
Reported (loss) / profit before tax	£(4.22)m	£0.04m	
Reported basic EPS	(9.1)p	(1.4)p	
Net cash generated from operations	£11.2m	£7.7m	

- Constant currency, like for like revenue growth of 7% over the prior period, including 11% in US
- £1.1m of exceptional restructuring costs incurred in UK and EMEA in the six months to July 2014
- £7.0m goodwill write-off against UK businesses in the six months to July 2014

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Attached:
Chairman and Chief Executive's statement
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flow
Notes to the interim results

Chairman and Chief Executive's Statement

Next 15 is pleased to announce its second interim results for the twelve months to 31 July 2014. Trading was encouraging during the period with organic revenue growth of 5%, largely driven by a continued strong performance from our North American business which saw 12% organic revenue growth. Trading in the UK was much improved in the second six months with a like for like revenue growth of 4% whilst EMEA and APAC were stabilised.

The Group's reported revenue increased by 6% to £101.5m (2013: £96.1m), adjusted EBITDA increased by 26% to £12.6m (2013: £10.0m) and adjusted profit before tax increased by 36% to £10.5m (2013: £7.7m), whilst diluted adjusted earnings per share increased by 49% to 10.0p (2013: 6.7p).

Improving our financial controls and processes has been a real focus of the last six months and the net cash generated from operations increased to £11.2m in the six months to July 2014 compared with £7.7m in the six months to 31 July 2013.

Reflecting the strong underlying trading performance the Group has announced an increase in the second interim dividend to 2.3p per share which equates to a total dividend of 3.0p per share for the twelve months to July 2014 (2013:2.55p).

Balance sheet and operational review

Following the appointment of Peter Harris in March of this year, the Group undertook a detailed balance sheet and operational review. Following this the Board is in the process of implementing a number of initiatives to improve the operating performance of our businesses. As a consequence, the Group has incurred a £7m goodwill write-down against its UK business and exceptional restructuring costs of £1.4m in the UK and EMEA during the period. Accordingly, the reported loss before tax was £0.9m (2013: profit £2.1m) while reported basic loss per share was 6.0p (2013: profit 0.6p).

Regional performance

As mentioned earlier, our US business has had a very strong performance in the twelve months to July 2014, with organic revenue growth of 12%. The strength of Sterling against the US $ has held back reported revenue growth, which was up 9% to £57.3m. Operating profit grew by 15% to £13.6m at a margin of 24%, before head office re-charges. Outcast, Blueshirt, Beyond and Text 100 saw double digit organic revenue growth in their US businesses, whilst MBooth, Connections Media, 463 and Bite US showed encouraging trading performances.

On 27 August 2014 we signed a nine year lease at 100 Montgomery Street in San Francisco which will be the new location for all of our businesses in that city. After a four month fit-out it is anticipated that all of the Group's San Francisco based businesses will re-locate there with effect from 1 February 2015. There will be a 12 month rent free period (including the construction period) on the new premises but the Group has to account for the rental cost of the building equally over the term of the lease from 1 October 2014. Accordingly the Group will suffer a period of double rent from an accounting perspective for the period from 1 October 2014 through to 31 January 2015 which will add an approximately $900k non-cash accounting cost to the Group in the next six months reporting period. This will be disclosed as an exceptional cost in the six months to January 2015.

The revenues from our UK businesses increased by 15% to £21.9m and they delivered an operating profit of £1.5m at an operating margin of 7%. The acquisitions of Republic Publishing and Continuous Insight have contributed to an improved revenue performance in the last six months. Following an impairment review, we have reassessed the carrying value of the goodwill attributable to our UK businesses and determined that a £7m write down is appropriate to reflect a period of historic under-performance. Recent management changes and the two recent acquisitions have yielded encouraging early signs of progress and we anticipate a continuation of these trends over the next six months.

The revenues from our EMEA region declined by 9% to £9.6m, reflecting a difficult trading environment. We have combined our Text and Bite operations in the region and have seen a much improved profit performance over the last six months of the period. Lastly, the revenues from APAC declined by 10% to £12.6m, mainly due to the strength of Sterling and the closure of our office in Japan. They were broadly flat on a like-for-like basis. We are merging our Bite and Text operations in APAC under the Text brand and this process will be complete by the end of January 2015. Accordingly we anticipate an exceptional restructuring charge of approximately £0.75m in the six months to January 2015.

Results for the six months to 31 July 2014

The Group's reported revenue increased by 6% to £52.2m in the six month period to 31 July 2014 and by 7% on an organic basis. As a result the Group has now seen increases in organic revenue growth in each successive six month period since the end of 2012. Adjusted pre-tax profits were £5.4m which compares favourably with adjusted pre-tax profits of £3.2m in the six month period to 31 July 2013.

