CHALLENGE + SOLUTION = SUCCESS

NEXT15

Next Fifteen Communications Group plc
Annual Report 2020

$$\hat{\delta}_1 = \delta_i \left| V_{+\delta_i}(x_1, x_2 \ldots, x_N, \delta_i) = \max_{\delta j \in \Delta} \left\{ V_{+\delta_j}(x_1, x_2 \ldots, x_N, \delta_j) \right\} \right.$$

Next best action

We believe that our challenge is to help our customers become better businesses; to become the best version of themselves. To do this we deliver a unique brand of technology-driven marketing, using data to help our clients determine their next best action for their development.

About this Report

This year's annual report contains some extracts from the mathematical formulae underlying Planning-inc's Future Value Model which takes advantage of customers' behavioural data, applying cutting-edge machine learning techniques to predict their value in the future.

The models allow clients to move from a reactive segmentation approach to a proactive one, focusing on what is likely to happen next. The model establishes each customer's potential value, along with the unique set of actions that need to be completed to achieve this. Planning-inc call this sequence of marketable actions the Customer Value Path.

Financial highlights

Net revenue

£248.5m

+11%

Net cash from operating activities

£43.5m

+35%

Adjusted diluted earnings per share

34.8p

+5%

Adjusted profit before tax

£40.2m

+12%

Statutory operating profit for the year

£19.4m

-6%

Adjusted measures are reconciled to the statutory results in notes 2, 5 and 10 to the financial statements.

$$\hat{V}_1 = \max_{\delta j \in \Delta} \left\{ V_{+\delta_j}(x_1, x_2 \ldots, x_N, \delta_j) \right\}$$

Projected value

After talent, we believe brand and technology are a company's biggest and most important assets. Within our family of marketing businesses we continue to focus on building our data, analytics and technology capabilities to ensure that we create precisely focused marketing and communications that generate value for our clients.

Our business

There are many marketing agency groups. Some showcase flamboyant creativity. Others give the impression that only number crunching counts. What makes Next 15 different is the unique way we blend both approaches to help our clients be the best version of themselves they can possibly be. We are passionate about creating marketing and communications initiatives that get noticed, but we know that only by bringing technology, innovation and data skills to the table too, can we create true value.

Our brands and sectors

Next 15 aims to become the world's largest and most respected data and technology-led marketing group. To do this, the Group continues to build a portfolio of businesses that cater to the different needs of the various market sectors and geographies in which it operates. At the same time, the Group seeks to attract the best talent in the industry by creating excellent career paths that enable people to take part in international business and, where appropriate, help with the formation of new Group businesses, new service divisions, or new international locations.

Next 15 remains ambitious and is committed to expanding the international presence of its existing brands, with the possibility of further acquisitions if the strategic fit and value is compelling.

See page 3 for a list of our brands or find out more about our brands at www.next15.com/portfolio.

Our clients

We work with some of the biggest brands in technology and beyond including Amazon, Cisco, Facebook, Google, Hasbro, Microsoft, Sony, Telefónica Digital and YouTube. We have an extraordinary track record in retaining business in the long term because we keep them ahead of whatever's next in an age of unprecedented change.

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."

Employees

2,183

2019: 1,979
2018: 1,782

Offices

49

2019: 50
2018: 56

Countries

15

2019: 14
2018: 14

"May I thank you and the 2,183 people who work in Next 15 businesses, for the privilege of chairing Next 15 over this period of such change and achievement. It's been an honour and one of the highlights of my career."

Dear Shareholders,

Over this year we have continued to deploy the highly effective marketing tools afforded by data and technology. This is no hasty pivot from specialist communications consulting, which was at the core of our business for our listing in 2005, but a continued evolution by acquisition and organic change, to ensure that our offer to customers is as contemporary as it is effective. This strategy continues to serve us well.

Net revenues in the year to 31 January 2020 were up 11% to £248.5m and adjusted profit before tax was 12% higher at £40.2m. Statutory revenue rose by 10% to £300.7m (2019: £272.4m) and statutory operating profit declined 6% to £19.4m (2019: £20.7m). Fully diluted adjusted earnings per share showed growth of 5% to 34.8p. Net debt remained firmly under control at £9.3m. In the context of the challenges faced by any major player in our sector, these are good results by any standard.

Data and analytics agencies now represent 18% of the Group's net revenues. Organic growth for this part of our business was 19% and overall growth was 94%. Our Brand Marketing sector grew 1.4%, amid the planned restructure to create Archetype, a modern, global communications group. Our third sector, Creative Technology, was impacted by surmountable but significant challenges at our Beyond business and saw an organic decline of 2.1%. Such vicissitudes are the logic for a diversified group. Excluding Archetype and Beyond, Brand Marketing grew by 2.8% and Creative Tech by 20.3%.

The opportunity in our sector is such that it would be blinkered to imagine that the group is now set fair. So, we intend to develop a fourth segment, Innovation and Business Consulting. Last year we acquired an impressive young business called Palladium which will become a part of this segment. It helps Private Equity firms assess and improve the digital capability of potential investments. Once the COVID-19 clouds clear, we will further develop our group into Business Consulting through our usual formula of acquisition and organic development.

These new additions will join our roster of platform businesses, which do not compete with our specialist communications companies but add complementary skills and important new client contacts.

Looking to the year ahead, your Board remains animated by the Group's underlying prospects. Alongside the familiar external unknowns, political, environmental and regulatory, we face the extraordinary in COVID-19. This will adversely impact our results in the current financial year, but we have the quality of people, the strategy and the financial strength to continue to outperform our marketplace.

This will be my final AGM letter to shareholders as I will complete 9 years as your Chairman in May 2020. I'm delighted to report that my successor will be Penny Ladkin-Brand, currently our Chair of Audit and a member of the Board since 2017. With your blessing, she will assume the role at the start of our next financial year. I will remain available to support her and execute a smooth transition.

May I thank you and the 2,183 people who work in Next 15 businesses, for the privilege of chairing Next 15 over this period of such change and achievement. It's been an honour and one of the highlights of my career.

Richard Eyre CBE
Chairman
22 April 2020

"Great people, doing great work for great clients, always delivers a good outcome."

Dear Shareholders,

When you think of Next 15 you likely think of a collection of specialist businesses that in large part service the technology industry in some area of marketing. That was the case a few years ago but we have been slowly but surely investing, organically and by acquisition, to create platforms that our agencies can plug in to. We have also expanded our reach some way beyond technology, although the bulk of our client base remains firmly in the B2B technology sector. It is worth noting, that as COVID-19 ravages the world's population and impacts the global economy, we are thankful that our business sits where it does, at the intersection of technology and marketing.

As we build the capabilities of our Group, we still believe that being the best at what we do matters a great deal. For us this has always meant having businesses that bring huge expertise, either through a specific set of products and/or deep business sector knowledge and insights. However, by adding a set of platform businesses, we can more effectively achieve our ambition to move beyond communications design into business design. Platform businesses are a way for us to address the broad range of challenges and opportunities our clients are facing and help them solve them in the right order and in the right way.

If you look at Next 15 today you see several businesses that either are, or will soon become, platform businesses. These are Palladium, Planning-inc and Savanta. In Savanta and Planning-inc, we are creating data platforms which can sit at the heart of all our clients' relationships and enable them to see how their activities are performing, how customers are reacting and how they stack up against their competition. Meanwhile, Palladium, albeit in a very different way, is helping customers figure out the very essence of what they should do, how they should be organised and how best to go to market. I am excited by this progress but I'm also aware that these are still very early days and that there is still a lot of work to do. In the coming year, I expect us to focus even more attention on the building out of these and other platforms. This is in part because we believe that the pace of change towards technology and data driven marketing is only going to accelerate as we emerge from the COVID-19 pandemic.

Never being satisfied with the status quo is a tough way to run a business and is what has driven us to make changes like the creation of Archetype. Change is sometimes unplanned as we found at Beyond this last year. However, what doesn't change is having the right people in the right roles, and ensuring these people have the tools they need to succeed. Getting that right is crucial and is what ultimately drives the growth of our business. We saw this in outstanding performances from a number of our businesses this year – such as Agent3, Activate, M Booth, Savanta, Twogether and ODD. Great people, doing great work for great clients, always delivers a good outcome.

Thanks to the strength of our portfolio of businesses, we grew by double digits again this last year. Given the impact COVID-19 is having on the global economy it's hard to estimate at this time what impact it will have on our business. As I write this we have seen limited impact but we do expect that to change in Q2. Nobody is immune to macroeconomic factors but from experience if we focus on making our businesses the best version of themselves they can possibly be, then we will be well positioned to take advantage of the opportunities that arise as the economy rebounds. I'm also confident that our focus on data and technology puts us in a strong position to help our customers as the shift to digital marketing only accelerates.

Tim Dyson
Chief Executive Officer
22 April 2020

$$\vec{\Delta}=(\hat{\delta}_1,\hat{\delta}_2,\ldots,\hat{\delta}_N)$$

Optimal value path

Next 15 believes the future lies in our ability to drive our customers' business goals. Our heritage is in marketing and communications, but simply making brands more attractive is no longer enough. To be highly trusted partners of our clients, we must be capable of understanding and resolving the friction points in their strategy and operations, capable of giving their customers the best possible experience of their products and services. This requires data and technology to evaluate and predict the best ways to interact with audiences, disruptive innovation to unlock new ideas, and creativity to demonstrate brand personality, values and relevance. We aim to leave our clients stronger than we found them.

1

To build a portfolio of businesses that cater to the individual needs and opportunities of the various market sectors and geographies in which Next 15 operates.

2

To attract the best talent in the industry by creating excellent career paths, enabling our people to benefit from the scope of a diverse, international business.

3

Where appropriate, to help with the formation of new Group businesses, new service divisions, new platforms, or new international locations.

Our objectives

To build and buy technology-enabled brand marketing, consulting and data businesses

To leverage the strength of our US businesses and their relationships with high growth companies

To drive higher level consulting around business-critical activities

Principles

Data

Data and analytics are increasingly embedded across the Group; we believe that over time this will drive growth in our technology and brand marketing businesses as clients increasingly utilise these tools to predict campaign success and optimum spend levels. Data will also inform our ability to help clients innovate and spot new opportunities.

Innovation consulting

Our marketing heritage helps customers build desire for their products. But the pace of change is such that it is no longer enough simply to paint the best face on a brand through clever marketing. To be effective we have to be able to help redesign the company and its products for success in fast changing markets. Our innovation consulting capability is now helping our customers transform their existing businesses, or create entirely new ones to grasp emerging opportunities.

Brand marketing

The body of content, ideas and expectations surrounding a product is what constitutes a brand. Developing digital content that travels gracefully across technology platform, application and language is essential to consistent brand marketing.

Technology

Technology is now the essential partner of even the biggest creative idea. By utilising the right platforms and technologies, businesses can now reinvent themselves, whether by improving their customer experience, or completely reimagining their business model. We are experts in companies' own use of technology, and how they use third party platforms such as Google, Facebook and Amazon to reach their customers.

Approach to acquisitions: strength and success

We deliver consistently good results for investors because we stay true to our principles. These include building a group of businesses that organically fit together, are passionate about what they do, and have strong leadership teams empowered to pursue their vision of success.

Invest in the best talent

Our people are at the heart of everything we do. As a Group we focus on the 'who' before the 'what'. This principle, espoused by the author Jim Collins, creates a different way of running a company. It means we trust entrepreneurial talent to drive their own businesses and consult with us, but we do not tell them what to do.

Growth in core markets

Next 15 will continue to develop its existing brands and make acquisitions where the strategic fit and value is compelling. In the last few years the bulk of the Group's efforts has been around strengthening our UK and US businesses as we believe our position in these markets continues to provide the greatest opportunity for our long-term success.

Diversity and inclusion

Next 15 believes that a diverse workforce is not just a social good, but a commercial advantage. Fair practices in hiring and talent development, as well as maintaining safe and supportive company cultures, are key to the Group's success and the encouragement of diverse voices within it.

Environment

We are in a privileged position to influence our clients and their customers. We intend to use that position to help champion positive change on sustainability and our environment. We will do this in three ways:

- moving towards best practice in running our own businesses sustainably;
- influencing customers to make sustainable choices whenever we do work for them; and
- creating new products and services that help our customers rethink their business for the challenges and opportunities ahead.

"Another year of significant progress and we face these turbulent times from a position of financial strength."

Another year of significant progress across the Group

We have had another year of progress with our key measures of adjusted EBITDA and adjusted profit before income tax both increasing by over 10%. We made progress in our data and analytic capabilities whilst continuing to invest in our portfolio of brand marketing agencies.

In total for the 12 months to 31 January 2020, the Group delivered net revenue of £248.5m, adjusted operating profit of £40.9m, adjusted profit before income tax of £40.2m and adjusted diluted earnings per share of 34.8p. This compares with net revenue of £224.1m, adjusted operating profit of £37.0m, adjusted profit before income tax of £36.0m and adjusted diluted earnings per share of 33.1p for the 12 months to 31 January 2019. Statutory revenue for the year was £300.7m (2019: £272.4m) which resulted in operating profit of £19.4m compared with £20.7m in the previous year.

Adjusted results	**Year to 31 January 2020 £m**	Year to 31 January 2019 £m	Growth %
Net revenue	**248.5**	224.1	10.9%
EBITDA	**56.8**	41.7	36.0%
Operating profit after interest on finance lease liabilities	**40.9**	37.0	10.6%
Operating profit margin	**16.4%**	16.5%	
Profit before income tax	**40.2**	36.0	11.8%
Tax rate on adjusted profit	**20.0%**	20.0%	
Diluted earnings per share	**34.8p**	33.1p	5.1%
Statutory results			
Revenue	**300.7**	272.4	
Operating profit	**19.4**	20.7	
Profit before income tax	**5.6**	18.8	
Diluted earnings per share	**2.5p**	16.3p	

Adjusted results represent the statutory performance, adjusted to exclude amortisation, restructuring charges, brand equity incentive schemes, movements in acquisition-related consideration, employment related acquisition payments and certain other items. They are reconciled to the statutory results in notes 2 and 5 to the financial statements.

In order to assist shareholders' understanding of the underlying performance of the business, I have focused my comments on the adjusted performance of the business for the 12 months to 31 January 2020 compared with the 12 months to 31 January 2019. These measures are considered as useful to shareholders as they are used by the Group for internal performance analyses and facilitate comparability with industry peers. In line with peers, the Group also presents net revenue which is calculated as revenue less direct costs as shown on the consolidated income statement.

