Half-yearly Report

Released : 08/04/2014

8th April 2014

Next Fifteen Communications Group plc

Interim results for the six months ended 31 January 2014

Next Fifteen Communications Group plc ("Next 15" or "the Group"), the digital communications group, today announces its interim results for the six months ended 31 January 2014.

Financial highlights

- Revenues increased by 6% to £49.3 million (2013: £46.6 million)
- Organic growth[1] in revenues of 4% over the prior period, including 13% in US
- Adjusted EBITDA increased by 10% to £6.1 million (2013: £5.6 million)
- Adjusted profit before tax increased by 13% to £5.1 million (2013: £4.5 million)
- Diluted adjusted earnings per share increased by 17% to 4.91 pence (2013: 4.20 pence)
- Reported profit before tax increased by 60% to £3.27 million (2013: £2.04 million)
- Reported basic earnings per share increased by 59% to 3.10 pence (2013: 1.95 pence)
- Interim dividend increased by 12% to 0.70 pence per share (2013: 0.625 pence)
- Net debt[2] of £5.4 million (2013: £5.2 million) following a net £2.8 million of acquisition-related payments in the period

Corporate Progress

- Appointed Peter Harris as CFO, effective from 25 March 2014
- New client wins: GoDaddy, Hitachi Data Systems, Airbnb, Nest, Sainsbury's, Stripe
- Acquired 51% of Republic Publishing – dedicated content marketing agency
- Acquired Continuous Insight to accelerate Agent 3 development
- Bite US back in profit
- Group moving fiscal year end to 31 January to better align with client budgeting cycle

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

"Next 15 has made significant progress on a number of fronts over the last six months. We have appointed a new CFO, Peter Harris, who brings tremendous experience to the Group. Enhancing the Group's capacity in relevant digital marketing skills, we have made two acquisitions, one in the content marketing space and the other in the insight/research arena. The strong trading pattern experienced in the second half of our last fiscal year has continued, putting the Group in position to deliver another year of progress in revenue and profitability."

[1] Organic growth excludes the impact of currency and acquisitions.
[2] Net debt excludes contingent considerations and share purchase obligations.

For further information contact:

Next Fifteen Communications Group plc
Tim Dyson, Chief Executive
+1 415 350 2801

Peter Harris, Chief Financial Officer
+44 (0) 20 8846 0853

Canaccord Genuity Limited
Henry Fitzgerald-O'Connor
Simon Bridges
+44 (0)20 7523 8000

Bite Communications Limited
Mike Harvey
+44(0)20 8834 3476
Jess Collins
+44(0)20 8834 3417
NextFifteen@biteglobal.com

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 interim results to 31 January 2014. These results were in line with management expectations and saw revenues rise by 6% to £49.3m (2013: £46.6m). Adjusted profit before tax increased by 13% to £5.1m (2013: £4.5m), whilst diluted adjusted earnings per share increased by 17% to 4.91p (2013: 4.20p). In view of these results and the positive future outlook, the Board has declared a 12% increase in the interim dividend to 0.70p per share (2013: 0.625p).

Reported profit before tax was £3.3m (2013: £2.0m), while reported basic earnings per share increased by 59% to 3.10p (2013: 1.95p).

Trading was encouraging in the first half of our financial year with organic revenue growth of 4%, largely driven by a very strong performance from our North American business which saw 13% organic revenue growth.

The Group continues to invest in the transition of the business towards digital marketing. Accordingly, in January 2014, we acquired a 51% shareholding in Republic Publishing Limited, a content marketing business based in London, whose clients include: Nokia, Vodafone, Sharp and Red Bull. Republic Publishing had revenues of £2.5m for its fiscal year ended 31 October 2013, and an adjusted profit before tax of £0.4m. The business has made a positive contribution to Group earnings since its acquisition.

In January 2013, Next 15 invested in the start-up digital marketing consultancy Agent3 Limited ("Agent3") and took a 45% stake. On 14 February 2014, Agent3 acquired 100% of Continuous Insight Limited, a business which provides customer and market insight to large B2B enterprise organisations operating in the IT, Telecommunications and Professional Services sectors. For the ten months to January 2014, Continuous Insight delivered revenue of £1.5m and normalised profit before tax of £0.3m. As part of the transaction, Next 15's shareholding 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.

Regional performance

As mentioned earlier, our US business has had a strong performance in the period, with H1 revenue up 17% to £28.4m, up 13% on an organic basis, and operating profit grew by 37% to £6.9m at a margin of 24.5%, before head office re-charges. Outcast, M Booth, Blueshirt, Beyond and Text 100 each saw double digit organic revenue growth in their US businesses, whilst Connections Media has made a positive start following its acquisition by Next 15 in April 2013. Bite US is showing a much improved recent trading performance with a return to profitability.