Acquisition of Story

The Group is pleased to announce that it has agreed to acquire the trade and certain assets of Story Worldwide LLC ("Story"), a content advertising agency with offices in New York and Seattle. The acquisition is expected to complete at the end of October. Story, which has traded since 2007, has clients that include Unilever, SEI, Beech-Nut and Lexus. This continues the Group's strategy of investing further in digital content and insight businesses. Story's revenues for the 8 months to 31st August 2014 were $10 million with adjusted EBITDA of $0.7million. The Group is acquiring Story's trade together with certain assets valued at $1 million, which comprise cash, receivables, trade payables and fixed assets. Consideration is $6.6 million payable in cash. The acquisition is expected to be immediately earnings enhancing for the Group.

Digital Transition

The Group continues to transition its core business away from traditional communications services, such as public relations, towards social and digital communications. This is evidenced by the assignments now being undertaken by the Group on behalf of clients such as American Express and Google and the investments being made in both the existing agencies and the new companies that make up the Group such as Agent3 and Republic Publishing.

Change of accounting reference date

As previously announced, the Board has decided to move the Company's financial year end to 31 January. As a result of this change, the Company's upcoming reporting calendar will be as follows:

- Unaudited results for the 6 month period to 31 July 2014 today
- Interim Management Statement during January 2015
- Audited results for the 18 month period to 31 January 2015 to be announced by the end of April 2015.

Dividend transitional arrangements

The Board has declared a second interim dividend for the six months to 31 July 2014 of 2.3p per share (2013: 1.925p). 1p of this payment represents the normal level of interim dividend which we expect to pay in future whilst the additional 1.3p represents a special dividend to ensure that shareholders are not disadvantaged by the change in year end.

It is the Board's intention to pay a final dividend for the 18 months to 31 January 2015 of at least 2.25p per share which would represent a pro forma total dividend of at least 3.25p for the year to 31 January 2015.

Banking

The Group has been reviewing its global banking arrangements and is pleased to report that it is consolidating its banking arrangements with HSBC, who already are the Group's corporate bankers in the US. The Group has recently agreed a new 4 year £20m Group loan facility at a reduced interest rate margin.

Current trading and Outlook

Current trading remains encouraging, with a strong business pipeline, and the Group is expecting a good performance from its UK and US businesses for the rest of the period to 31 January 2015. The Group views the future with confidence and the simplification of our international operations in EMEA and APAC will underpin margin improvement in the medium term.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

	Note	Six months ended 31 July 2014 (Unaudited) £'000	Six months ended 31 July 2013 (Unaudited) £'000	Twelve months ended 31 July 2014 (Unaudited) £'000	Year ended 31 July 2013 (Audited) £'000
Billings		60,242	58,537	119,983	113,360
Revenue	2	52,150	49,448	101,451	96,069
Staff costs		36,425	35,470	69,943	68,261
Depreciation		758	777	1,515	1,540

Amortisation		951	857	1,767	1,589
Impairment		7,000	1,950	7,000	1,950
(Credits) / Charges associated with misappropriation of assets		-	(107)	(12)	526
Other operating charges		10,403	9,992	20,429	19,198
Total operating charges		(55,537)	(48,939)	(100,642)	(93,064)
Operating (loss) / profit	2	(3,387)	509	809	3,005
Finance expense	6	(1,176)	(2,096)	(2,391)	(3,331)
Finance income	7	210	1,707	432	2,490
Net finance expense		(966)	(389)	(1,959)	(841)
Share of profits / (losses) of associate		131	(76)	197	(79)
(Loss) / profit before income tax	2,3	(4,222)	44	(953)	2,085
Income tax expense	4	(1,007)	(832)	(1,977)	(1,364)
(Loss) / profit for the period		(5,229)	(788)	(2,930)	721
Attributable to:					
Owners of the parent		(5,499)	(824)	(3,639)	328
Non-controlling interests		270	36	709	393
		(5,229)	(788)	(2,930)	721
Earnings per share	8				
Basic (pence)		(9.12)	(1.38)	(6.04)	0.56
Diluted (pence)		(8.12)	(1.24)	(5.43)	0.49

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

	Six months ended 31 July 2014 (Unaudited) £'000	Six months ended 31 July 2013 (Unaudited) £'000	Twelve months ended 31 July 2014 (Unaudited) £'000	Year ended 31 July 2013 (Audited) £'000
(Loss) / profit for the period	(5,229)	(788)	(2,930)	721
Other comprehensive (expense) / income:				
Items that may be reclassified into profit or loss				
Exchange differences on translating foreign operations	(453)	1,089	(3,129)	951
Translation differences on long-term foreign currency intercompany loans	(17)	(16)	42	(118)
Net investment hedge	206	(199)	838	(229)
Other comprehensive (expense) / income for the period	(264)	874	(2,249)	604