Adjusted operating profit after interest on finance lease liabilities

£40.9m

Net debt

£9.3m

Statutory operating profit

£19.4m

Review of adjusted results to 31 January 2020

Group profit and loss account

The last 12 months have been a period of progress and change across the Group. We have grown our total Group net revenues by almost 11%, although they declined by 2% on an organic basis due to challenges at Beyond and Archetype, whilst the operating profit margin dropped marginally to a still impressive 16.4%. Our Twogether, ODD, M Booth and Activate agencies have been stand out performers, whilst we have achieved solid performances across most of the portfolio.

In addition, there have been a number of operational improvements, including progress on our merger of our Text and Bite brands to create Archetype. Also, we consolidated our market research agencies under the Savanta brand. This has had the benefit of simplifying the Group's operating structure as well as increasing our underlying operating margin.

The Group adjusted operating margin reduced marginally to 16.4% from 16.5% in the prior year and statutory operating profit was £19.4m compared with 20.7m in the previous year.

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2020 £m	Year to 31 January 2019 £m
Statutory operating profit	**19.4**	20.7
Interest on lease liabilities	**(1.6)**	—
Share-based payment charge	**0.4**	1.3
Employment-related acquisition payments	**5.0**	0.8
Deal costs	**1.0**	0.6
Costs associated with restructuring	**4.6**	4.4
Charge associated with office moves	**—**	0.2
Amortisation of acquired intangibles	**12.1**	9.0
Adjusted operating profit after interest on finance lease liabilities	**40.9**	37.0

Adjusted results represent the statutory performance, adjusted to exclude amortisation, restructuring charges, brand equity incentive schemes, movements in acquisition-related consideration and certain other items. They are reconciled to the statutory results in notes 2 and 5 to the financial statements.

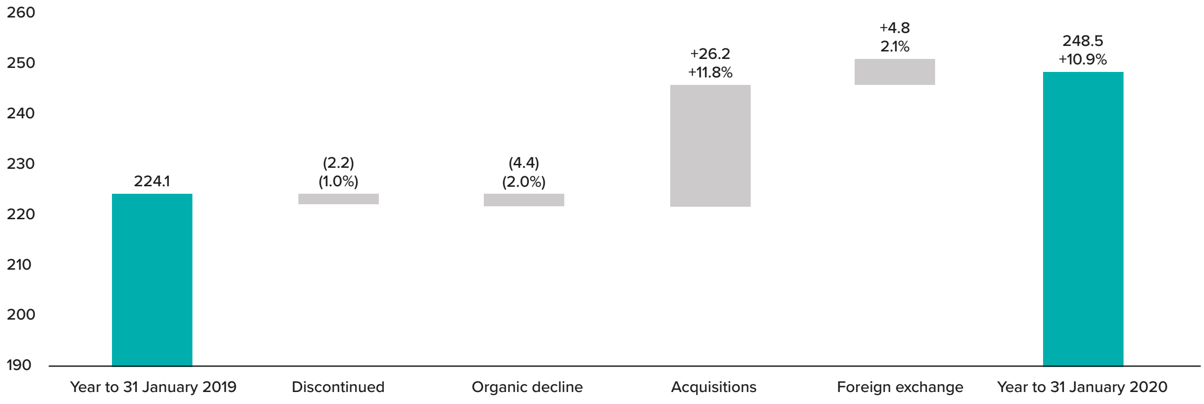
We incurred £4.6m of restructuring costs in relation to the merged Archetype brand, the consolidation of our market research activities under the Savanta brand and further restructuring in the UK and US agencies.

Amortisation of acquired intangibles was £12.1m in the period.

We incurred £0.4m of share-based payment charges on new growth shares for M Booth and £5.0m in relation to employment-related acquisition payments.

We incurred £1.0m of deal costs in relation to acquisitions.

Net revenue bridge (£m)



Taxation

The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2020 was at a rate of 20%, compared to the statutory rate of 49%. The adjusted effective tax rate was the same as the rate achieved in the previous period as we continued to benefit from a higher proportion of our profit coming from lower tax regimes such as the UK and the successful resolution of a number of historical tax queries. The Group's cash tax rate for the period was lower at 15%, principally due to tax relief for acquired US Goodwill and Intangibles which is not recognised in the Group's Income Statement.

The Group does not have any open tax audits, nor does it have any complex structures in place to manage its taxes which could give rise to future challenges from tax or competition authorities.

Earnings

Diluted adjusted earnings per share has increased by 5% to 34.8p for the year to 31 January 2020 compared with 33.1p achieved in the prior period. Diluted earnings per share were 2.5p, compared with 16.3p in the previous year.

Segmental review

	Brand Marketing £'000	Data and Analytics £'000	Creative Technology £'000	Head office £'000	Total £'000
Year ended 31 January 2020					
Net revenue	**135,036**	**45,054**	**68,379**	**—**	**248,469**
Organic net revenue growth[1]	**(5.7)%**	**19.3%**	**(2.1)%**	**—**	**(2.0)%**
Adjusted operating profit after interest on finance lease liabilities	**29,930**	**12,697**	**7,774**	**(9,541)**	**40,860**
Adjusted operating margin[2]	**22.2%**	**28.2%**	**11.4%**	**—**	**16.4%**
Year ended 31 January 2019					
Net revenue	133,163	23,209	67,721	—	224,093
Organic net revenue growth[1]	0.1%	30.6%	17.0%	—	6.4%
Adjusted operating profit	29,580	7,171	9,489	(9,284)	36,956
Adjusted operating margin[2]	22.2%	30.9%	14.0%	—	16.5%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2020 compared to the 12 months to 31 January 2019, excluding the impact of acquisitions until they have been in the Group for more than one year.
2 Adjusted operating profit margin is calculated as the margin on net revenue.

Brand Marketing

This segment includes our Archetype, OutCast, Nectar, M Booth, M Booth Health, Blueshirt and Publitek agencies. During the year we acquired Health Unlimited based in New York and rebranded it as M Booth Health. We also acquired Nectar, a San Francisco based Tech Comms agency. The segment produced a satisfactory performance, with expected disruption from the launch of Archetype offset by good trading from M Booth, Blueshirt and Publitek. Total net revenue increased by 1.4% to £135.0m with an organic decline of 5.7% but the adjusted operating profit increased by 1.2% to £29.9m at a held operating margin of 22.2%.

Data and Analytics

This segment includes Savanta, Encore and our recently acquired Activate and Planning-inc agencies. During the year we merged Encore with Twogether, our B2B digital marketing agency. The segment achieved net revenue of £45.1m, with an organic revenue growth of 19.3% and delivered operating profit of £12.7m at an operating margin of 28.2%.

Creative Technology

This segment includes our ODD, Elvis, Brandwidth, Beyond, Twogether, Agent3, Velocity and Palladium agencies. Palladium was acquired in April 2019. The segment delivered a mixed performance with Twogether, ODD and Agent3 excelling. Overall, the segment delivered net revenue growth of 1% to £68.4m with organic net revenue decline of 2.1%. The adjusted operating profit declined by 18% to £7.8m at an operating profit margin of 11.4%.

Geographical review

	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
Year ended 31 January 2020						
Net revenue	**97,377**	**8,820**	**127,563**	**14,709**	**—**	**248,469**
Organic net revenue growth[1]	**0.3%**	**0.4%**	**(4.6)%**	**4.8%**	**—**	**(2.0)%**
Adjusted operating profit after interest on finance lease liabilities	**20,094**	**1,587**	**26,421**	**2,299**	**(9,541)**	**40,860**
Adjusted operating margin[2]	**20.6%**	**18.0%**	**20.7%**	**15.6%**	**—**	**16.4%**
Year ended 31 January 2019						
Net revenue	83,528	8,735	117,911	13,919	—	224,093
Organic net revenue growth[1]	15.5%	7.3%	2.8%	(2.1)%	—	6.4%
Adjusted operating profit	20,482	1,504	22,047	2,207	(9,284)	36,956
Adjusted operating margin[2]	24.5%	17.2%	18.7%	15.9%	—	16.5%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2020 compared to the 12 months to 31 January 2019, excluding the impact of acquisitions until they have been in the Group for more than one year.

2 Adjusted operating profit margin is calculated as the margin on net revenue.

US

Our US businesses performed steadily led by our M Booth and Activate brands. In the year to 31 January 2020, total US net revenues grew by 8.2% to £127.6m from £117.9m which equated to an organic decline of 4.6%, taking account of movements in exchange rates. Organic growth has been impacted in the short-term difficult trading at Beyond and the expected disruption from the merger of Text and Bite to create Archetype.

We acquired M Booth Health and Nectar in the year which have both made positive contributions. The adjusted operating profit from our US businesses was £26.4m compared with £22.0m in the previous 12 months to 31 January 2019.

UK

The UK businesses have delivered a resilient performance over the last 12 months, with net revenue increasing by 16.6% to £97.4m from £83.5m in the prior period. This growth was due to exceptionally strong performances from our Twogether, ODD, Agent3 and Savanta agencies. The adjusted operating profit was £20.1m from £20.5m in the prior year due to slow trading from Beyond and Archetype UK with the adjusted operating margin falling from 24.5% in the prior period to 20.6%.

EMEA

We have delivered an encouraging performance in EMEA with good growth from Spain and France. Net revenue increased by 1% to £8.8m (2019: £8.7m) and adjusted operating profit increased to £1.6m at an improved adjusted operating margin of 18.0%.

APAC

Net revenue increased by 5.7% to £14.7m (2019: £13.9m), however the operating margin decreased marginally to 15.6% from 15.9% in the prior period and the operating profit increased to £2.3m (2019: £2.2m).

Cash flow

Cash flow KPIs	**Year to 31 January 2020 £m**	Year to 31 January 2019 £m
Net cash inflow from operating activities	**47.8**	37.2
Changes in working capital	**1.7**	1.2
Net cash generated from operations	**49.5**	38.4
Income tax paid	**(6.0)**	(6.2)
Investing activities	**(28.3)**	(37.2)
Dividend paid to shareholders	**(6.8)**	(5.2)
Net increase/(decrease) in bank borrowings	**13.0**	(10.9)
Proceeds from share placing	**—**	19.5

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2020 increased to £47.8m from £37.2m in the prior period. Our management of working capital improved with an inflow from working capital of £1.7m compared with £1.2m in the prior period. This resulted in our net cash generated from operations before tax being £49.5m (2019: £38.4m). Income taxes paid decreased to £6.0m from £6.2m.

Our investment in acquisitions includes the acquisitions of M Booth Health, Nectar and Palladium and the partial settlement of contingent consideration to Activate and Twogether. This resulted in a cash outflow due in investing activities of £28.3m.

Dividends paid to Next 15 shareholders increased to £6.8m from £5.2m in the prior period reflecting the strong trading in the period. Net interest paid to the Group's banks reduced due to lower borrowings to approximately £1.0m (2019: £1.2m).

Balance sheet

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2020 of only £9.3m (2019: £5.2m), representing only 0.2x adjusted EBITDA.

Treasury and funding

The Group operates a £40m revolving credit facility ('RCF') with HSBC available until July 2022 and has a £20m term loan, with £10m left to be repaid in equal annual instalments, the last of which is in December 2021. The £40m facility is primarily used for acquisitions and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2019: $7m) which is available for property rental guarantees and US-based working capital needs.

As part of the facilities agreement, 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
22 April 2020

Next 15 is exposed to a variety of risks (both threats and opportunities) that can have financial, operational and regulatory impacts on our business performance, reputation and prosperity. 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

The focus of the Risk Management Framework is the annual risk assessment, which takes place at an operating company level performed by brand management, and by Next 15 senior leaders for the Group-wide risks. The outcome of the bottom-up / top-down assessment is presented to the Board for review and challenge.

The risk management policy, along with the supporting assessment procedures, was recently updated to better align the risk management activities with the risk appetite of the Group. This has driven greater clarity and has defined lines of accountability.

Internal controls

The Board has ultimate responsibility for the Group's system of internal control and regularly reviews its effectiveness in accordance with revised guidance on internal control published by the Financial Reporting Council. This control system, which centres around a supporting set of minimum controls, 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.

Internal Audit

The Group Internal Audit function provides assurance over the Group's control environment with lead internal auditors in the US and the UK. The results of internal audit activities are reported to the Audit Committee at each meeting and the risk-based internal audit plan is updated as required to respond to the risks faced by Next 15.

Board oversight

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

- 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 any other matters and is requested by the Board;
- depending on the risk associated with any weaknesses noted, recommendations made are followed up and reported back to the Audit Committee until they are adequately resolved; and
- Internal Audit independently reviews the risk identification procedures and control processes implemented by management and advises on policy and procedure changes.

During 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 of which it, or its subsidiaries and associates, operate.