The revenues from our UK businesses declined by 4.5% to £9.7m at an operating margin of 8%. Lexis and Bite UK both suffered material client losses in the prior period. With the acquisitions of Republic Publishing and Continuous Insight and improved trading prospects we are anticipating a much greater contribution for the UK businesses in the second half of our financial year. The revenues from our EMEA region declined by 10% to £4.8m, reflecting a difficult trading environment. We are actively reviewing how to improve the trading performance of our businesses in this region. Lastly, the revenues from APAC declined by 6% to £6.4m, partly due to the strength of Sterling and the closure of our office in Japan. They were up 1% on an organic basis.

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.

Corporate Changes

The Group recently announced the appointment of Peter Harris as an executive director and Group CFO. Peter has extensive experience in the media and marketing space having been CFO for the Engine Group, Centaur and Capital Radio. Peter joined the Group as Interim CFO in November 2013.

Change of accounting reference date

One of Peter's initial recommendations, which the Group has adopted, is to change its accounting reference date and financial year end from 31 July to 31 January to better align with the client budgeting cycle, the majority of which have December year-ends. This will give the Group's agencies greater visibility of client spend during our fiscal year, when building their internal budgets

Accordingly, the Board has decided to move the financial year end to 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 January 2014, announced today
- Unaudited results for the 6 month period to 31 July 2014 to be announced by the end of October 2014.
- Audited results for the 18 month period to 31 January 2015 to be announced by the end of May 2015.

Current trading and Outlook

Current trading remains healthy, with the Group expecting strong performances from its UK and US businesses overall. With a strong new business pipeline, the Group is confident of meeting market expectations.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

		Six months ended 31 January 2014 (Unaudited)		Six months ended 31 January 2013 (Unaudited)		Year ended 31 July 2013 (Audited)	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Billings			59,741		54,823		113,360
Revenue	2		49,301		46,621		96,069
Staff costs		33,518		32,791		68,261	
Depreciation		757		763		1,540	
Amortisation		816		732		1,589	
Impairment		-		-		1,950	
(Credits) / Charges associated with misappropriation of assets		(12)		633		526	
Other operating charges		10,026		9,206		19,198	
Total operating charges			(45,105)		(44,125)		(93,064)
Operating profit	2		4,196		2,496		3,005
Finance expense	6		(1,215)		(1,235)		(3,331)
Finance income	7		222		783		2,490
Net finance expense			(993)		(452)		(841)
Share of profits / (losses) of associate			66		(3)		(79)
Profit before income tax	2,3		3,269		2,041		2,085
Income tax expense	4		(970)		(532)		(1,364)
Profit for the period			2,299		1,509		721
Attributable to:							
Owners of the parent			1,860		1,152		328
Non-controlling interests			439		357		393
			2,299		1,509		721

	Note			
Earnings per share	8			
Basic (pence)		3.10	1.95	0.56
Diluted (pence)		2.80	1.75	0.49

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

	Six months ended 31 January 2014 (Unaudited)	Six months ended 31 January 2013 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000
Profit for the period	2,299	1,509	721
Other comprehensive (expense) / income:			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	(2,676)	(138)	951
Translation differences on long-term foreign currency intercompany loans	59	(102)	(118)
Net investment hedge	632	(30)	(229)
Other comprehensive (expense) / income for the period	(1,985)	(270)	604
Total comprehensive income for the period	314	1,239	1,325
Total comprehensive (expense) / income attributable to:			
Owners of the parent	(125)	882	932
Non-controlling interests	439	357	393
	314	1,239	1,325

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2014

		31 January 2014 (Unaudited)		31 January 2013 (Unaudited)		31 July 2013 (Audited)	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Property, plant and equipment		2,710		3,164		3,165	
Intangible assets		42,488		40,632		41,369	
Investment in equity accounted associate		61		221		1	
Trade investment		203		63		219	