Total comprehensive (expense) / income for the period	(5,493)	86	(5,179)	1,325
Total comprehensive (expense) / income attributable to:				
Owners of the parent	(5,763)	50	(5,888)	932
Non-controlling interests	270	36	709	393
	(5,493)	86	(5,179)	1,325

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2014

	Note	31 July 2014 (Unaudited) £'000	31 July 2013 (Audited) £'000
Assets			
Property, plant and equipment		3,534	3,165
Intangible assets		34,828	41,369
Investment in equity accounted associate		190	1
Trade investment		197	219
Deferred tax asset		3,740	3,662
Other receivables		844	1,041
Total non-current assets		43,333	49,457
Trade and other receivables		28,592	26,646
Cash and cash equivalents	9	10,853	8,064
Corporation tax asset		3,600	2,883
Total current assets		43,045	37,593
Total assets		86,378	87,050
Liabilities			
Loans and borrowings	9	100	9,131
Deferred tax liabilities		1,388	1,388
Other payables		305	88
Provisions		860	345
Deferred consideration	9, 10	-	1,319
Contingent consideration	9, 10	978	2,945
Share purchase obligation	9, 10	4,335	3,251
Total non-current liabilities		(7,966)	(18,467)
Loans and borrowings	9	12,050	591
Trade and other payables		25,597	24,218
Provisions		-	62
Corporation tax liability		3,213	1,811
Derivative financial liabilities		137	206
Deferred consideration	9, 10	1,720	-
Share purchase obligation	9, 10	715	295
Contingent consideration	9, 10	3,918	3,207
Total current liabilities		(47,350)	(30,390)
Total liabilities		(55,316)	(48,857)

TOTAL NET ASSETS	**31,062**	**38,193**
Equity		
Share capital	1,521	1,494
Share premium reserve	7,962	7,557
Merger reserve	3,075	3,075
Share purchase reserve	(2,673)	(2,673)
Foreign currency translation reserve	97	3,184
Other reserves	477	(583)
Retained earnings	19,665	23,954
Total equity attributable to owners of the parent	30,124	36,008
Non-controlling interests	938	2,185
TOTAL EQUITY	**31,062**	**38,193**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JULY 2014 AND 31 JANUARY 2014

	Share capital	Share premium reserve	Merger reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves(1)	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2013 (audited)	**1,494**	**7,557**	**3,075**	**(2,673)**	**3,184**	**(583)**	**23,954**	**36,008**	**2,185**	**38,193**
Profit for the period	-	-	-	-	-	-	1,860	**1,860**	439	**2,299**
Other comprehensive income / (expense) for the period	-	-	-	-	(2,617)	632	-	**(1,985)**	-	**(1,985)**
Total comprehensive income / (expense) for the period	-	-	-	-	(2,617)	632	1,860	**(125)**	439	**314**
Shares issued on satisfaction of vested share options	17	72	-	-	-	-	-	**89**	-	**89**
Shares issued on acquisitions	8	272	-	-	-	-	-	**280**	-	**280**
Movement due to ESOP share purchases	-	-	-	-	-	(17)	-	**(17)**	-	**(17)**
Movement due to ESOP share option										

exercises	-	-	-	-	-	239	-	**239**	-	**239**
Movement in relation to share-based payments	-	-	-	-	-	-	186	**186**	-	**186**
Share options issued on acquisition of subsidiary	-	-	-	-	-	-	54	**54**	-	**54**
Movement on reserves for non-controlling interests	-	-	-	-	-	-	346	**346**	(346)	**-**
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	**-**	916	**916**
Non-controlling interest dividend	-	-	-	-	-	-	-	**-**	(354)	**(354)**
At 31 January 2014 (unaudited)	**1,519**	**7,901**	**3,075**	**(2,673)**	**567**	**271**	**26,400**	**37,060**	**2,840**	**39,900**
(Loss) / profit for the period	-	-	-	-	-	-	(5,499)	**(5,499)**	270	**(5,229)**
Other comprehensive income / (expense) for the period	-	-	-	-	(470)	206	-	**(264)**	-	**(264)**
Total comprehensive income / (expense) for the period	-	-	-	-	(470)	206	(5,499)	**(5,763)**	270	**(5,493)**
Shares issued on satisfaction of vested share options	1	10	-	-	-	-	-	**11**	-	**11**
Shares issued on acquisitions	1	51	-	-	-	-	-	**52**	-	**52**
Movement in relation to share-based payments	-	-	-	-	-	-	242	**242**	-	**242**
Share options issued on acquisition of subsidiary	-	-	-	-	-	-	66	**66**	-	**66**
Movement on reserves for non-controlling interests	-	-	-	-	-	-	41	**41**	(41)	**-**
Non-controlling										

interest on business combination	-	-	-	-	-	-	-	**-**	(2,000)	**(2,000)**
Dividends to owners of the parent	-	-	-	-	-	-	(1,585)	**(1,585)**	-	**(1,585)**
Non-controlling interest dividend	-	-	-	-	-	-	-	**-**	(131)	**(131)**
At 31 July 2014 (unaudited)	**1,521**	**7,962**	**3,075**	**(2,673)**	**97**	**477**	**19,665**	**30,124**	**938**	**31,062**