The risks outlined below are those that the Board believes are the principal and material risks of the Group. 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	Change in risk
Operational risk		
Coronavirus (COVID-19) COVID-19 has created an unprecedented global emergency, the effects of which will have a lasting impact on both people and economies alike. The extent of the risk and the degree it might crystallise remains uncertain for everyone. However, as a technology centred business, we have been able to respond quickly to protect our employees, customers and the business.	We have implemented our business continuity plan and have adopted working practices that, while different, have worked to minimise the disruption on our business as usual operations. The Group is taking reasonable precautions with monitoring working capital, cash flow and our sales pipeline. The situation, while disruptive, will also present opportunities for challenging the way we work. We will continue to monitor the situation and are ready to take further action if required.	↑
Macroeconomic uncertainty The macroeconomic environment continues to be volatile as a result of key drivers. Examples being uncertainties caused by Brexit in the UK and the global health concern related to the COVID-19 coronavirus. Seen as an easy win compared to other operating costs, marketing and innovation budgets have historically been reduced by clients during weakened economic and financial conditions. The risk of client loss or reduction in marketing budgets is therefore increased in times of macroeconomic uncertainty or change.	The impact of this is dependent on sector focus and often brands which lack diversification are more exposed to macroeconomic risk. The Group's strategy of building a portfolio of brands, which is diversified across different communications markets and geographic regions, minimises the risk that the Group is overly reliant on any one territory, sector or client. The range of products offered by our brands, including a mix of technological-based offerings and traditional comms, can help to balance the performance of the Group should there be a fall in the demand for particular products and services.	↑
Business continuity There is a risk that unforeseen circumstances could arise, which mean that the business is unable to operate, such as natural disasters, property damage, systems failure or absence of significant personnel.	There are business continuity plans in place across the group to ensure that we can continue to deliver world-class service to our customers, in case of a significant business disruption. These have proven effective during the COVID-19 crisis. The Group has insurance cover in place to mitigate against business disruption, however, this does not include cover for any form of communicable disease. Recent efforts to enhance and test our business continuity plans meant we were able to easily and effectively transition to remote working in response to the COVID-19 health crisis. This action was taken early, mitigating the impact of the virus on both our people and our operations.	→
Data protection and privacy The Group stores, transmits and relies on critical and sensitive data such as personally identifiable information and the intellectual property of customers. Security of this type of data is exposed to escalating external threats that are increasing in sophistication as well as internal data breaches. The introduction of the California Consumer Privacy Act ("CCPA") further increases the regulatory rigour that the Group faces. There is a risk that if the Group has not implemented suitable procedures and updated relevant business processes, it may inadvertently breach its regulatory and contractual obligations leading to fines, client delays and reputational damage.	Our response to data protection and privacy is intrinsically linked with our information security programme, including the maintenance of group-wide policies. This framework provides a strong platform from which to preserve the integrity of business information and ensure compliance with local legal requirements. We will continue to monitor any changes to regulation and assess the potential impact on the Group.	↑

Risk description	Mitigating actions	Change in risk
Operational risk continued		
System access and security The Group notes the ongoing threat of third parties attempting to exploit weaknesses in the technological infrastructure and SaaS services of different companies. Inadequate security controls to protect our systems against these threats could lead to business disruption, reputational damage and loss of assets.	The ongoing development and maturation of our Information Security Management System, including the continued investment in endpoint security and threat intelligence, has greatly increased our ability to monitor and respond to cyber related threats. Our people are also required to undertake ongoing training to maintain their awareness and understanding of information security.	→
People and talent – retention and recruitment Our people are our most important asset. The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. We are also heavily reliant on the leaders of our businesses and losing one of those individuals could be particularly detrimental. Without an active succession planning and talent management strategy, we are vulnerable to business disruption from the loss of key personnel. An ambitious growth strategy also means the skills and capabilities of existing team members may not be suitable as our businesses grow. Challenging the nature and breadth of roles being undertaken by key people is critical for ensuring the sustainability of our success.	Our approach to recruitment is to hire best-in-class talent and remunerate them accordingly. Next 15 understands that the expectations on employers and what employees "want" from a job is changing and a failure to evolve may result in a loss of key talent or a lack of experienced talent filtering up the business. We are therefore committed to helping develop our staff and helping carve out a career within the wider group if so desired. The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals.	→
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. Furthermore, consideration of regulatory compliance is included in the assurance programme led by the Internal Audit function.	→
Strategic risk		
Reliance on key clients 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 impacted brand. A relatively small number of clients contribute a significant percentage of our consolidated revenues. Our top ten largest clients accounted for ~22% of revenues this year. The loss of a major client would create significant pressure if not replaced by new accounts or an increase in business from existing clients.	The Group's strategy is to build a portfolio of brands which is diversified across different communications markets and geographic regions. As well as growing organically, the Group expands through acquisitions which typically increases the diversification of the Group. The Board regularly reviews the Group's reliance on key customers through top ten client analysis in the management accounts and reviews of customers with revenues greater than $1m per annum.	→

Risk description	Mitigating actions	Change in risk
Strategic risk continued		
Failure to evolve service offering The Group continues to innovate and invest to develop market-leading offerings to our customers. However, the speed of change and perceived opportunities in the industry has meant more companies, including non-traditional players, are developing their digital marketing capability and thus shifting the competitive landscape. There is a risk to our ongoing growth and market position if we don't respond to the pace of change and be at the forefront of technological solutions to stay ahead of the competition.	The Group follows a strategy of focusing acquisitions on technology-driven marketing agencies. It also encourages all the brands to have data and technology at the centre of their business. The Group continues to diversify its service offering, both organically and through acquisition, to provide world-class marketing, data and analytics, creative consulting and innovative consulting services.	↑
Remuneration and incentive schemes The Group operates numerous earn-out mechanisms and incentive schemes in order to attract and retain senior talent across the Group. As we look to be flexible in how we incentivise our talent these schemes can be complex. This gives rise to a local risk of management override and financial misreporting. In addition, culturally, there is a risk that earn-outs will encourage a 'silo culture' and discourage collaboration between the brands, or that the incentive mechanisms encourage the wrong behaviour or do not appropriately incentivise our key staff.	The Group has a defined framework from which all new incentive schemes are developed. The framework creates standardisation and sets a minimum expectation for all our leaders. The Remuneration Committee reviews, challenges and approves all incentive schemes across the Group. External advisers are used where necessary to advise the Board and individuals on any new schemes.	→
Acquisitions – Choice of acquisition targets and delivery of expected growth The Group's growth strategy has always centred around investing in talent and the acquisition of businesses which broaden and enhance existing business operations. One of the inherent risks of acquisitions is that the Group enters unfamiliar markets/regions and works with new personnel, who may not be sufficiently aligned with Group strategy. The acquisition may therefore not generate the financial or commercial benefit it was intended to. Integration of new acquisitions, particularly when they are being bolted onto an existing business, can be challenging and time consuming. There is a risk that the integration distracts the acquiring business, or capacity issues limits the enhancement of synergies resulting in the growth identified during due diligence remaining unrealised.	The Board is very careful when selecting potential acquisition partners and we spend a significant amount of time upfront to make sure the individuals are a good fit for the Group. 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 also encouraged to retain a minority equity stake to ensure their retention within the Group. Internal Audit works with newly acquired businesses to ensure that they are integrated into the Group's control environment.	→

Risk description	Mitigating actions	Change in risk
Financial risk		
Fraud and misreporting 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 and misreporting of financial information. The risk of misappropriation and fraud is also increased due to the siloed nature of the Next 15 operating model and the level of influence founders can have within their specific company environments.	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.	→
Currency risk As a global business, currency fluctuations continue to have a potential impact on the Group's translated results. The Group is listed in the UK with Sterling as its functional currency but makes the majority of its profit outside of the UK. As a result, the Group's reported profits and asset values are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar. The Group may also suffer restrictions on the ability to repatriate cash, particularly for our operations in India and China.	Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and 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, and natural currency hedging is used where possible across the Group. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.	→
Emerging risk		
Sustainable practices It is a moral and commercial necessity that our business ensures society and the environment is enriched, not degraded by our operations, even more so in the context of the current environmental crisis and societal inequality. Without demonstrable action, there is risk that we will struggle to retain and recruit talent, as well as retain and win clients who are committed to sustainable business practices and innovation.	The marketing sector has an important role to play in engaging and influencing businesses to innovate and consumers to choose the sustainable products they create. We are actively developing a sustainability strategy which considers the holistic impact of our operations. A number of actions are in progress including (but not limited to): an assessment of our own environmental footprint with a view to adopting climate metric reporting; a review of our active client and supplier base; and standardisation of policies and procedures.	↑

Tim Dyson
Chief Executive Officer

Section 172(1) statement

The Directors are fully aware of their duty to promote the success of the Company for the benefit of its members as a whole in accordance with section 172 of the Companies Act 2006, and in doing so to have regard to the matters set out in section 172(1) (a) – (f).

The Corporate Governance Report on pages 24 to 29 as well as the Chairman's Corporate Governance Statement available at www.next15.com set out how the Directors have engaged with the Group's shareholders, employees and wider workforce, customers, suppliers and wider communities and the environment. On page 27 we explain how the Board has set the Group's culture to ensure that decisions are taken in line with the Group's values and objectives.

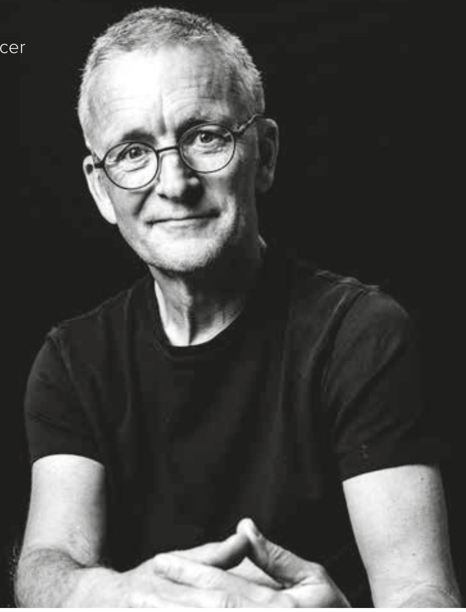
The principal long-term risks to the Group, including strategic risk, are set out on pages 17 to 20, and the mitigating actions explained on those pages set out how the Directors consider those risks and the resulting actions taken.

The following examples demonstrate how the directors had regard to the respective elements of section 172 in discharging their duties:

The likely consequences of any decision in the long term	The Board takes a long-term approach to developing its strategy taking into account for instance the impact of technology, changes in customer behaviour and client needs. In implementing that strategy, the acquisition of Palladium Group Limited for instance was a step towards the Board's strategic objective of developing its innovation consulting capability; Market Making Limited is a business with data and technology at its heart and the addition of Nectar Communications LLC bolstered the Group's Brand Marketing sector. Other relevant decisions during the year include decisions in respect of the Group's final and interim dividends, ongoing investment in the Group's cyber security infrastructure, the merger of its Text and Bite brands to create Archetype and the consolidation its market research agencies under the Savanta brand.
The interests of the Company's employees	Next 15 is all about people. Our success is fundamentally driven by the talent and effort of our workforce. We recognise that the interaction between the Board and senior management of Next 15 and our brands is crucial to maintaining the welfare of our people and ultimately our future success. Tim Dyson holds regular meetings with the brand CEOs and, in turn, each CEO is encouraged to engage fully with their staff. During the year we have worked on producing an employee handbook which will be launched in FY21 and we are continuing to evaluate and improve our polices across the Group. The whole Board met with the Group's senior leadership in October 2019, taking part in two days of workshops where the Board engaged in a dialogue with management around their and their staff's feedback. During the year the Board adopted a Diversity & Inclusion statement and a review of each brand's D&I policy.
The need to foster the Company's business relationships with suppliers, customers and others	Our business relies on good relationships. We are regularly briefed on key developments across our brands, including on new and existing client relationships. Client due diligence is a key part of our acquisition process when considering new acquisitions joining the Group, and results are made available to the Board when potential acquisitions are considered. By their nature our businesses work in collaboration with their clients: we embed teams within client organisations, use agile processes, and build businesses to better serve client needs based on what they tell us. We have a zero-tolerance approach to practices which are at odds with our values and culture, for example corruption, bribery and modern slavery. We are committed to acting ethically and with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to ensure such practices are not taking place anywhere in our businesses or supply chain.
The impact of the Company's operations on the community and the environment	This past year we have increased the focus on our impact on the environment and society as a whole throughout our value chain. We are actively developing a sustainability strategy which considers the holistic impact of our operations. A number of actions are in progress including (but not limited to): an assessment of our own environmental footprint with a view to adopting climate metric reporting; a review of our active client and supplier base; and standardisation of policies and procedures.
The desirability of the Company maintaining a reputation for high standards of business conduct	We have a strong corporate culture based on entrepreneurial spirit and personal responsibility. Businesses within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility, with the centre acting as enablers and teachers. However, the Board and its Committees set a high standard for ethical behaviour and ensure the Group complies with applicable laws and regulation. During the year we undertook a review of the Group's policies including the Group's whistleblowing policy which aims to ensure that all employees can speak up if they have questions or concerns.
The need to act fairly as between members of the Company	The Board recognises the critical importance of open dialogue and fair consideration of the Company's members. We communicate with our shareholders through our annual report and accounts, full-year and half-year results announcements, trading updates, AGMs, face-to-face meetings and investor days. In early 2020 we engaged directly with our institutional shareholders concerning the changes that we have made to our executive remuneration structure. More information on our engagement with shareholders is set out on page 28.

Richard Eyre CBE
Chairman

Tim Dyson
Chief Executive Officer



Peter Harris
Chief Financial Officer

Helen Hunter
Non-Executive Director

Penny Ladkin-Brand
Non-Executive Director

Nick Lee Morrison
General Counsel and
Company Secretary

Richard Eyre CBE A R

Chairman

Appointed May 2011

Richard is Non-Executive Chairman and a member of the Audit and Remuneration Committees.

He is also Chairman of the UK Internet Advertising Bureau and the Media Trust.

Skills and experience

Richard has 44 years' experience across the media and marketing industries, including time as CEO of ITV Network LTD, CEO of Capital Radio plc, and Content and Strategy Director of RTL Group plc. He has served as Chairman of RDF Media plc, GCap plc, I Play, 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.

Peter Harris

Chief Financial Officer

Appointed March 2014

Peter joined Next 15 as its Chief Financial Officer in November 2013 and was appointed as Executive Director in March 2014.

Skills and experience

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. From July 2013 until December 2018, he was a Non-Executive Director of Communisis plc and Chairman of its Audit Committee. 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.

Penny Ladkin-Brand A R

Senior Independent Director

Appointed July 2017

Penny joined Next 15 as a Non-Executive Director and in April 2020, she was also appointed as Senior Independent Director. Penny chairs the Audit Committee and is a member of the Remuneration Committee.

Skills and experience

Penny is also Chief Financial Officer at Future plc, a global platform for specialist media. She was previously Commercial Director at Auto Trader Group plc responsible for digital monetisation. Penny brings considerable experience of digital disruption and transformation to the Board. Penny qualified as a Chartered Accountant with PwC before moving into corporate finance, gaining experience of M&A in both public and private markets.

Tim Dyson

Chief Executive Officer

Appointed August 1988

Tim joined the Group in 1984 straight from Loughborough University and became CEO in 1992.

Skills and experience

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 moved from London to set up the Group's first US business in 1995 in Seattle and is now based in California. 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, Activate and The Blueshirt Group in the US as well as Morar, Elvis, Velocity, Planning-inc and Publitek in the UK.

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

Helen Hunter A R

Non-Executive Director

Appointed June 2019

As a Non-Executive Director of Next 15, Helen chairs the Remuneration Committee and is a member of the Audit Committee.