Deferred tax asset		3,615		3,234		3,662	
Other receivables		791		810		1,041	
Total non-current assets			49,868		48,124		49,457
Trade and other receivables		27,637		26,351		26,646	
Cash and cash equivalents	9	6,217		6,913		8,064	
Corporation tax asset		2,636		529		2,883	
Total current assets			36,490		33,793		37,593
Total assets			86,358		81,917		87,050
Liabilities							
Loans and borrowings	9	250		11,894		9,131	
Deferred tax liabilities		1,410		246		1,388	
Other payables		6		5		88	
Provisions		358		200		345	
Deferred consideration	10	-		1,247		1,319	
Contingent consideration	10	1,825		1,673		2,945	
Share purchase obligation	10	4,199		3,449		3,251	
Total non-current liabilities			(8,048)		(18,714)		(18,467)
Loans and borrowings	9	11,262		205		591	
Trade and other payables		20,225		19,780		24,218	
Provisions		-		-		62	
Corporation tax liability		2,415		390		1,811	
Derivative financial liabilities		134		291		206	
Deferred consideration	10	1,629		-		-	
Share purchase obligation	10	593		774		295	
Contingent consideration	10	2,152		2,450		3,207	
Total current liabilities			(38,410)		(23,890)		(30,390)
Total liabilities			(46,458)		(42,604)		(48,857)
TOTAL NET ASSETS			**39,900**		**39,313**		**38,193**
Equity							
Share capital			1,519		1,495		1,494
Share premium reserve			7,901		7,548		7,557
Merger reserve			3,075		3,075		3,075
Share purchase reserve			(2,673)		(2,673)		(2,673)
Foreign currency translation reserve			567		2,111		3,184
Other reserves			271		(163)		(583)
Retained earnings			26,400		25,677		23,954

Total equity attributable to owners of the parent	37,060	37,070	36,008
Non-controlling interests	2,840	2,243	2,185
TOTAL EQUITY	**39,900**	**39,313**	**38,193**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 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 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 income 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**
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 options 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 on business combination	-	-	-	-	-	-	-	**-**	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**

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

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 JANUARY 2014

	Six months ended 31 January 2014 (Unaudited)		Six months ended 31 January 2013 (Unaudited)		Year ended 31 July 2013 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Profit for the period	2,299		1,509		721	
Adjustments for:						
Depreciation	757		763		1,540	
Amortisation	816		732		1,589	
Impairment	-		-		1,950	
Finance expense	1,215		1,235		3,331	
Finance income	(222)		(783)		(2,490)	
Share of (profit) / loss from equity accounted associate	(66)		3		79	
Loss on sale of property, plant and equipment	23		67		82	
Income tax expense	970		532		1,364	
Share-based payment charge	241		658		1,019	
Movement in fair value of forward foreign exchange contracts	-		33		-	

Net cash inflow from operating activities before changes in working capital		6,033		4,749		9,185
Change in trade and other receivables	(2,190)		(1,453)		(1,178)	
Change in trade and other payables	(2,559)		90		2,910	
Decrease/(increase) in provision	(37)		71		269	
		(4,786)		(1,292)		2,001
Net cash generated from operations		1,247		3,457		11,186
Income taxes paid		(715)		(1,940)		(2,686)
Net cash inflow from operating activities		532		1,517		8,500
Cash flows from investing activities						
Acquisition of subsidiaries and trade and assets, net of cash acquired	(53)		(398)		(961)	
Payment of contingent and deferred consideration	(2,780)		(2,093)		(2,058)	
Acquisition of property, plant and equipment	(487)		(1,221)		(1,786)	
Proceeds on disposal of property, plant and equipment	-		-		-	
Acquisition of intangible assets	(75)		(2)		(161)	
Net movement in long-term cash deposits	250		65		(166)	
Interest received	86		28		48	
Net cash outflow from investing activities		(3,059)		(3,621)		(5,084)

	Six months ended 31 January 2014 (Unaudited)		Six months ended 31 January 2013 (Unaudited)		Year ended 31 July 2013 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Net cash outflow from investing activities b/f		(3,059)		(3,621)		(5,084)
Cash flows from financing activities						
Proceeds from sale of own shares	89		48		95	
Issue costs on issue of ordinary shares	(5)		(2)		(5)	
Purchase of own shares	(4)		-		(221)	
Capital element of finance lease rental repayment	(77)		(11)		(59)	
Net movement in bank borrowings	1,790		1,090		(1,286)	
Interest paid	(233)		(243)		(483)	
Non-controlling interest dividend paid	(196)		(233)		(503)	
Dividends paid to shareholders of the parent	-		-		(1,409)	
Net cash inflow/(outflow) from financing activities		1,364		649		(3,871)
Net decrease in cash and cash equivalents		(1,163)		(1,455)		(455)
Cash and cash equivalents at beginning of the period		8,064		8,436		8,436
Exchange (losses)/gains on cash held		(684)		(68)		83

Cash and cash equivalents at end of the period	6,217	6,913	8,064

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 JANUARY 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 year ending 31 January 2015. The financial information for the six months ended 31 January 2014 and the six months ended 31 January 2013 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

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. 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 two reportable segments, being those providing Integrated Communications and those considered to be Specialist Agencies. Integrated Communications incorporates the two segments reported in the prior year of public relations services in the technology and consumer markets. Specialist Agencies incorporate results of the digital and research consultancy, and corporate communications consultancy reported separately in the prior year. Within these two 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, 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.