[1] Other reserves include ESOP reserve and hedging reserve.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JULY 2013 AND 31 JANUARY 2013

	Share capital	Share premium reserve	Merger reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves[1]	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2012 (audited)	**1,454**	**6,935**	**3,075**	**(2,673)**	**2,351**	**(133)**	**24,100**	**35,109**	**2,119**	**37,228**
Profit for the period	-	-	-	-	-	-	1,152	**1,152**	357	**1,509**
Other comprehensive expense for the period	-	-	-	-	(240)	(30)	-	**(270)**	-	**(270)**
Total comprehensive (expense) / income for the period	-	-	-	-	(240)	(30)	1,152	**882**	357	**1,239**
Shares issued on satisfaction of vested share options	28	64	-	-	-	-	-	**92**	-	**92**
Shares issued on acquisitions	13	549	-	-	-	-	-	**562**	-	**562**
Share based payment charge for disposal of equity in a subsidiary to employees	-	-	-	-	-	-	450	**450**	-	**450**
Movement in relation to share-based payments	-	-	-	-	-	-	208	**208**	-	**208**

Deferred tax on share-based payments	-	-	-	-	-	-	(233)	**(233)**	-	**(233)**
Non-controlling interest dividend	-	-	-	-	-	-	-	**-**	(233)	**(233)**
At 31 January 2013 (unaudited)	**1,495**	**7,548**	**3,075**	**(2,673)**	**2,111**	**(163)**	**25,677**	**37,070**	**2,243**	**39,313**
(Loss) / profit for the period	-	-	-	-	-	-	(824)	**(824)**	36	**(788)**
Other comprehensive income / (expense) for the period	-	-	-	-	1,073	(199)	-	**874**	-	**874**
Total comprehensive income / (expense) for the period	-	-	-	-	1,073	(199)	(824)	**50**	36	**86**
Shares issued on satisfaction of vested share options	(1)	8	-	-	-	-	-	**7**	-	**7**
Shares issued on acquisitions	-	1	-	-	-	-	-	**1**	-	**1**
Movement due to ESOP share purchases	-	-	-	-	-	(245)	-	**(245)**	-	**(245)**
Movement due to ESOP share option exercises	-	-	-	-	-	24	-	**24**	-	**24**
Movement in relation to share-based payments	-	-	-	-	-	-	361	**361**	-	**361**
Deferred tax on share-based payments	-	-	-	-	-	-	149	**149**	-	**149**
Dividends to owners of the parent	-	-	-	-	-	-	(1,409)	**(1,409)**	-	**(1,409)**
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	**-**	176	**176**
Non-controlling interest dividend	-	-	-	-	-	-	-	**-**	(270)	**(270)**
At 31 July 2013 (audited)	**1,494**	**7,557**	**3,075**	**(2,673)**	**3,184**	**(583)**	**23,954**	**36,008**	**2,185**	**38,193**

[1] Other reserves include ESOP reserve and hedging reserve.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

	Six months ended 31 July 2014	Six months ended 31 July 2013	Twelve months ended 31 July 2014	Year ended 31 July

				2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
(Loss) / profit for the period	(5,229)	(788)	(2,930)	721
Adjustments for:				
Depreciation	758	777	1,515	1,540
Amortisation	951	857	1,767	1,589
Impairment	7,000	1,950	7,000	1,950
Finance expense	1,176	2,096	2,391	3,331
Finance income	(211)	(1,707)	(433)	(2,490)
Share of (profit) / loss from equity accounted associate	(131)	76	(197)	79
Loss on sale of property, plant and equipment	11	15	34	82
Income tax expense	1,007	832	1,977	1,364
Share-based payment charge	312	361	553	1,019
Movement in fair value of forward foreign exchange contracts	-	(33)	-	-
Net cash inflow from operating activities before changes in working capital	5,644	4,436	11,677	9,185
Change in trade and other receivables	235	275	(1,955)	(1,178)
Change in trade and other payables	4,768	2,820	2,209	2,910
Decrease in provision	508	198	471	269
	5,511	3,293	725	2,001
Net cash generated from operations	11,155	7,729	12,402	11,186
Income taxes paid	(1,328)	(746)	(2,043)	(2,686)
Net cash inflow from operating activities	9,827	6,983	10,359	8,500
Cash flows from investing activities				
Acquisition of subsidiaries and trade and assets, net of cash acquired	(990)	(563)	(1,043)	(961)
Payment of contingent and deferred consideration	(557)	35	(3,337)	(2,058)
Acquisition of property, plant and equipment	(1,575)	(565)	(2,062)	(1,786)
Proceeds on disposal of property, plant and equipment	21	-	21	-
Acquisition of intangible assets	(217)	(159)	(292)	(161)
Net movement in long-term cash deposits	(113)	(231)	197	(166)
Interest received	14	20	40	48
Net cash outflow from investing activities	(3,417)	(1,463)	(6,476)	(5,084)