Skills and experience

Helen is Chief Data and Analytics Officer at J Sainsbury plc where her remit is to maximise the value of the Group's data assets: democratising access and finding creative ways to unlock its insight potential in support of Sainsbury's strategy. Over the last nine years at Sainsbury's in roles including Director of Innovation, Director of Marketing Strategy & Innovation, and Director of Customer Data & Relationships, she has developed products and propositions such as Sainsbury's Brand Match and digital Nectar. Helen is also currently a Governor of Lancing College. Before joining Sainsbury's, she held roles at emnos, Home Retail Group, Woolworths Group, and Kingfisher.

Nick Lee Morrison

General Counsel and Company Secretary

Appointed January 2016

Nick spent seven years in private practice at global law firms working with a wide range of technology, media and communications clients. In 2013, Nick moved in-house at a global media brand, before joining Next 15 as General Counsel and Company Secretary in 2016.

Chair of Committee

A Audit Committee

R Remuneration Committee

Chairman's corporate governance statement

As Chairman I am responsible for leading the Board and for its governance of the Group, in the determination of its strategy and in achieving its objectives. I am responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and for effective communication with our shareholders.

The Board recognises that effective governance and management of risk are crucial to promoting the long-term success of our business for the benefit of our shareholders and our other stakeholders. The Board is responsible for ensuring that all aspects of our business are conducted transparently, ethically and effectively in a way which promotes a sustainable and successful future for the Company.

Accordingly, on behalf of the Board, I am pleased to introduce our report on the arrangements which the Board has established to ensure that, throughout the Group, the highest standards of corporate governance are applied and maintained in a way which is consistent with our values and fosters a corporate culture that encourages growth.

In August 2018 the Board formally adopted the UK's Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The Board has continued to monitor the application of the QCA Code and believes that our compliance with the QCA Code enables us not only to serve the interests of our investors, by maintaining and enhancing long-term shareholder value, but also those of our other stakeholders including, in particular, our talented and dedicated colleagues. As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code 2016 (the 'UK Code'); however, the Board supports the UK Code and considers its application when appropriate given the Group's size and operations.

The Board seeks to promote the long-term success of the Company for the benefit of our shareholders and stakeholders. As Chairman, my role is to provide the leadership to enable the Board to do so effectively.

I look forward to your support at our AGM.

Richard Eyre CBE
Chairman
22 April 2020

Statement of compliance

Next 15 has adopted the QCA Code and is compliant with all of its principles. Disclosures required by the QCA Code have been made both in this annual report and on our website.

The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. During the year ended 31 January 2020 the Board comprised two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors.

Helen Hunter joined the Board on 26 June 2019 and brings significant expertise as a leader in data management and customer relationships making her a highly valuable addition to the Board. Helen chairs the Remuneration Committee and serves on the Audit Committee of the Board. Helen is Chief Data and Analytics Officer of J Sainsbury plc.

Genevieve Shore stepped down from the Board in her position as Senior Independent Director and Chair of the Remuneration Committee on 26 June 2019, after four years of service. The Board thanks Genevieve for her tremendous contribution. Next 15 has benefited greatly from her wealth of experience, knowledge and challenge and we wish her all the best in the future.

Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on page 23.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and knowledge, including a range of financial, commercial and entrepreneurial experience. The Board is also satisfied that it has a suitable balance between independence (of character and judgement) and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. The Non-Executive Directors are considered to be independent. No single Director is dominant in the decision-making process.

The Board aims to convene once a 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 in person whenever possible and aims to do so at least quarterly. Details of Board and Committee meetings held during the financial year and the attendance records of individual Directors can be found on page 27.

In addition the Board meets once a year to discuss the Group's strategy. This year, the Board participated in workshops with representatives from the Group's businesses focusing on the future of the Group and how it could serve its stakeholders better.

Prior to their appointment, the Company informed each Director of the nature of their role, their responsibilities and duties to the Company, and the time commitment involved. On appointment each Director confirmed that, taking into account all of their other commitments, they were able to allocate sufficient time to the Company to discharge their role effectively. The Board is satisfied that the Chairman and the Non-Executive Directors each devotes sufficient time to the Company and that there have been no significant changes to their other commitments.

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, including that of individual brands;
- the Group's financial results for the interim and year end;
- Information Security Management System ('ISMS') arrangements across the Group including cyber security;
- review of the Group's risk management and internal controls;
- review of opportunities to expand by acquisition;
- post-integration monitoring of acquisitions; and
- corporate governance matters including QCA Code compliance, GDPR and succession planning.

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

At each Board meeting, the Chief Executive Officer provides a business review and the Chief Financial Officer provides a financial review. Board members receive monthly trading results, together with detailed commentary. Each Director 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, as and when necessary to support the performance of their duties as Directors of the Company. Appropriate induction and 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.

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.

The Company's Articles of Association provide that a Director appointed by the Board shall retire and offer themselves for re-election at the first AGM following their appointment and that, at each AGM of the Company one-third of the Directors in addition to any new appointment must retire by rotation. Helen Hunter, having been appointed since the last AGM, Richard Eyre and Tim Dyson will offer themselves for re-election by the shareholders at the forthcoming AGM.

With regard to the Directors who are offering themselves for re-election at the next AGM, the Board was delighted to welcome Helen Hunter to Next 15 during the year who brings with her extensive data experience which complement the existing skills and expertise of the Board. The Board is further satisfied that the contributions of both Richard Eyre and Tim Dyson continue to be effective and demonstrate sufficient time commitment to their respective roles. The Board believes that each Director standing for re-election is independent in character and judgement. The Board therefore recommends that the Company and its shareholders support the re-election of each of the Directors listed above. The Board acknowledges that Richard Eyre will exceed nine years' tenure on 12 May 2020 and consequently will seek re-election annually consistent with the QCA Code. After consultation with key investors, Richard will step down as Chairman of the Board on 31 January 2021 and Penny Ladkin-Brand will chair the Board with effect from that date. In the meantime, Penny Ladkin-Brand has been appointed as Senior Independent Director. The Board is considering succession arrangements with respect to the Chair of its Audit Committee and will report on them during the year.

Biographical details of each Director standing for re-election can be found on page 23 of this report.

The roles of the Chairman and Chief Executive

The Chairman of the Board, Richard Eyre CBE, 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 CBE was considered independent as defined by the UK Code and in accordance with the principles of the QCA Code.

The roles of the Chairman and Chief Executive continued

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 responsibility for implementing the agreed strategy and policies of the Board.

Senior Independent Director

Genevieve Shore held the position of Senior Independent Director of the Company until she stepped down from the Board in June 2019. Genevieve was considered to be independent as defined by the UK Code and in accordance with the principles of the QCA Code. Penny Ladkin-Brand was appointed Senior Independent Director of the Company on 2 April 2020 and is considered to be independent as defined by the UK Code and in accordance with the principles of the QCA Code. Any shareholder concerns not resolved through the usual mechanisms for investor communication, can be conveyed to the Senior Independent Director.

Board performance evaluation, succession planning and diversity

The performance of the Board is key to the Company's success. The performance of the Board and its Committees is evaluated regularly, and the evaluations are conducted with the aim of improving their effectiveness. In order to allow Helen Hunter to settle into her new role, the Board agreed that the next evaluation would take place in the summer of 2020. It will also include a review of the matters reserved for the Board and of the terms of reference of its Committees. It is envisaged that, as the business continues to develop, the Board's governance practices will continue to evolve. In this regard, the Board is open minded to change and welcomes insight that may come from a number of different sources including industry bodies, institutional investors, advisers and emerging practice.

The Board agrees 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. The outcomes from the Board's evaluation processes help inform these assessments and, in particular, can highlight where gaps in Board skills or experience might exist or arise, either as the business evolves and new skills are needed or as a result of future vacancies.

The Board believes in the importance of diverse Board membership. Our Board has 40% female representation which meets the recommendation set out by Lord Davies, supported by the Hampton-Alexander Review, for a minimum of 33% female representation (applicable to FTSE 350 boards) by 2020. The Board considers that gender is not the only diversity factor and is mindful of a range of other factors when assessing the balance of the Board. We set out our Group-wide approach to diversity and inclusion in our Report of the Directors on page 43 and our Diversity and Inclusion Policy is available on our website at www.next15.com.

In place of having a separate Nomination Committee, the Board as a whole leads the Board recruitment and appointment processes. It also has responsibility for reviewing the balance of the Board to ensure that, collectively, the Board: has a good range of skills, knowledge and experience; comprises diverse individuals who can bring different perspectives to the Board's discussions; has oversight of senior management and Board succession plans; and makes recommendations on matters such as Directors' independence and commitment.

Directors' 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. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported by the Directors. A review of Directors' conflicts of interest is conducted annually.

Committees of the Board

The Board is supported by the Audit and Remuneration Committees. The Board appoints the Committee members. The reports of these Committees can be found on pages 30 and 32 respectively.

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 Audit Committee comprises three Non-Executive Directors: Penny Ladkin-Brand (Chair), Richard Eyre and Helen Hunter. Peter Harris also attends most meetings at the invitation of the Chair of the Audit Committee. Broadly, the Audit Committee is responsible for reviewing financial reporting, the relationship with the External Auditor, internal controls, and oversight of the effectiveness of risk and risk management systems.

The Remuneration Committee comprises three Non-Executive Directors: Helen Hunter (Chair), Penny Ladkin-Brand and Richard Eyre. The Executive Directors also attend these Committee meetings at the invitation of the Chair of the Remuneration Committee, except when discussing matters of their own remuneration. The Remuneration Committee is responsible for reviewing and approving executive remuneration policies and practices, taking account of pay practices and policies across the Group's workforce.

The Board dissolved the Nomination Committee in September 2018. As a result, nomination matters, such as Board recruitment and the appointment process as described on page 26, have been dealt with by the Board as a whole.

Our corporate culture

We have a strong corporate culture based on entrepreneurial spirit, taking personal responsibility and treating all stakeholders fairly and equitably. Businesses within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility, with the centre acting as enablers and teachers. However, the Board and its Committees set a high standard for ethical behaviour and ensure the Group complies with applicable laws and regulation.

The Group determines that ethical values and behaviours are recognised and respected through:

- the emphasis on the 'who' before the 'what' during due diligence when the Group acquires new businesses;
- presentations by each business to the Board throughout the year focusing on all areas of their responsibility including people, clients and sustainable growth;
- quarterly Executive Committee meetings with the CEO and senior management; and
- HR policies and practices, reviews and objective setting, and training within each business in the areas they require the most development.

Board and Committee attendance for the year ended 31 January 2020

Attendance records for the scheduled Board and Committee meetings held during the year are shown below. Further unscheduled Board, Audit Committee and Remuneration Committee meetings were convened as required throughout the year. Additional committees of the Board were also constituted to review and approve certain acquisitions, and regulatory news announcements. Other members of the senior management and brand management teams, as well as advisers, attended Board and Committee meetings by invitation as appropriate throughout the year.

	Board	Audit	Remuneration
Richard Eyre	10 of 10	3 of 3	9 of 9
Tim Dyson	10 of 10	—	—
Peter Harris	10 of 10	—	—
Penny Ladkin-Brand	10 of 10	3 of 3	9 of 9
Genevieve Shore[1]	5 of 10	1 of 3	6 of 9
Helen Hunter[2]	5 of 10	2 of 3	3 of 9

1 Genevieve Shore stepped down from the Board on 26 June 2019.
2 Helen Hunter joined the Board on 26 June 2019.

Environmental and social impact

We believe business should be the engine of sustainable growth, positively impacting people's lives, as well as delivering economic growth. As a marketing and communications business, we know we have an important role to play in not only engaging businesses and consumers to operate sustainably, we also seek to bring about change in the behaviours of our employees, suppliers, and communities.

Specific activities undertaken by our businesses include the following:

- fair and equitable employment practices including programmes that encourage diversity;
- implementing and monitoring health and safety practices, including employee mental health awareness initiatives and wellbeing programmes;
- corporate matching of charity donations and fundraising activities;
- involvement in community activities and encouraging our employees to give back through volunteering programmes;
- reducing wastage through reuse, recycling, and by using electronic communications; and
- reducing business travel by replacing face-to-face meetings with conference calls where practicable and offsetting flight emissions.

A number of additional actions are in progress including (but not limited to):

- assessing our direct carbon footprint with a view to adopting climate metric reporting;
- reviewing our active client and supplier base; and
- standardisation of policies and procedures.

Our shareholders

The Board recognises the importance of maintaining an effective dialogue with its shareholders, to ensure that its strategy and performance are clearly understood. We communicate with our shareholders through our annual report and accounts, full-year and half-year results announcements, trading updates, AGMs and face-to-face meetings. A range of corporate information is available from the Group's website at www.next15.com (including copies of presentations, announcements, historical annual reports, historical notices of general meetings, AGM voting records, and other governance-related materials for the last five years).

In early 2020, we engaged directly with our institutional shareholders concerning the changes that we have made to our executive remuneration structure. Further details of these changes are set out in the Remuneration Report from page 32.

Ordinarily the Board would be available to take questions from shareholders at the AGM. In accordance with current UK Government measures, shareholders may not be able to attend the AGM person. If the restrictions on public gatherings remain in place and shareholders are unable to attend the AGM, in order to ensure that shareholders have adequate access to the Board, we are looking into other ways of ensuring that the Board is able to meet shareholders and respond to their questions, including by way of an interactive webcast. Details of this and any other changes to the AGM arrangements will be published on the Group's website. We strongly encourage all shareholders to vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy. Proxy votes will be counted at the meeting for each shareholder resolution and are subsequently published on the Group's website at www.next15.com. In the event of a significant proportion of votes ever being received against a particular resolution, the Board would take steps to understand shareholder concerns and consider what action they might want to take in response. Shareholders are also encouraged to submit questions to the Board throughout the year via the Company Secretary to cosec@next15.com. More information concerning the arrangements for the AGM can be found on page 44.

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 the 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. The Senior Independent Director is also available in any circumstances where the usual channels of investor communication have not resolved concerns.

Our employees and workers

We invest in people and Next 15's people are at the heart of everything we do. As a Group we focus on the 'who' before the 'what'. We trust key talent to drive their businesses in the direction they believe is best, provide them with the tools to make decisions and share best practice, instead of the Group telling leaders what is best. We encourage the businesses in the Group to collaborate and build from good to great within their own businesses.