	Integrated Communications	**Specialist Agencies**	**Head Office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Six months ended 31 January 2014 (Unaudited)				
Revenue	**40,191**	**9,110**	**-**	**49,301**
Segment adjusted operating profit / (loss)	**5,812**	**1,875**	**(2,454)**	**5,233**
Six months ended 31 January 2013 (Unaudited)				
Revenue	39,415	7,206	-	46,621
Segment adjusted operating profit / (loss)	5,501	1,314	(2,118)	4,697
Year ended 31 July 2013 (Audited)				
Revenue	80,570	15,499	-	96,069
Segment adjusted operating profit / (loss)	10,170	2,828	(4,778)	8,220

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

	Six months ended 31 January 2014 (Unaudited)	Six months ended 31 January 2013 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000

Segment adjusted operating profit	5,233	4,697	8,220
Amortisation of acquired intangibles	(687)	(660)	(1,379)
Impairment of goodwill	-	-	(1,950)
Restructuring and reorganisation costs associated with integrated digital transitions within brands (note 3)	-	(425)	(779)
Charge associated with the change in Group FD	(308)	-	-
Charges associated with equity transactions accounted for as share based payments (note 3)	(54)	(450)	(581)
Charges for misappropriation of assets (note 3)	-	(633)	(265)
Income from recovery and subsequent re-sale of assets (note 3)	12	-	318
Cost associated with investigation and response to fraudulent activity (note 3)	-	-	(579)
Movement in fair value of forward foreign exchange contracts (note 3)	-	(33)	-
Total operating profit	**4,196**	**2,496**	**3,005**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable (note 10)	(541)	(597)	(1,167)
Change in estimate of future contingent consideration and share purchase obligation payable (note 10)	(303)	297	647
Movement in fair value of interest rate cap-and-collar contract (note 3)	71	63	114
Share of profit /(loss) from associate	66	(3)	(79)
Other finance expense	(233)	(243)	(483)
Other finance income	13	28	48
Profit before income tax	**3,269**	**2,041**	**2,085**

The following table provides an analysis of the Group's revenue and adjusted operating profit/(loss) by geographical market.

	UK	**Europe and Africa**	**US and Canada**	**Asia Pacific**	**Head Office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Six months ended 31 January 2014 (Unaudited)						
Revenue	**9,706**	**4,808**	**28,392**	**6,395**	**-**	**49,301**
Adjusted operating profit / (loss)	**773**	**(238)**	**6,942**	**210**	**(2,454)**	**5,233**
Six months ended 31 January 2013 (Unaudited)						
Revenue	10,169	5,355	24,332	6,765	-	46,621
Adjusted operating profit / (loss)	1,162	356	5,079	218	(2,118)	4,697
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

3) RECONCILIATION OF PRO-FORMA FINANCIAL MEASURES

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

	£'000	£'000	£'000
Profit before income tax	3,269	2,041	2,085
Movement in fair value of interest rate cap-and-collar contract	(71)	(63)	(114)
Movement in fair value of forward foreign exchange contracts	-	33	-
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	541	597	1,167
Charges associated with misappropriation of assets[1]	-	633	265
Income from recovery and sale of misappropriated assets	(12)	-	(318)
Cost associated with investigation and response to fraudulent activity	-	-	579
Change in estimate of future contingent consideration and share purchase obligation payable	303	(297)	(647)
Charges associated with equity transactions accounted for as share based payments[3]	54	484	581
Charge associated with the change in Group FD	308	-	-
Restructuring and reorganisation costs associated with integrated digital transitions within brands[2]	-	425	779
Amortisation of acquired intangibles	687	660	1,378
Impairment of goodwill	-	-	1,950
Adjusted profit before income tax	5,079	4,513	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]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.

[3]In the current year there is one transaction contributing to this charge which relates to the acquisition of the 20% minority interest in Bourne (£54k) 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.

4) TAXATION

The tax charge for the period is £970k. The tax charge on adjusted profit for the period (£1,448k) 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 full year ending 31 July 2014 is expected to be higher than the standard UK rate due to 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, irrecoverable overseas withholding tax, share options charges relating to overseas employees and the reduction required in respect of the Group's UK deferred tax asset as a result of the proposed reduction in the rate of UK corporation tax.