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

	Six months ended	Six months ended	Twelve months ended	Year ended
	31 July 2014	31 July 2013	31 July 2014	31 July 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)

	£'000	£'000	£'000	£'000
Net cash outflow from investing activities b/f	(3,417)	(1,463)	(6,476)	(5,084)
Cash flows from financing activities				
Proceeds from sale of own shares	1	47	90	95
Issue costs on issue of ordinary shares	-	(3)	(5)	(5)
Purchase of own shares	(13)	(221)	(17)	(221)
Capital element of finance lease rental repayment	(6)	(48)	(83)	(59)
Net movement in bank borrowings	638	(2,376)	2,428	(1,286)
Interest paid	(275)	(240)	(508)	(483)
Non-controlling interest dividend paid	(290)	(270)	(486)	(503)
Dividends paid to shareholders of the parent	(1,585)	(1,409)	(1,585)	(1,409)
Net cash outflow from financing activities	(1,530)	(4,520)	(166)	(3,871)
Net increase / (decrease) in cash and cash equivalents	4,880	1,000	3,717	(455)
Cash and cash equivalents at beginning of the period	6,217	6,913	8,064	8,436
Exchange (losses)/gains on cash held	(244)	151	(928)	83
Cash and cash equivalents at end of the period	10,853	8,064	10,853	8,064

NOTES TO THE INTERIM RESULTS

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

1) BASIS OF PREPARATION

The financial information in these interim results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the period ending 31 January 2015. The financial information for the six months ended 31 July 2014, the six months ended 31 July 2013 and the twelve months ended 31 July 2014 has not been reviewed, is unaudited and does not constitute the Group's statutory financial statements for those periods, as defined under section 434 of the Companies Act 2006. The comparative financial information for the full year ended 31 July 2013 has, however, been derived from the audited statutory financial statements for that year. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, including movement in fair value of financial instruments, unwinding of the discount on contingent and deferred consideration, unwinding of the discount on the share purchase obligation, changes in estimates of contingent consideration and share purchase obligations, amortisation of acquired intangibles, and goodwill impairment charges. Other information provided to them is measured in a manner consistent with that in the financial statements. Head office costs relate to group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	UK	Europe and Africa	US and Canada	Asia Pacific	Head Office	Total

	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 July 2014 (Unaudited) Revenue	**12,195**	**4,772**	**28,943**	**6,240**	**-**	**52,150**
Adjusted operating profit / (loss)	**756**	**486**	**6,651**	**372**	**(2,726)**	**5,539**
Six months ended 31 July 2013 (Unaudited) Revenue	8,950	5,149	28,136	7,213	-	49,448
Adjusted operating profit / (loss)	(16)	(573)	6,725	47	(2,660)	3,523
Year ended 31 July 2014 (Unaudited) Revenue	**21,901**	**9,580**	**57,335**	**12,635**	**-**	**101,451**
Adjusted operating profit / (loss)	**1,529**	**248**	**13,593**	**582**	**(5,180)**	**10,772**
Year ended 31 July 2013 (Audited) Revenue	19,119	10,504	52,468	13,978	-	96,069
Adjusted operating profit / (loss)	1,146	(217)	11,804	265	(4,778)	8,220

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

2) SEGMENT INFORMATION (Continued)

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

	Six months ended 31 July 2014 (Unaudited) £'000	Six months ended 31 July 2013 (Unaudited) £'000	Twelve months ended 31 July 2014 (Unaudited) £'000	Year ended 31 July 2013 (Audited) £'000
Segment adjusted operating profit	5,539	3,523	10,772	8,220
Amortisation of acquired intangibles	(806)	(719)	(1,493)	(1,379)
Impairment of goodwill	(7,000)	(1,950)	(7,000)	(1,950)
Restructuring and reorganisation costs associated with integrated digital transitions within brands (note 3)	-	(354)	-	(779)
Charge associated with the change in Group FD	(79)	-	(387)	-
Charges associated with equity transactions accounted for as share based payments (note 3)	(66)	(131)	(120)	(581)
Charges for misappropriation of assets (note 3)	-	368	-	(265)
Income from recovery and subsequent re-sale of assets (note 3)	-	318	12	318
Cost associated with investigation and response to fraudulent activity (note 3)	-	(579)	-	(579)
Movement in fair value of forward foreign exchange contracts	-	33	-	-
Costs associated with the EMEA restructure (note 3)	(691)	-	(691)	-
Costs associated with UK restructure (note 3)	(284)	-	(284)	-
Total operating (loss) / profit	**(3,387)**	**509**	**809**	**3,005**
Unwinding of discount on deferred and contingent consideration				