Our employees are key to the Group's success and we rely on a committed workforce to help us achieve our short-term and long-term objectives. It is right that our employees share in the success of Next 15. Accordingly, a number of incentive arrangements operate across the Group to reward colleagues for the contribution they are making, as a result of their efforts to grow the business, towards generating the rewards which our investors enjoy. We are always reviewing our incentives to ensure that they drive the right behaviours within our businesses. In addition, the Group regularly keeps employees apprised of the Group's financial performance, through a combination of meetings and collaborative communication.

Knowing what our people think and feel is key to our growth as a Group. Our businesses monitor engagement and act on feedback in a variety of different ways, including yearly engagement surveys, pulse surveys, 360-degree appraisals and central reporting of HR issues. We have worked to centralise data and reporting so we can correlate people trends with other business metrics. These trends and issues are reported to our Chief Executive Officer at quarterly Executive Committee meetings of senior management.

We leverage the feedback to help develop a people strategy for each business that creates a work environment, benefits package, and policies that add to business culture and maintain compliance.

The Group has established arrangements by which individuals may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The Group has 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.

Our customers

Client focus is critical to the success of each of our businesses. By their nature our businesses work in collaboration with their clients: we embed teams within client organisations, use agile processes, and build businesses to better serve client needs based on what they tell us.

Our suppliers

Because of the nature of our business, our long-term success as a Group is not dependent on any one supplier; nevertheless, we believe in treating our suppliers fairly, for example by ensuring that we pay our suppliers promptly in accordance with the prevailing terms of business.

The Group has a zero-tolerance approach to practices which are at odds with our values and culture, for example corruption, bribery and modern slavery. We are committed to acting ethically and with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to ensure such practices are not taking place anywhere in our businesses or supply chain.

Risk

Our approach to risk management is set out on page 16, and the principal risks to our business, and the actions we have taken to mitigate them, are set out on pages 17 to 20.

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.

In light of the global health crisis around the outbreak of COVID-19, the future performance of the Group is anticipated to be affected, but it remains too early to assess the impact the unfolding situation will have on trading for the year ahead. The Group has therefore carried out additional specific sensitivity analysis on the assumptions used in the cashflow forecast. The Board is satisfied, having considered the sensitivity analysis, that the Group will continue to generate sufficient cash to continue in operational existence and comply with its covenant obligations for the foreseeable future.

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 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 15.

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 45.

I am pleased to present the report of the Audit Committee (the 'Committee') for the year to 31 January 2020. The Audit Committee plays a crucial role in helping the Board to fulfil its oversight obligation by monitoring and reviewing the financial reporting process, ensuring the integrity of the financial information provided to our shareholders, overseeing the development and maintenance of the Group's risk management and internal control environment. It is vital that we as a Committee assess how the internal control environment and relevant processes and systems ensure that the Next 15 Group is effective, robust and sustainable for the long term whilst also maintaining the agility and entrepreneurial spirit of the Group companies. This has been a key focus for the year with a number of changes made in the internal audit function to support this core objective.

Penny Ladkin-Brand
Audit Committee Chair
22 April 2020

Composition of the Audit Committee

The Committee is composed entirely of Non-Executive Directors who between them possess a range of appropriate commercial and financial experience. The current members of the Committee are Penny Ladkin-Brand (Chair), Richard Eyre and Helen Hunter. Detailed information on the experience, skills and qualifications of all Committee members can be found on page 23. Although not members of the Audit Committee Next 15's CEO, CFO, General Counsel & Company Secretary, Head of Internal Audit and other senior members of the finance team are also invited to attend meetings, unless they have a conflict of interest.

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, at least three times a year, and the External Auditor, other Directors, the Head of Internal Audit and other members of the management team attend by invitation. Attendance records of meetings held during the year can be found on page 27. The Committee Chair is in frequent contact with the Chief Financial Officer, the Head of Internal Audit and the External Auditor and preparatory meetings are held ahead of some Committee meetings to identify and discuss key areas for consideration by the Committee. The Committee ensures that regular meetings are scheduled to allow for the External Auditor and Head of Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

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 External Auditor's re-appointment and fees;
- keeping under review the effectiveness of the Group's internal control and risk management systems; and
- monitoring the remit and effectiveness of the Group's Internal Audit function.

The Committee's terms of reference will be subject to review in 2020. The current version is available from the Group's website at www.next15.com.

During the period a key focus of the Committee has been to support the ongoing improvements to the Internal Audit function led by the Head of Internal Audit in order to ensure robust controls are maintained as the group gains additional scale. The Head of Internal Audit has worked with the finance team to establish a control framework expected of each Group company and bring a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes. The Committee received regular reports and periodic presentations to keep them informed of the developments and progress in elevating the seniority of the function and increasing its independence.

Other activities included:

- considering significant financial reporting issues and judgements around adjusting items, tax matters, goodwill impairment, earn-out liabilities, and acquisition accounting;
- assisting the Board in its assessment of the Group's risk environment, internal controls and risk management processes;
- discussing the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements; and
- overseeing the relationship with the External Auditor, including agreeing the external audit plan, reviewing the non-audit fees policy and assessing their independence.

Following the year end, the Audit Committee has reviewed sensitivity analysis of the potential impact of COVID-19 on the Group's cash flows and worked with management to understand the mitigating actions which can be put in place.

Auditor independence, objectivity and fees

The External Auditor, Deloitte LLP, was first appointed in 2014, for the financial year ended 31 January 2015. The Board is satisfied that the Company has adequate policies and safeguards in place to ensure that Deloitte maintain their objectivity and independence. The External Auditor reports annually on its independence from the Company and in FY21 a new partner will look after the Next 15 audit following Deloitte's partner rotation rules.

The Group has a formal policy on the engagement of the 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's 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 fees paid to Deloitte in respect of non-audit services are shown in note 4 to the financial statements. This work is not considered to affect the independence or objectivity of the External Auditor. The Group will be captured by the FRC Revised Ethical Standards for periods commencing on or after 15 March 2020 and the Audit Committee has confirmed no services were provided in this regard.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2020, my first as Chair of the Remuneration Committee following my appointment on 26 June 2019. The report explains the work of the Remuneration Committee (the 'Committee') during the year, the basis for the remuneration paid to Directors for FY20, the new remuneration framework, and how we intend to implement the framework for FY21.

I am presenting this report to you during a time of unprecedented market uncertainty and volatility, driven by COVID-19. Next 15 recognises the need to exercise restraint; and make sure executive pay remains aligned with the experiences of its employees and shareholders. As a result, both the Executive and Non-Executive Directors have taken a pre-emptive 20% pay cut, effective 1 April 2020, to be reviewed in June 2020. The Committee has also approved the delay to the grant and setting of performance targets for FY21 long-term incentive awards until the impact of COVID-19 has become clearer, given any such targets set now, are likely to be inappropriate.

The Committee is committed to making sure our remuneration framework reflects best practice and to improving the transparency of our disclosures. We have introduced an 'At a glance' section which provides a snapshot of remuneration for the year and how we intend to implement the framework for the year ahead.

Performance and pay for FY20

It has been another year of good progress for the Group with adjusted EBITDA and adjusted profit before income tax both increasing by over 10%.

The annual bonus was based on the achievement of operating profit, cash conversion, organic revenue and operating profit margin performance conditions. The formulaic outcome under the bonus would have resulted in a bonus pay-out of 25% of maximum. However, the Executive Directors felt that, despite the good progress Next 15 has made during the year in terms of the wider sector, taking into account the performance of the business as a whole for FY20 and looking at the Company's KPIs in the round, it would be appropriate to waive their FY20 bonuses. The Committee accepted the offer of the Executive Directors.

Based on performance over FY20, tranche three of the FY18 LTIP award, tranche two of the FY19 LTIP award and tranche one of the FY20 LTIP award are eligible to vest in FY21. The awards are based 70% on an adjusted EPS performance metric and 30% on strategic KPIs. Following an assessment of performance over the year, 20.4% of each tranche will vest in FY21. Further details on the performance against targets for both the bonus and LTIP can be found later in this report.

Remuneration framework review

In light of the evolving corporate governance environment, and in order to ensure the framework continues to support the business strategy and appropriately incentivise our senior management team, the Committee reviewed the remuneration framework during the year. The conclusion of this review was that pay levels remained appropriate and that no change to quantum was necessary, but that a significant change to the structure of our Long-Term Incentive Plan ('LTIP') was required.

The previous LTIP has split each award into a series of sequential one-year performance periods, with holding periods of varying lengths applied to each vested tranche. This approach had been considered appropriate for our early stage of growth, although in practice several awards with overlapping annual performance periods has become complex. The new LTIP structure is a more market standard LTIP which consists of a longer, three-year, performance period for each award. Subject to the achievement of stretching performance conditions, the award will vest and be released on the third anniversary of grant. Our CEO and CFO are significant shareholders and are well aligned to the long-term interests of shareholders, so while executives will be encouraged to continue to build and hold shares through the proceeds of the LTIP whilst they are Directors, there will be no formal requirement to retain LTIP awards after vesting or to retain shares after they have left the business. The Committee believes the new LTIP will provide a longer-term performance perspective, which better supports the delivery of Next 15's multi-year strategy.

Aside from the significant change to the LTIP, the Committee considered recent investor and corporate governance best practice and, as such, is taking the opportunity to enhance the clawback and malus requirements and, of heightened importance at this time, add a specific discretion for the Committee to override a formula driven incentive outturn, to reflect broader performance factors.

Application of new remuneration framework for FY21

In addition to the 20% pay cut already taken by our CEO and CFO, effective 1 April 2020 until June 2020, the Committee has also delayed the annual pay review for our CEO and CFO until the COVID-19 situation becomes clearer. Pension contributions will be in line with policy at 10% of salary. Our US-based CEO additionally receives a small US 401k pension plan.

The annual bonus will be unchanged from FY20. The maximum opportunity for the Executive Directors is 60% of salary, payable in cash. Performance will be measured equally against the following performance metrics: adjusted operating profit, cash conversion ratio, organic revenue growth and adjusted operating profit margin but, again, the Committee has delayed the setting of such targets until the COVID-19 situation becomes clearer.

Executive Directors will be entitled to grants equivalent to up to 100% of salary under the new LTIP, with performance measured over a three-year performance period from FY21 to FY23. The award will be based 100% on stretching adjusted EPS performance targets.

I hope this report is clear and demonstrates the robust application of our remuneration framework to ensure pay for performance at Next 15. Although we are an AIM listed company with no requirement for a shareholder vote on Directors' pay, in the spirit of full accountability, this Remuneration Report will be subject to an advisory shareholder vote at the 2020 AGM.

We look forward to continued dialogue with you, and your support at the forthcoming AGM.

Helen Hunter
Remuneration Committee Chair
22 April 2020

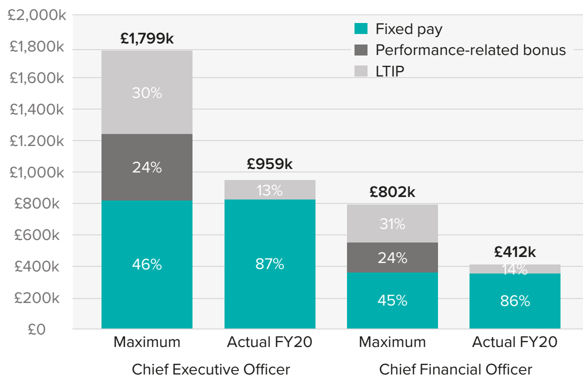
At a glance

How we performed in FY20

FY20 performance-related bonus

Adjusted performance measure	Target range	Performance	Weighting	Outcome
Operating profit	£42.5m–£46m	£40.9m	25%	0%
Organic revenue growth	3–6%	(2)%	25%	0%
Cash conversion ratio	90–100%	102%	25%	25%
Operating profit margin	16.5–18.9%	16.4%	25%	0%
Total			**100%**	**25%**

Maximum vs actual pay for FY20



LTIP tranches vesting in relation to FY20 performance

Tranche two of the FY18 and FY19 LTIP awards and tranche one of the FY20 LTIP award are eligible to vest in FY21, based on performance over FY20.

The awards are based 70% on an adjusted EPS performance metric and 30% on strategic KPIs. Performance against targets and the vesting outcomes are shown below:

Adjusted performance measure	Weighting	Target range	Performance	FY18 tranche 3 vesting	FY19 tranche 2 vesting	FY20 tranche 1 vesting
Earnings per share	70%	5% – 15%	5.1%	18.2%	18.2%	18.2%
KPIs	30%					
Organic revenue growth		3% – 6%	(2.0)%	0%	0%	0%
Operating profit margin		16% – 19%	16.4%	2.2%	2.2%	2.2%
Total	**100%**			**20.4%**	**20.4%**	**20.4%**

How we will implement our remuneration framework for FY21

Element	Time horizon FY21	FY22	FY23	Implementation of remuneration framework for FY21
Salary				Voluntary three-month 20% salary reduction for Executive Directors commencing April 2020 in recognition of the impact COVID-19 may have on salaries across the Group. FY21 salaries remain under review and will be confirmed when the impact of COVID-19 has become clearer. Tim Dyson, Chief Executive: $906,206 Peter Harris, Chief Financial Officer: £323,068 (Figures reflect FY20 salary. Directors have taken a temporary 20% reduction to this rate).
Pension and benefits				Directors are entitled to receive employer contributions of up to 10% of base salary to a Group pension plan.
Annual bonus				Maximum opportunity is 60% of salary, payable in cash. Performance metrics as for FY20 with target levels under review to be confirmed when the impact of COVID-19 has become clearer.
Long-term incentives				Long-term incentive grant of 100% of salary. Performance will be measured over a single three-year period and targets remain under review and will be confirmed when the impact of COVID-19 has become clearer.
Shareholding requirement				Executive Directors must build and maintain a holding of shares in the Company of 200% of salary. 50% of the net of tax number shares vesting under the incentive arrangements must be retained until guideline is met.

Remuneration framework

To ensure that the Group continues to grow, organically and inorganically, we must have the right remuneration framework in place.

In setting our remuneration framework the Committee considers:

- ensuring that there is a strong long-term alignment of interest between Executive Directors and our shareholders;
- the need to align the overall reward arrangements with the Group's strategy, both in the short and long term;
- the need to attract, retain and motivate Executive Directors and senior management of the right calibre, ensuring an appropriate mix between fixed and variable pay; and
- ensuring that there are coherent cascade pay and benefits arrangements elsewhere in the Group to support internal alignment of interest and succession.