5) DIVIDENDS

An interim dividend of 0.7p (Interim 2013: 0.625p) per ordinary share will be paid on 16 May 2014 to shareholders listed on the register of members on 22 April 2014. Shares will go ex-dividend on 16 April 2014.

6) FINANCE EXPENSE

	Six months ended 31 January 2014 (Unaudited)	Six months ended 31 January 2013 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000
Financial liabilities at amortised cost			
Bank interest payable	230	243	464
Financial liabilities at fair value through profit and loss			

Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	541	597	1,167
Change in estimate of future contingent consideration and share purchase obligation payable	441	395	1,681
Other			
Finance lease interest	1	-	8
Other interest payable	2	-	11
Finance expense	1,215	1,235	3,331

7) FINANCE INCOME

	Six months ended 31 January 2014 (Unaudited)	Six months ended 31 January 2013 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000
Financial assets at amortised cost			
Bank interest receivable	10	28	41
Financial assets at fair value through profit and loss			
Movement in fair value of interest rate cap-and-collar contract	71	63	114
Change in estimate of future contingent consideration and share purchase obligation payable	138	692	2,328
Other interest receivable	3	-	7
Finance income	222	783	2,490

8) EARNINGS PER SHARE

	Six months ended 31 January 2014 (Unaudited)	Six months ended 31 January 2013 (Unaudited)	Year ended 31 July 2013 (Audited)
	£'000	£'000	£'000
Earnings attributable to ordinary shareholders	1,860	1,152	328
Movement in fair value of interest rate cap-and-collar contract after tax	(55)	(48)	(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	520	597	1,167
Charge associated with misappropriation of assets (note 3)	-	383	158
Income from recovery and sale of misappropriated assets	(9)	-	(191)
Cost associated with investigation and response to fraudulent activity	-	-	356
Change in estimate of future contingent consideration and share purchase obligation payable after tax	209	(394)	(1,313)
Charges associated with equity transactions accounted for as share based payments (note 3)	42	296	550
Restructuring and reorganisation costs associated with digital transitions within brands (note 3)	239	298	569
Amortisation of acquired intangibles after tax			

	455	450	940
Impairment of intangibles	-	-	1,950
Adjusted earnings attributable to ordinary shareholders	3,261	2,759	4,427
	Number	**Number**	**Number**
Weighted average number of ordinary shares	60,037,905	58,917,494	59,068,925
Dilutive share options/performance shares outstanding[1]	5,246,672	5,036,267	5,641,070
Other potentially issuable shares[2]	1,192,643	1,672,200	1,863,899
Diluted weighted average number of ordinary shares	66,477,220	65,625,961	66,573,894
Basic earnings per share	3.10p	1.95p	0.56p
Diluted earnings per share	2.80p	1.75p	0.49p
Adjusted earnings per share	5.43p	4.68p	7.49p
Diluted adjusted earnings per share	4.91p	4.20p	6.65p

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.

[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 Republic, Connections Media and Paratus, in addition to the share purchase obligation payable in shares to Beyond.

9) NET DEBT

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

	31 January 2014 (Unaudited)	31 January 2013 (Unaudited)	31 July 2013 (Audited)
	£'000	£'000	£'000
Total loans and borrowings	11,512	12,099	9,722
Obligations under finance leases	72	14	151
Less: cash and cash equivalents	(6,217)	(6,913)	(8,064)
Net debt	5,367	5,200	1,809
Share purchase obligation	4,792	4,223	3,546
Contingent consideration	3,977	4,123	6,152
Deferred consideration	1,629	1,247	1,319
	15,765	14,793	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**
Current	1,629	2,152	593
Non-current	-	1,825	4,199

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

11) ACQUISITIONS

Deferred consideration, contingent consideration and share purchase obligations

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 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 the 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 £255,000 in cash in relation to the share purchase obligation for part of the minority interest in Bite Asia Holdings on the 21st January 2014.

Republic Publishing
On 14 January 2014, Next 15 acquired 51% of the issued share capital of Republic Publishing Limited ('Republic'), a small 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 12 months from acquisition.

Further to this a mechanism is in place to purchase the remaining 49% of the business over the next 2 to 6 years. The total present value of the share purchase obligation is £1.5m.

There is a total consideration cap of £5m.

12) EVENTS AFTER THE BALANCE SHEET DATE

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 £760k paid in cash at completion with a deferred consideration payment of £120k payable on 14 August 2014. 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 the non-controlling interest holders have the option to sell portions of their shareholdings back to the Group in October 2017, October 2018 and October 2019, 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.