and share purchase obligation payable (note 10)	(612)	(570)	(1,153)	(1,167)
Change in estimate of future contingent consideration and share purchase obligation payable (note 10)	(170)	350	(473)	647
Movement in fair value of interest rate cap-and-collar contract	67	51	138	114
Share of profit /(loss) from associate	131	(76)	197	(79)
Other finance expense	(275)	(240)	(508)	(483)
Other finance income	24	20	37	48
(Loss) / profit before income tax	**(4,222)**	**44**	**(953)**	**2,085**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

3) RECONCILIATION OF PRO-FORMA FINANCIAL MEASURES

	Six months ended 31 July 2014 (Unaudited)	Six months ended 31 July 2013 (Unaudited)	Twelve months ended 31 July 2014 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000	£'000
(Loss) / profit before income tax	(4,222)	44	(953)	2,085
Movement in fair value of interest rate cap-and-collar contract	(67)	(51)	(138)	(114)
Movement in fair value of forward foreign exchange contracts	-	(33)	-	-
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	612	570	1,153	1,167
Charges associated with misappropriation of assets[1]	-	(368)	-	265
Income from recovery and sale of misappropriated assets [1]	-	(318)	(12)	(318)
Cost associated with investigation and response to fraudulent activity	-	579	-	579
Change in estimate of future contingent consideration and share purchase obligation payable	170	(350)	473	(647)
Charges associated with equity transactions accounted for as share based payments[2]	66	131	120	581
Charge associated with the change in Group FD	79	-	387	-
Restructuring and reorganisation costs associated with integrated digital transitions within brands[3]	-	354	-	779
Costs associated with the EMEA restructure [4]	691	-	691	-
Costs associated with UK restructure [5]	284	-	284	-
Amortisation of acquired intangibles	806	718	1,493	1,378
Impairment of goodwill	7,000	1,950	7,000	1,950
Adjusted profit before income tax	**5,419**	**3,226**	**10,498**	**7,705**

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and it is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered to best represent the underlying performance of the business and so it is used for the vesting of employee share options and performance shares.

[1]Charges for misappropriation of assets relates to a fraud whereby cash was extracted from the business by a long-serving employee in a trusted position and hidden through recognition of fictitious assets and understated liabilities across two of the Group's North American Bite subsidiaries. In the current year the credit relates to recovery of assets.

[2]In the current year there is one transaction contributing to this charge which relates to the acquisition of the 20% minority interest in Bourne (£120k) whereby performance shares were issued as partial consideration. In the prior year

there was an additional charge relating to a restricted grant of equity given to employees of the OutCast subsidiary at nil cost which, whilst giving them no access to the value of net assets at inception, does hold 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. The value was recognised as a one-off share-based payment expense of £450k.

[3]Restructuring costs relate to significant non-recurring spend within Brands wholly required to transition them into Integrated Communications businesses with more focus on digital services.

[4] In the current year the decision was made to close certain offices for the Bite brand in continental EMEA. In some cases the Text brand operating in the same area purchased certain trade and assets from the Bite entities. Due to the exit of these areas provisions have been raised for onerous leases and redundancy costs.

[5] During the year the decision was made to make certain senior employees of the UK businesses redundant. The exceptional costs relate to settlement agreements for these employees.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

4) TAXATION

The tax charge for the six months ended 31 July 2014 is £1,007k, and £1,977k for the 12 months ended 31 July 2014. The tax charge on adjusted profit for the six months ended 31 July 2014 (£1,672k) and (£3,117k) for the 12 months ended 31 July 2014, is based on the forecast effective tax rate of 29-32% of adjusted profit before tax for the year. The Group's corporation tax rate for the 18 month period ending 31 January 2015 is expected to be higher than the standard UK rate due to overseas profits taxed at higher rates, the non-deductibility of accounting charges relating to acquisitions made by the Group in previous financial years, current year tax losses arising in jurisdictions in which it would not be prudent to recognise a deferred tax asset, plus irrecoverable overseas withholding tax and share options charges relating to overseas employees.

5) DIVIDENDS

An interim dividend of 2.3p (Final 2013: 1.925p) per ordinary share will be paid on 5 December 2014 to shareholders listed on the register of members on 7 November 2014. Shares will go ex-dividend on 6 November 2014.