Executive Director remuneration framework

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Base salary	Reflects external market and geography and an individual's performance and contribution. Reviewed annually normally in February.	Attracts and retains the best talent with the necessary expertise to deliver the Group's strategy and to create shareholder value.	No prescribed maximum. Account will be taken of increases applied to employees as a whole when determining salary increases. Committee discretion to award increases when it considers it appropriate, including where base salary at outset may have been set at a relatively low level, or where there has been a substantial change in responsibilities of the role.	The Committee considers the individual's performance and contribution in the period since the last review.	N/A
Allowances and benefits	The Chief Executive Officer is entitled to a contribution to a deferred benefit plan; private health, dental and vision insurance; life assurance; professional adviser fees paid on his behalf; and car allowance (lease and associated fees) or cash in lieu thereof. The Chief Financial Officer is entitled to private medical insurance. The Committee may determine that other benefits may be added where appropriate.	Provides market competitive and cost-effective benefits. Provides reassurance and risk mitigation, and supports personal health and wellbeing.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	N/A
Pension	Directors are entitled to receive employer contributions to a Group pension plan.	Provides market equivalent retirement benefits.	Maximum contribution, currently 10% of base salary. In addition, Tim Dyson is entitled to receive a pension benefit under a US 401k plan.	N/A	N/A

Executive Director remuneration framework continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Shareholding guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company of 200% of base salary.	Increases alignment between Executive Directors and shareholders and shows a clear commitment by all Executive Directors to creating value for shareholders in the longer term.	Minimum shareholding guidelines to be satisfied within five years of appointment of 200% of salary for all Executive Directors. If any Executive Director does not meet the guideline they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the guideline is met.	N/A	Executive Directors shall not dispose of shares needed to meet their minimum shareholding requirement except as approved by the Committee. The Committee may give such approval in limited circumstances such as to comply with legal obligations or to avoid financial distress.

Non-Executive Director remuneration framework

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
Fees	Cash fees, determined by the Executive Directors, reflecting the time commitment required, the responsibility of each role, and the level of fees in comparable companies.	Supports recruitment and retention of Non-Executive Directors with the necessary breadth of skills and experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The aggregate Directors' service fees (excluding salary or other remuneration) is limited to £300,000 under the Company's Articles. No entitlement to compensation for early termination.	Internal evaluation of the Board's and its Committees' effectiveness takes place periodically.

Policy on recruitment

In the case of hiring or appointing a new Executive Director, the Committee may make use of any or all of the existing components of remuneration, as described above. The Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate operates) to ensure that the pay arrangements are in the best interests of the Company and its shareholders. Awards forfeited from the previous employer may be bought out like-for-like with equivalent bonus or LTIP awards over Next 15 shares.

Directors' service contracts, policy on outside appointments and payments for loss of office

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.

	Date of current service contract	Notice period
Executive Directors		
Tim Dyson	1 June 1997	6 months
Peter Harris	25 March 2014	6 months

The Executive Directors are allowed to accept appointments and retain payments from sources outside the Group, provided such appointments are approved by the Board.

Bonus and LTIP awards normally lapse if the Executive resigns. However, for a 'good leaver', part-year bonus may be payable, pro rata, and the Executive's unvested awards may also vest subject to the achievement of the performance conditions, usually pro rata, for the proportion of the LTIP holding period employed.

Non-Executive Directors' letters of appointment

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.

	Date of current letter of appointment	Notice period
Non-Executive Directors		
Richard Eyre	12 May 2017	3 months
Penny Ladkin-Brand	21 July 2017	3 months
Genevieve Shore	3 July 2017	3 months
Helen Hunter	26 June 2019	3 months

Composition of the Committee and advice received

The Committee comprises three Non-Executive Directors: Helen Hunter (Committee Chair from 26 June 2019), Richard Eyre and Penny Ladkin-Brand. Genevieve Shore was Chair of the Committee until 26 June 2019 when she stepped down from the Board and Helen Hunter was appointed. 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 is authorised, where it judges it necessary to discharge its responsibilities, to obtain independent professional advice at the Company's expense.

Following a tender process during the year, Korn Ferry was appointed as adviser to the Committee. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. Fees paid to Korn Ferry during the period and to Pearl Meyer & Partners UK LLP, the Committee's previous advisers, were £Nil and £56,508 respectively. The Committee is satisfied that the advice it received from both advisers is objective and independent.

Consideration of shareholder and broader stakeholder views

Next 15 values the views of its investors and, as part of the remuneration framework review, undertook a shareholder consultation with the Company's major shareholders and the main shareholder advisory bodies in order to gather feedback.

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference, which were reviewed during the period and are available from the Group's website at www.next15.com. The Committee had 9 scheduled meetings during the year and details of attendance can be found in the Corporate Governance Report on page 27.

The principal matters considered by the Committee during the year included:

- reviewing the remuneration framework against the Group strategy and best practice corporate governance requirements;
- undertaking the annual review of remuneration for both Executive Directors;
- setting both financial and non-financial targets for the annual bonus plan FY20;
- reviewing and setting appropriate stretching performance targets for the FY20 LTIP awards;
- considering the remuneration arrangements of brand senior management;
- reviewing the extent to which performance conditions have been met for both the annual and long-term incentive plans, and agreeing the cash and equity payments arising including the processes and communication to Executive Directors and senior executives;
- reviewing the design, policies and targets of the Group's equity incentive plans including their impact on dilution and headroom;
- considering the head office resource available to administer the Group's equity incentive plans;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including in relation to tax; and
- continuing to review the Group's approach to gender pay, diversity and inclusion policies.

Key activities of the Committee for the year ahead

The principal matters for consideration by the Committee for the year ahead will include:

- keeping the remuneration framework under review as the COVID-19 situation continues to unfold;
- setting appropriate performance targets, including a review of whether targets framed around adjusted EPS or TSR are more appropriate for Next 15;
- consideration to the principles governing the Group's brand equity schemes and any adjustments required;
- continuing to review the Group's approach to gender pay, diversity and inclusion policies;
- monitoring and reviewing best practice corporate governance requirements, changes to laws, regulations and tax; and
- reviewing remuneration structures for staff below Executive Director level.

Directors' remuneration for the 12-month period to 31 January 2020

	Salary and fees 2020 £'000	Performance-related bonus 2020 £'000	LTIP awards £'000[3]	Pension contributions 2020 £'000	Other benefits 2020 £'000	**Total 2020 £'000**	Total 2019 £'000[4]
Executive Directors							
Tim Dyson	713	nil	120	80	46	**959**	1,891
Peter Harris	323	nil	56	32	1	**412**	986
Non-Executive Directors							
Richard Eyre	150	—	—	—	—	**150**	150
Penny Ladkin-Brand	46	—	—	—	—	**46**	46
Genevieve Shore[1]	26	—	—	—	—	**26**	63
Helen Hunter[2]	31	—	—	—	—	**31**	—

1 Genevieve Shore stepped down from the Board on 26 June 2019.
2 Helen Hunter joined the Board on 26 June 2019.
3 These figures comprise tranches of three LTIP awards which vest in relation to performance periods ending FY20, being those LTIP awards granted in May 2017, April 2018 and April 2019, valued using a share price of 503p, being the the average share price over the last quarter of the period.
4 Total remuneration for 2019 has been restated from the figures reported last year which did not reflect those tranches of LTIP awards vesting in relation to performance periods ending FY19.

Performance-related bonus

The annual bonus opportunity for FY20 was 60% of salary for both Executive Directors. Performance was based on four, equally weighted performance metrics. The formulaic outcome based on performance against targets would have resulted in a bonus pay-out of 1.4% of maximum as set out in the table below. As set out in the Chair's letter, the Executive Directors waived their bonuses for FY20 taking into account the performance of the business as a whole for FY20 and the overall experience of shareholders.

Performance metric	Weighting (% of max)	Target range	Actual performance	Pay-out for element (% of element)
Adjusted operating profit	25%	£42.5m–£46m	£40.9m	0%
Cash conversion ratio	25%	90–100%	102%	25%
Organic revenue growth	25%	3–6%	(2%)	0%
Operating profit margin	25%	16.5–18.9%	16.4%	0%
Total bonus (% of max)				**25%**

The bonuses for year ended 31 January 2020 were £nil ($nil) for Tim Dyson and £nil for Peter Harris.

Long-Term Incentive Plan

Awards vesting by reference to performance periods ending 31 January 2020

The historic awards granted to the Executive Directors which vested by reference to performance periods ending on 31 January 2020 are summarised below:

FY18 LTIP grant (granted 2 May 2017)

Executive Director	Number of performance shares in tranche 3	Percentage of award vesting	Number of shares vesting from tranche 3	Gain on vesting £'000
Tim Dyson	65,039	20.4%	13,267	67
Peter Harris	30,147	20.4%	6,149	31

FY19 LTIP grant (granted 10 April 2018)

Executive Director	Number of performance shares in tranche 2	Percentage of award vesting	Number of shares vesting from tranche 2	Gain on vesting £'000
Tim Dyson	26,821	20.4%	5,471	27
Peter Harris	13,578	20.4%	2,770	14

FY20 LTIP grant (granted 28 April 2019)

Executive Director	Number of performance shares in tranche 1	Percentage of award vesting	Number of shares vesting from tranche 1	Gain on vesting £'000
Tim Dyson	25,664	20.4%	5,231	26
Peter Harris	11,769	20.4%	2,401	12

Valued using a share price of 503p, being the average share price over the last quarter of the period.

The tranches are based 70% on adjusted EPS performance and 30% on KPIs. Performance against targets, and the vesting outcome, are set out below:

Performance metric	Weighting	Threshold target	Maximum target	Actual performance	Vesting (% of max)
Earnings per share growth	70%	5%	15%	5.1%	18.2%
KPIs	30%				
Organic revenue growth		3%	6%	(2.0)%	0%
Operating profit margin		16%	19%	16.4%	2.2%
Vesting (% of max)					**20.4%**

Awards granted during FY20

The FY20 awards were granted to Executive Directors on 26 April 2019. The award covers a five-year period and is split into five equal tranches, with each tranche measuring annual performance over the period. Each tranche of the award is based 70% on adjusted EPS performance and 30% on a range of financial KPIs. Subject to performance against these conditions, 60% of the award will be released following the end of FY22 and the remaining 40% following the end of FY24.

Executive Director	Tim Dyson	Peter Harris
Number of performance shares	128,220	58,847
	Vesting criteria (for both Executive Directors)	
Up to 70% of maximum award	*Target*	*Proportion of tranche vesting for that year*
Annual rate of increase in earnings per share over relevant financial year	Less than 5%	0%
	5%	17.5%
	Between 5% and 15%	17.5%–70% (straight-line basis)
	15% or more	70% total award
Up to 30% of maximum award		
KPIs	Organic net revenue growth 3% to 6%	0%–15%
	Operating profit margin 16% to 19%	0%–15%
	Vesting tranches (for both Executive Directors)	
	Financial year following which tranche vests	*Maximum proportion of award available for vesting (subject to performance)*
	FY20	20%
	FY21	20%
	FY22	20%
	FY23	20%
	FY24	20%
Holding periods (for both Executive Directors)		
	Financial year following which tranche vests	Released following
	FY20, FY21 and FY22	FY22
	FY23 and FY24	FY24

Directors' interests in share plans for the year to 31 January 2020

As at 31 January 2020 the following Directors held performance share awards over Ordinary Shares of 2.5p each under the 2005 LTIP, 2015 LTIP and 2016 Share Award Agreements, as detailed below:

Executive Director	Number of performance shares at 1 February 2019	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	**Number of performance shares at 31 January 2020**	Grant date	End of performance period	Total gain on vesting £'000
Tim Dyson								
	225,000	13,050	211,950	—	**—**	17.10.2016	31.01.2019	1,102
	162,597	3,903	61,136	—	**97,558**	02.05.2017	31.01.2022[1]	318
	134,105	1,609	25,212	—	**107,284**	10.04.2018	31.01.2023[2]	131
	—	—	—	128,220	**128,220**	26.04.2019	31.01.2024[3]	—
Peter Harris								
	225,000	13,050	211,950	—	**—**	17.10.2016	31.01.2019	1,102
	75,367	1,809	28,338	—	**45,220**	02.05.2017	31.01.2022[1]	147
	67,889	814	12,763	—	**54,311**	10.04.2018	31.01.2023[2]	66
	—	—	—	58,847	**58,847**	26.04.2019	31.01.2024[3]	—

1 As reported previously, the LTIP awards under the 2015 LTIP (granted from 2017) vest on a tranched basis over a total five-year period. Tranches representing a maximum of 40% of each total award will vest by reference to performance periods ending 31 January 2020.

2 Executive Directors will become unconditionally legally and beneficially entitled to up to 60% of the total awarded performance shares on the date on which vesting is determined in relation to the performance period ending 31 January 2021 (expected April 2021), and up to the remaining 40% on the date on which vesting is determined in relation to the performance period ending 31 January 2023 (expected April 2023).

3 Executive Directors will become unconditionally legally and beneficially entitled to up to 60% of the total awarded performance shares on the date on which vesting is determined in relation to the performance period ending 31 January 2022 (expected April 2022). The Executive Directors will become unconditionally legal and beneficially entitled to the remaining 40% of the award on the date on which vesting is determined in relation to the performance period ending 31 January 2024 (expected April 2024).