6) FINANCE EXPENSE

	Six months ended 31 July 2014 (Unaudited)	Six months ended 31 July 2013 (Unaudited)	Twelve months ended 31 July 2014 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost				
Bank interest payable	271	221	501	464
Financial liabilities at fair value through profit and loss				
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	611	570	1,152	1,167
Change in estimate of future contingent consideration and share purchase obligation payable	290	1,286	731	1,681
Other				
Finance lease interest	2	8	3	8
Other interest payable	2	11	4	11
Finance expense	1,176	2,096	2,391	3,331

7) FINANCE INCOME

	Six months ended 31 July 2014 (Unaudited)	Six months ended 31 July 2013 (Unaudited)	Twelve months ended 31 July 2014 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000	£'000
Financial assets at amortised cost				
Bank interest receivable	17	13	27	41
Financial assets at fair value through profit and loss				
Movement in fair value of interest rate cap-and-collar contract	66	51	137	114
Change in estimate of future contingent consideration and share purchase obligation payable	121	1,636	259	2,328
Other interest receivable	6	7	9	7
Finance income	210	1,707	432	2,490

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

8) EARNINGS PER SHARE

	Six months ended 31 July 2014 (Unaudited)	Six months ended 31 July 2013 (Unaudited)	Twelve months ended 31 July 2014 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000	£'000
Earnings attributable to ordinary shareholders	(5,499)	(824)	(3,639)	328
Movement in fair value of interest rate cap-and-collar contract after tax	(52)	(39)	(107)	(87)
Movement in fair value of forward foreign exchange contracts after tax	-	(25)	-	-
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable after tax	633	570	1,153	1,167
Charge associated with misappropriation of assets (note 3)	-	(225)	-	158
Income from recovery and sale of misappropriated assets	-	(191)	-	(191)
Cost associated with investigation and response to fraudulent activity	-	356	-	356
Change in estimate of future contingent consideration and share purchase obligation payable after tax	6	(919)	215	(1,313)
Charges associated with equity transactions accounted for as share based payments (note 3)	78	254	120	550
Restructuring and reorganisation costs associated with digital transitions within brands (note 3)	-	271	-	569
Amortisation of acquired intangibles after tax	543	490	998	940
Charge associated with change in Group FD	62	-	301	-
Costs associated with EMEA restructure	450	-	450	-
Costs associated with UK businesses	221	-	221	-
Impairment of intangibles	7,000	1,950	7,000	1,950
Adjusted earnings attributable to ordinary shareholders	3,442	1,668	6,712	4,427

	Number	Number	Number	Number
Weighted average number of ordinary shares	60,295,934	59,739,512	60,270,671	59,068,925
Dilutive share options/performance shares outstanding[1]	6,603,752	4,396,699	6,072,611	5,641,070
Other potentially issuable shares[2]	854,530	2,132,611	727,483	1,863,899
Diluted weighted average number of ordinary shares	67,754,216	66,268,822	67,070,765	66,573,894
Basic earnings per share	(9.1)p	(1.4)p	(6.0)p	0.6p
Diluted earnings per share	(8.1)p	(1.2)p	(5.4)p	0.5p
Adjusted earnings per share	5.7p	2.8p	11.1p	7.5p
Diluted adjusted earnings per share	5.1p	2.5p	10.0p	6.7p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 3 is the tax effect of those adjusting items.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

8) EARNINGS PER SHARE (*Continued*)

[1]Relates mainly to performance shares on which the performance criteria are expected to be met and will vest.

[2]Relates to an estimate of the contingent consideration satisfied in shares, payable to Connections Media, in addition to the share purchase obligation payable in shares to Beyond, Paratus, Republic and Agent 3, and in addition to the deferred consideration payable in shares to M Booth.

9) NET DEBT

The Barclays Bank revolving credit facilities expire in 2014, and therefore the outstanding balance has been classified in current borrowings.

	31 July 2014 (Unaudited)	31 July 2013 (Audited)
	£'000	£'000
Total loans and borrowings	12,150	9,722
Obligations under finance leases	73	151
Less: cash and cash equivalents	(10,853)	(8,064)
Net debt	1,370	1,809
Share purchase obligation	5,050	3,546
Contingent consideration	4,896	6,152
Deferred consideration	1,720	1,319
	13,036	12,826

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration(1)	Contingent consideration(1)	Share purchase obligation
	£'000	£'000	£'000
At 1 August 2012 (Audited)	-	7,932	3,989
Reclassification	1,537	(1,537)	-

Changes in assumptions	-	(328)	31
Exchange differences	-	(43)	(29)
Utilised	(380)	(2,176)	-
Unwinding of discount	90	275	232
At 31 January 2013 (Unaudited)	1,247	4,123	4,223
Arising during the year	-	888	-
Changes in assumptions	-	582	(932)
Exchange differences	-	215	117
Utilised	-	(16)	-
Unwinding of discount	72	360	138
At 31 July 2013 (Audited)	1,319	6,152	3,546
Arising during the period and reclassification	1,156	(396)	1,472
Exchange differences	(72)	(355)	(206)
Utilised	(861)	(1,946)	(255)
Unwinding of discount	87	243	211
Change in estimate	-	279	24
At 31 January 2014 (Unaudited)	**1,629**	**3,977**	**4,792**
Arising during the period and reclassification	-	1,143	440
Exchange differences	(6)	(88)	(71)
Utilised	-	(723)	(207)
Unwinding of discount	97	253	261
Change in estimate	-	334	(165)
At 31 July 2014 (Unaudited)	**1,720**	**4,896**	**5,050**
Current	1,720	3,918	715
Non-current	-	978	4,335

[1]See note 11 for details of Deferred and Contingent consideration on acquisitions in the period and details of payments made.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX AND TWELVE MONTHS ENDED 31 JULY 2014

11) ACQUISITIONS

Deferred consideration, contingent consideration and share purchase obligations

On 23 August 2013, the Group purchased the non-controlling interest (“NCI”) of Beyond Corporation Limited and Beyond International Corp previously held by a David Hargreaves. The NCI accounted for 10.4% of the Company and was settled in cash of £397,000. Further to this, on 30 May 2013, the Group settled the share purchase obligation in relation to the NCI of Beyond Corporation Limited and Beyond International Corp held by Roger Warner. The NCI accounted for 6.5% of the Company and was settled in cash of £160,000 with the remaining £53,000 settled in shares.

On 31 October 2013, the Group paid £811,000 relating to the deferred consideration for the purchase of M Booth, £530,000 was settled in cash with the remaining £281,000 settled in Next 15 shares. The Group also paid £50,000 relating to the deferred consideration for the purchase of Bourne which was fully settled in cash on 30 September 2013.

On 31 October 2013, the Group paid £1,945,000 relating to the contingent consideration for the purchase of Blueshirt which was fully settled in cash.

During the period, the Group settled the final earnout for Red Brick Media. Total cash consideration was £1,000.

The Group also settled £249,000 in cash in relation to the share purchase obligation for part of the minority interest in Bite Asia Holdings on 21 January 2014.

Republic Publishing

On 14 January 2014, Next 15 acquired 51% of the issued share capital of Republic Publishing Limited ('Republic'), a content marketing agency based in the UK and US.

The initial consideration consisted of cash on completion of £735,000. A working capital payment of £385,000 was paid on 6 March 2014 to reflect the final balance sheet at the acquisition date. A top-up payment is due in February 2015 and will be made based on a mix of revenue and profit margin targets for the twelve months from acquisition.

Further to this a mechanism is in place to purchase the remaining 49% of the business over the next two to six years. The total present value of the share purchase obligation is £1.7m. There is a total consideration cap of £5m.

Continuous Insight and Agent 3

On 14 February 2014, Agent 3 Limited, a digital marketing consultancy in which Next 15 held a 45% stake, acquired the entire issued share capital of UK-based Continuous Insight Limited, a business which provides customer and market insight to large business to business enterprise organisations operating in the IT, Telecommunications and Professional Services sectors.

The initial consideration consisted of 12.5% of the issued share capital in Agent 3 Limited and £760,000 paid in cash at completion with a deferred consideration payment of £120,000 payable on 14 August 2014. Working capital payments of £234,000 and £100,000 were paid on 10 March and 25 March 2014 respectively to reflect the final balance sheet at the acquisition date. Further contingent consideration which is capped at £230k may be payable subject to the achievement of certain revenue and profit performance targets over a one year period ending 31 January 2015.

As part of the transaction, Next 15's holding in Agent3 increased to 54%. This majority stake will therefore result in the consolidation of Agent3 into Next 15's group accounts going forward, which Next 15 expects to be earnings accretive. Next 15 has entered into a shareholders' agreement under which it has an obligation to purchase 14% of the remaining non-controlling interest and an option but not obligation to purchase a further 36% of the remaining non-controlling interest over the next three to five years based on the profitability of the business. Next 15 also has the option to purchase the minority shareholdings on the cessation of employment of the relevant minority shareholders. Any share purchase obligation that may become payable may be satisfied by cash or up to 25% in Next 15 shares, at the option of Next 15.

12) EVENTS AFTER THE BALANCE SHEET DATE

The Group is pleased to announce that it has agreed to acquire the trade and certain assets of Story Worldwide LLC ("Story"), a content advertising agency with offices in New York and Seattle. The acquisition is expected to complete at the end of October. Story, which has traded since 2007, has clients that include Unilever, SEI, Beech-Nut and Lexus. This continues the Group's strategy of investing further in digital content and insight businesses. Story's revenues for the 8 months to 31st August 2014 were $10 million with adjusted EBITDA of $0.7million. The Group is acquiring Story's trade together with certain assets valued at $1 million, which comprise cash, receivables, trade payables and fixed assets. Consideration is $6.6 million payable in cash. The acquisition is expected to be immediately earnings enhancing for the Group.