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

The interests of the Directors in the share capital of the Company at 31 January 2019 and 31 January 2020 are as follows:

	Ordinary Shares		LTIP performance shares	
	31 January 2019 (or date of appointment if later)	**31 January 2020 (or date of resignation if earlier)**	1 February 2019 (or date of appointment if later)	**31 January 2020 (or date of resignation if earlier)**
Executive Directors				
Tim Dyson	5,077,997	**5,164,345***	521,702	**333,062**
Peter Harris	242,372	**395,423***	368,256	**158,378**
Non-Executive Directors				
Richard Eyre	100,000	**115,000**	—	**—**
Penny Ladkin-Brand	—	**20,118**	—	**—**
Genevieve Shore	—	**—**	—	**—**
Helen Hunter	—	**—**	—	**—**

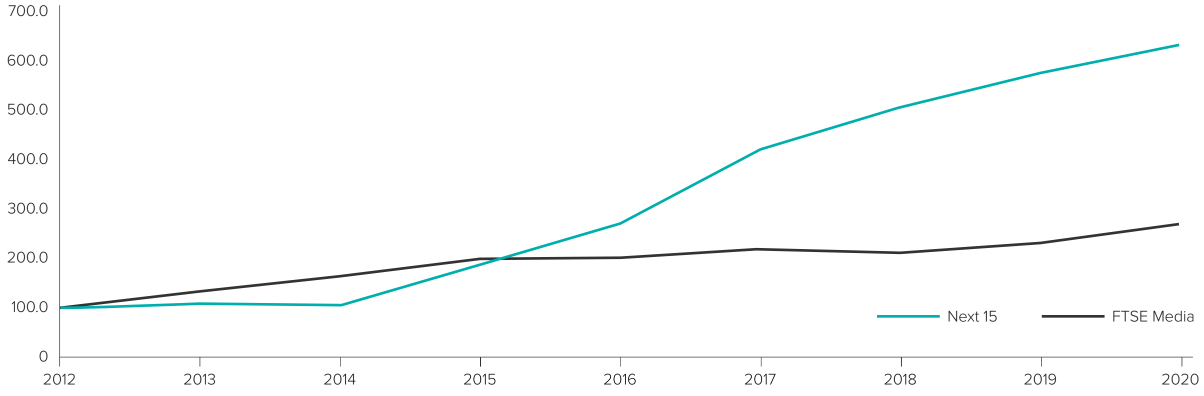
* Includes ordinary shares legally and beneficially owned and performance shares which have vested in relation to prior periods but not yet been released.

Total shareholder return

The Company's total shareholder return performance for the eight financial years to 31 January 2020 is shown on the graph below compared with 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.

This graph shows the value on 31 January 2020 of £100 invested in the Company on 31 January 2012 compared with £100 invested in the FTSE Media Index.



How the remuneration framework will be implemented for FY21

Salary

Executive Directors' salaries will be reviewed once the impact of COVID-19 has become clearer, with any changes in line with the average workforce increase for FY21. The Executive Directors' salaries have been voluntarily reduced by 20% from 1 April 2020 to 30 June 2020 in light of the potential impact of COVID-19 on the Group's wider workforce.

Executive Director	Salary with effect from 1 February 2019	Salary with effect from 1 February 2020	Increase
Tim Dyson	$906,206	$TBC*	TBC%
Peter Harris	£323,068	£TBC*	TBC%

* Figures reflect FY20 salary. Directors have taken a temporary 20% reduction to this rate.

Pension and benefits

Pension will remain capped at 10% of base salary for both Executive Directors. Tim Dyson is also entitled to a pension under a US 401k pension plan.

Benefits will operate in line with FY20.

Annual bonus

The annual bonus opportunity will remain at 60% of salary for FY21, payable in cash. Performance will be measured against adjusted operating profit, cash conversion ratio, organic revenue growth and adjusted operating profit margin with targets levels to be set once the impact of COVID-19 has become clearer. The Committee considers the bonus targets to be commercially sensitive but commits to full retrospective disclosure in next year's Remuneration Report.

Long-term incentive

The Executive Directors will be granted LTIP awards of 100% of salary. Performance will be measured over a single three-year performance period to 31 January 2023. The awards will vest based on the achievement of stretching performance targets which will be set once the impact of COVID-19 has become clearer and disclosed when the awards are announced.

The Committee will have discretion to override the formulaic outcome of the incentives in certain circumstances. Clawback and malus provisions will apply.

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 2020.

The Group has chosen, in accordance with section 414C(11) of the 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 this 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 56. As announced on 30 March 2020, the Directors have suspended the final dividend in response to the COVID-19 crisis. This means that the total dividend for the year ended 31 January 2020 was 2.5p (2019: 7.56p).

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on page 23.

Details of the Directors’ remuneration, share options, service agreements and interests in the Company’s shares are provided in the Directors’ Remuneration Report on pages 32 to 42.

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 under the indemnity or against the policy.

Acquisitions

The following is a summary of Group acquisitions made in the year to 31 January 2020, more detailed disclosure of which can be found in note 26 to the financial statements.

On 1 October 2019, Next 15 acquired Creston Plc US Holdings Inc. and its subsidiary, Health Unlimited LLC (‘M Booth Health’), a global health consultancy and communications agency. The initial consideration for the acquisition was approximately $27.7m, which was settled with $21.0m of cash and the issue of 979,970 new ordinary shares in Next 15. The first deferred consideration that becomes payable may be satisfied by cash or up to 25% in new ordinary shares, at the option of Next 15. The second deferred consideration that becomes payable will be payable in cash. The total consideration level is subject to a cap of $45.0m.

On 26 November 2019, Next 15 purchased the entire share capital of Nectar Communications LLC (‘Nectar’). The initial consideration for the acquisition was approximately $2.8m settled in full in cash. Further contingent consideration may be payable around April 2022 and April 2025 based on the EBITDA performance of Nectar over the next five years.

Significant post-balance sheet events

In light of the outbreak of COVID-19, the Group considered whether any adjustments are required to the reported results in the financial statements. As at the balance sheet date of 31 January 2020, there had been no global pandemic declared, and the outbreak of COVID-19 was limited to China, where the Group has limited operations. The subsequent macroeconomic downturn and extent of global interventions were not apparent.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March and we have seen a significant downturn in the global economic outlook. As a result, the Group has concluded that the necessity for large scale interventions and other information received was not indicative of conditions that existed at the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. More information can be found at note 30 to the financial statements.

Likely future developments in the business of the Company

The Group’s priorities for 2021/22 are disclosed in the Strategic Report on pages 1 to 21.

Research & Development

During the year many of our brands undertook R&D activities as part of their work developing leading technological solutions for their clients. Several of our market research agencies have innovated to automate manually intensive research processes by developing bespoke software designed to manage the huge amount of data gathered daily by their clients.

Employees and workers

Our employees and workers are considered one of the Company’s principal stakeholders as described in the Corporate Governance Report on pages 24 to 29.

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.

Diversity and inclusion

The Group’s approach to diversity and inclusion is set out on our website at www.next15.com. Our approach to Board diversity is set out on page 26 of the Corporate Governance Report.

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.

Cyber security

In response to the growing global threat of third-party attempts to exploit weaknesses across our IT Systems, the issue of Cyber Security is now a standing item on the Board's agenda. During the year the IT and Cyber Security Team has continued to strengthen the security maturity across the Group. In addition to implementing standardised policies, processes and procedures, technical controls and education tools have been added to reduce the risk to the Groups businesses. These controls will continue to evolve as we build further consistency around the tooling and processes across the Group that support our security program.

Disclosure of information to the External Auditor

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 External Auditor is unaware; and
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 External 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

It is our current intention to hold the Annual General Meeting (the 'AGM') of Next Fifteen Communications Group plc (the 'Company') at our offices located at 75 Bermondsey Street, London SE1 3XF on 25 June 2020 at 1.00 p.m. Because of the evolving COVID-19 situation, arrangements for the AGM may be subject to change, possibly at short notice. Currently the measures that the UK Government has put in place as a result of the COVID-19 pandemic, in particular those restricting public gatherings of more than two people and all but essential travel, mean that attendance at the AGM in person will not be possible and shareholders or their appointed proxies (other than the chair of the Annual General Meeting) will not be permitted entry to the AGM. If these measures remain in place, the Company will put in place arrangements such that the legal requirements to hold the meeting can be satisfied and the meeting will proceed with only such attendees, employees and AGM support staff as are strictly required and will include only the formal business set out in the Notice of Meeting. The Company is exploring ways to engage shareholders if they are unable to attend in person, including through an online interactive webcast. Details of this and any changes to the AGM will be made available via our website. We strongly encourage you to vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy. The Notice of AGM and explanatory notes regarding the ordinary and special business to be put to the meeting will be set out in a separate circular to shareholders, which will be made available on the Group's website at www.next15.com and will be mailed to shareholders who have requested a paper copy.

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 (2019: £Nil).

Charitable donations

During the year ended 31 January 2020, the Group donated £56,857 to various charities (2019: £41,440).

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 on page 29.

External Auditor

The Board appointed Deloitte LLP to act as External Auditor for the year ended 31 January 2020. A resolution to reappoint Deloitte LLP as External Auditor of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM.

Significant shareholdings

As at 31 March 2020 the Company had received the notifications below of the following significant beneficial holdings in the issued Ordinary Share capital carrying rights to vote in all circumstances of the Company. The percentage holding is based on the Company's issued share capital at the date of the notification.

	2020	
	Total	%
Octopus Investments	12,014,846	13.88
Liontrust Asset Management	11,472,962	13.24
Aviva Investors	8,327,130	9.61
Aberdeen Standard Investments	6,849,633	7.91
Tim Dyson	5,077,997	5.86
BlackRock	5,054,873	5.84
Canaccord Genuity Wealth Management	4,244,777	4.98
Herald Investment Management	3,841,419	4.44
Slater Investments	3,289,152	3.80
Bestinver Asset Management	3,222,169	3.72

Approved by the Board on 22 April 2020 and signed on its behalf by:

Nick Lee Morrison
General Counsel and Company Secretary
22 April 2020.

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 FRS 101 ‘Reduced Disclosure Framework’ has 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 position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 April 2020 and is signed on its behalf by:

Peter Harris
Chief Financial Officer

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Next Fifteen Communications Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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 including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, 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 cash flow statement; and
- the related notes 1 to 30 and the parent company related notes 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • going concern; • impairment of acquired goodwill; • valuation of acquired intangibles; • valuation of acquisition-related liabilities; and • classification and presentation of adjusting items. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1.75m which was determined on the basis of considering a number of different measures including adjusted profit before tax and revenue

3. Summary of our audit approach continued

Scoping	73.2% of Group revenue was subject to full audit scope and a further 10% was subject to specified audit procedures performed by the Group auditor. 77.8% of Adjusted Profit before Tax is subject to full audit scope and a further 5.2% was subject to specified audit procedures performed by the Group auditor.
Significant changes in our approach	We identified a new key audit matter in the current year in respect of going concern, due to the outbreak of COVID-19 subsequent to the balance sheet date. There are no other significant changes in our approach apart from the change in key audit matter.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters but refer you to the key audit matter below.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Going concern !

Key audit matter description

The impact of the COVID-19 pandemic has led to significant uncertainty both in terms of the severity and the duration of the macroeconomic impact. Economic uncertainty could adversely impact the ability of the Group to continue trading.

The Directors are required to make a specific assessment of the entity's ability to continue as a going concern, which should include a comprehensive assessment of the impact of COVID-19 on the Group. The Group has carried out additional specific sensitivity analysis on the revenue and cost assumptions used in the cash flow forecast.

Under ISA 570, we have a responsibility to robustly assess the going concern risks relating to the COVID-19 threat, including evaluating whether there is adequate support for the assumptions underlying the Directors' assessment and the consistency of these assumptions across the Group's business activities.

For further details, see the financial reporting and going concern statement as set out in the Corporate Governance report, as well as notes 1 and 30 to the financial statements.

5. Key audit matters continued

5.1. Going concern continued

How the scope of our audit responded to the key audit matter

In order to address this key audit matter, our audit work included:

- assessing the Group's processes to review going concern in light of the impact of COVID-19, including obtaining an understanding of the relevant controls;
- challenging the assumptions utilised in the cash flow forecasts with reference to historical trading performance and benchmarking Management's assumptions around COVID-19 to the latest available external macroeconomic and industry data;
- reviewing and challenging the adequacy of Management's sensitivity analysis in relation to key assumptions;
- applying further sensitivities to Management's forecasts and considering the extent of change in the underlying assumptions that either individually or collectively would be required for the Group to no longer have the resources to continue as a going concern;
- assessing Management's ability to execute mitigating actions, as required;
- recalculated the Group's forecast covenant compliance calculations throughout the going concern period, based on Management's revised forecasts and sensitivities; and
- reviewing the disclosures around going concern and the impact of COVID-19 in the financial statements to assess whether these are compliant with IAS 1.

Key observations

Based on the evidence received, we concluded that there is adequate support for the assumptions underlying the Directors' assessment of going concern and we consider Management's assessment to be robust and reflective of the latest available information at the date of this assessment.

We are satisfied that the adoption of the going concern basis of accounting is appropriate.

5.2. Impairment of acquired goodwill

Key audit matter description

As at 31 January 2020 the Group had recognised goodwill of £101.8m (2019: £79.5m), with the significant increase relating to acquisitions in the year.

Determining whether the carrying value of acquired goodwill is recoverable is a significant judgement given the acquisitive business model of the Group, the number of cash generating units ('CGUs') within the Group with material goodwill balances and the significant assumptions underpinning the Directors' impairment assessment of brand CGUs.

In determining forecast growth and profitability assumptions within their impairment models, the Directors considered the possible impact of Brexit on Brand performance across the Group, particularly for UK centric Brands. Although there is not a clear consensus across commentators that Brexit will lead to an economic decline, the Directors are continuing to use short and medium-term growth rates for UK Brands of 0.5%, to model a prudent scenario of the impact of Brexit. This scenario would not result in an impairment and the Directors have not recognised an impairment in the current year.

For further details, see notes 1, 2, 11 and 30 to the financial statements.

5. Key audit matters continued

5.2. Impairment of acquired goodwill *continued*

How the scope of our audit responded to the key audit matter	In order to address this key audit matter, our audit work included: • obtaining an understanding of the relevant controls around the impairment review process and the budgeting process; • performing a retrospective review of historical forecasting accuracy to obtain an understanding of likely reliability of forecasts; • assessing the relevance of growth rate and profitability assumptions based on our knowledge of individual brands, in the context of Brexit; • benchmarking the forecast growth and retention rates against other Group companies and available industry data; • involving valuation specialists to benchmark the discount rate as well as the key inputs used in the calculation; • considering the appropriateness of CGUs and the changes in CGUs in the year; • reviewing the disclosure in the financial statements to assess whether it is compliant with IAS 36 Impairment of Assets; and • performing sensitivity analyses of the significant assumptions to assess whether a reasonable change would trigger an impairment which would require additional disclosure.
Key observations	Based on the evidence received, we concluded that the valuation of goodwill for the businesses above and the disclosures under IAS 36 in the Group financial statements are appropriate. The discount rate applied is within our acceptable range. We are satisfied that the growth rates applied in the impairment model are appropriate in the context of the wider uncertainty related to the UK economy and Brexit. We are satisfied that the mechanics of the Group's estimate and the application of the assumptions comply with IAS 36.

5.3. Valuation of acquired intangibles

Key audit matter description	The Group's acquisitions in the year resulted in the recognition of £18.9m (2019: £24.0m) of intangibles and £22.3m of goodwill. Acquired intangibles typically include brand names, customer lists, non-compete agreements and intellectual property. There is a risk that the identification and valuation of separately identifiable intangible assets are not in accordance with IFRS 3 Business Combinations, or that the Directors use inappropriate assumptions such as the discount rates and future cash flows of the acquired businesses in their valuation models, leading to material errors in the valuation of goodwill and intangible assets. In the current year, the value of customer lists and brand names recognised were material, in particular at M Booth Health. For further details, see the Report of the Directors, the Financial Review and notes 1, 2, 11 and 26 to the financial statements.

5. Key audit matters continued

5.3. Valuation of acquired intangibles continued

How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating to the valuation of acquired intangibles our audit work included: • obtaining an understanding of the relevant controls around identification and valuation of acquired intangibles; • consideration of the appropriateness of management's process for identifying and valuing acquired intangibles; • benchmarking the royalty rate for M Booth Health and Nectar, against independent, comparable royalty rates; • benchmarking the Useful Economic Life ("UEL") of acquired intangibles against industry peers; • involving our valuation specialists to benchmark the WACC and consider the appropriateness of adjustments made in determination of the discount rate; • challenging management on the key judgements applied in their valuation models; • reviewing consistency in judgements used in respect of acquisition accounting with those taken elsewhere (e g forecasts); and • reviewing the estimated contingent consideration arising on acquisition.
Key observations	Based on the evidence received, we concluded that the Group's valuation models applied to identify and value the separately identifiable intangible assets are appropriate and consistent with prior periods. The discount rate applied is within our acceptable range.

5.4. Valuation of acquisition-related liabilities

Key audit matter description	As at 31 January 2020, the Group had £48.3m of acquisition-related liabilities (2019: £31.1m) which consist mainly of contingent consideration payable based on a share of the average profit of the businesses acquired. The value of these liabilities can be highly judgemental as they are based on forecast future performance of specific brands, whilst they are also sensitive to changes in exchange rates and the discount rate applied. A change in estimate of a brand can result in a material charge to the income statement, which goes through either finance expense or finance income. There is a risk that these liabilities are inappropriately valued if they are based on inappropriate forecast and discount rate assumptions. For further details, see and notes 1, 2 and 17 to the financial statements.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating to the valuation of acquisition-related liabilities included: • obtaining an understanding of the relevant controls over the valuation of acquisition-related liabilities process; • performing sensitivity analysis on the forecast assumptions; • challenging revenue growth and profit margin assumptions by considering historical accuracy of budgeting and benchmark data; • challenging of forecasting estimates to determine whether changes in estimate are based on information obtained post acquisition; • involving our valuation specialists to benchmark the discount rate applied of 11.2% and verifying the mechanical accuracy of the calculations; and • agreeing settlements in the year and post year end to the bank statements or other documentation.

5. Key audit matters continued

5.4. Valuation of acquisition-related liabilities continued

Key observations	Based on the evidence received, we concluded that the Directors' judgements regarding future performance of the brands with acquisition-related liabilities to be appropriate. The discount rate applied is within our acceptable range.

5.5. Classification and presentation of Adjusting items

Key audit matter description

The Group present a number of Adjusted Performance Measures including Adjusted Operating Profit, Adjusted EBITDA, Adjusted Profit Before Tax and Adjusted Earnings per Share. Profit Before Tax for the year was £5.6m (2019: £18.8m) compared to Adjusted Profit Before Tax of £40.2m (2019: £36.0m).

The Group receive certain income and incur certain costs that Management believe should be presented separately in order to aid the users understanding of financial performance.

Judgement is required when determining the accounting policy for Adjusting items and subsequently when determining the classification of Adjusting items in accordance with that policy. While there is no definition of Adjusting items within IFRS, this is an area of focus for regulators and there is a risk that items may be classified as Adjusting items which are underlying or recurring items and may distort the reported Adjusted profit.

The key audit matter is focused on whether the following Adjusting items in particular are appropriate and whether they are adequately disclosed by the Group in the financial statements:

Amortisation of acquired intangibles (debit of £12.1m (2019: £9.0m)): In line with its peer group, the Group classifies amortisation on acquired intangibles as an adjusting item. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by their peers and as such amortisation of acquired intangibles been added back to aid comparability.

Restructuring costs (debit of £4.6m (2019: £4.4m)): For these to be classified as Adjusting items, they should relate to clearly identifiable initiatives and should not recur year on year or for an undefined period.

Growth share schemes (debit of £0.4m (2019: £1.3m)): Share-based payments are a cost of acquiring a business and relieve companies of an alternative cash expense. The Directors have however excluded growth share scheme charges from Adjusted metrics as the legal form of the Group's scheme means that while the mechanism is aimed at incentivising management performance over a period of time, the full charge is booked at the grant date as there is no vesting period.

Employment-linked consideration on acquisitions (debit of £5.0m (2019: £0.8m)): Employment-linked earnout payments are built up through the income statement over the employment term. Management have excluded the associated charge from Adjusted metrics on the basis that the expense relates to the cost of acquiring those businesses, rather than reflecting the underlying business performance.

For further details, see the Financial Review and notes 1, 2 and 5 to the financial statements.

5. Key audit matters continued

5.5. Classification and presentation of Adjusting items continued

How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating to the classification and presentation of Adjusting items, our audit work included: • obtaining an understanding of the relevant controls over the financial reporting process; • understanding the rationale for classifying balances as Adjusting items, considering whether this is reasonable, in line with the Group's accounting policy and whether there is a consistent treatment of items that increase and decrease the Adjusted profit measure; • challenging whether any other items of income or expense ought to be included in or excluded from Adjusting items by considering the nature of the item against the standard; • considering whether the classification of Adjusting items is consistent with industry peers; • evaluating whether the Group's policy to exclude each cost from Adjusted is appropriate in light of IFRS requirements, ESMA (European Securities and Markets Authority) and FRC guidance; and • assessing whether the disclosures within the financial statements adequately explain the nature of these items and how adjusted results are reconciled to statutory results.
Key observations	Based on the evidence received, we concur with the Directors' assertion that the Adjusting items are in line with the Group's accounting policies as disclosed in notes 1, 2 and 5 to the financial statements and that the classification of items of expense and income as Adjusting items is consistent between the periods presented. We note that some of the Adjusting items excluded by the Group are recurring items but are satisfied that these items are sufficiently explained and reconciled in the financial statements.

6. Our application of materiality

6. 1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.75m (2019: £1.73m)	£1.58m (2019: £1.55m)
Basis for determining materiality	Materiality has been determined on the basis of considering a number of different measures including adjusted profit before tax and revenue. This is consistent with the prior year.	Parent company materiality represents 1.1% (2019: 1.4%) of net assets of £145.6m (2019: £127.6m).
Rationale for the benchmark applied	We considered a number of relevant benchmarks in our determination of materiality. Adjusted profit before income tax is a significant metric used in reporting the results for Next Fifteen Communications plc as this is the key performance indicator for the users of the financial statements of the Group. In addition, we incorporated revenue and net revenue as additional benchmark as it reflects the growth of the Group. Therefore materiality represents approximately 4.4% (2019: 4.8%) of adjusted profit before income tax and 0.6% (2019: 0.6%) of revenue.	The Parent company is a holding company, and net assets is indicative of the company's ability to support its subsidiaries.

6. Our application of materiality continued

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of group materiality for the 2020 audit (2019: 65%). In determining performance materiality, we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes, as well as the relatively low number of misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.09m (2019: £0.08m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

In selecting the components that are in scope each year, we obtained an understanding of the Group and its environment, including an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level. The components were also selected to provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Based on our assessment, we focused our audit work on 25 components, 18 of which were subject to full audit scope and 7 were subject to specified audit procedures. Our procedures on full audit scope components provided coverage of 73.2% of the Group's consolidated revenue and 77.8% of the Group's Adjusted Profit Before Tax. Our procedures on specified audit procedures components provided coverage of a further 10.0% of Revenue and 5.2% of Adjusted Profit Before Tax.

Our audit work at the components, excluding the parent company, is executed at levels of materiality appropriate for such components, which in all instances are capped at 50% of Group materiality.

For all remaining components, we have performed centralised analytical procedures at component materiality.

The range of component materialities we have used are from £136,000 to £621,000 (2019: (£105,000 to £765,000).

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006Auditor's responsibilities for the audit of the financial statements

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Use of our report

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 auditor's 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.

Andrew Evans

Andrew Evans (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
22 April 2020

Consolidated income statement

for the year ended 31 January 2020 and the year ended 31 January 2019

	Note	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000
Billings			**325,353**		291,037
Revenue	2		**300,711**		272,413
Direct costs			**(52,242)**		(48,320)
Net revenue			**248,469**		224,093
Staff costs	3	**171,180**		153,247	
Depreciation	4,12,16	**13,196**		4,199	
Amortisation	4,11	**13,211**		9,624	
Other operating charges		**31,469**		36,346	
Total operating charges			**(229,056)**		(203,416)
Operating profit	2,5		**19,413**		20,677
Finance expense	6		**(16,672)**		(6,584)
Finance income	7		**2,611**		4,667
Net finance expense			**(14,061)**		(1,917)
Share of profit from associate			**204**		65
Profit before income tax	5		**5,556**		18,825
Income tax expense	8		**(2,717)**		(4,299)
Profit for the year			**2,839**		14,526
Attributable to:					
Owners of the Parent			**2,262**		13,887
Non-controlling interests			**577**		639
			2,839		14,526
Earnings per share					
Basic (pence)	10		**2.7**		17.5
Diluted (pence)	10		**2.5**		16.3

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 2020 and the year ended 31 January 2019

	Note	**Year ended 31 January 2020 £'000**	Year ended 31 January 2019 £'000
Profit for the year		**2,839**	14,526
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments designated as FVTOCI		**(562)**	(682)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(136)**	2,886
Loss arising on hedging instruments designated in hedges of the net assets in foreign operation	19	**(411)**	(700)
Total other comprehensive (expense)/income for the year		**(1,109)**	1,504
Total comprehensive income for the year		**1,730**	16,030
Total comprehensive income attributable to:			
Owners of the Parent		**1,153**	15,391
Non-controlling interests		**577**	639
		1,730	16,030

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 2020 and 31 January 2019

	Note	31 January 2020 £'000	31 January 2020 £'000	31 January 2019 £'000	31 January 2019 £'000
Assets					
Property, plant and equipment	12	**14,224**		15,870	
Right-of-use assets	16	**41,655**		—	
Intangible assets	11	**155,408**		126,149	
Investment in equity-accounted associate		**232**		98	
Investments in financial assets		**1,075**		1,587	
Deferred tax assets	18	**10,967**		10,521	
Other receivables	13,19	**809**		803	
Total non-current assets			**224,370**		155,028
Trade and other receivables	13,19	**70,260**		66,123	
Cash and cash equivalents	19	**28,661**		20,501	
Corporation tax asset		**734**		799	
Total current assets			**99,655**		87,423
Total assets			**324,025**		242,451
Liabilities					
Loans and borrowings	19	**33,007**		20,678	
Deferred tax liabilities	18	**3,538**		4,503	
Lease liabilities	16	**43,023**		—	
Other payables	14,19	**16**		4,622	
Provisions	15,19	**4,942**		1,825	
Deferred consideration	17,19	**—**		2,464	
Contingent consideration	17,19	**26,815**		20,147	
Share purchase obligation	17,19	**2,098**		128	
Total non-current liabilities			**(113,439)**		(54,367)
Loans and borrowings	19	**5,000**		5,000	
Trade and other payables	14,19	**59,620**		60,173	
Lease liabilities	16	**11,210**		—	
Provisions	15,19	**1,522**		1,118	
Corporation tax liability		**1,173**		1,985	
Deferred consideration	17,19	**2,715**		2,182	
Contingent consideration	17,19	**15,366**		4,565	
Share purchase obligation	17,19	**1,269**		1,608	
Total current liabilities			**(97,875)**		(76,631)
Total liabilities			**(211,314)**		(130,998)
Total net assets			**112,711**		111,453
Equity					
Share capital	20	**2,163**		2,089	
Share premium reserve		**76,019**		62,993	
Share purchase reserve		**(2,673)**		(2,673)	
Foreign currency translation reserve		**7,561**		7,697	
Other reserves	24	**608**		1,019	
Retained earnings		**29,618**		41,404	
Total equity attributable to owners of the Parent			**113,296**		112,529
Non-controlling interests			**(585)**		(1,076)
Total equity			**112,711**		111,453

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

These financial statements were approved and authorised by the Board on 22 April 2020.

Peter Harris
Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2020 and the year ended 31 January 2019

	Note	Share capital £'000	Share premium 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 January 2019 as previously stated		2,089	62,993	(2,673)	7,697	1,019	41,404	112,529	(1,076)	111,453
Change in accounting policy (IFRS 16)[2]		—	—	—	—	—	(1,794)	(1,794)	—	(1,794)
Deferred tax on accounting policy change (IFRS 16)[2]		—	—	—	—	—	400	400	—	400
At 1 February 2019		2,089	62,993	(2,673)	7,697	1,019	40,010	111,135	(1,076)	110,059
Profit for the year		—	—	—	—	—	2,262	2,262	577	2,839
Other comprehensive expense for the year		—	—	—	(136)	(411)	(562)	(1,109)	—	(1,109)
Total comprehensive (expense)/income for the year		—	—	—	(136)	(411)	1,700	1,513	577	1,730
Shares issued on satisfaction of vested performance shares	20	38	5,388	—	—	—	(5,426)	—	—	—
Shares issued on acquisitions	20,26	36	7,638	—	—	—	—	7,674	—	7,674
Movement in relation to share-based payments		—	—	—	—	—	600	600	—	600
Tax on share-based payments	8	—	—	—	—	—	167	167	—	167
Dividends to owners of the Parent	9	—	—	—	—	—	(6,759)	(6,759)	—	(6,759)
Movement due to ESOP share purchases		—	—	—	—	(15)	—	(15)	—	(15)
Movement due to ESOP share option exercises		—	—	—	—	15	—	15	—	15
Movement on reserves for non-controlling interests		—	—	—	—	—	(674)	(674)	674	—
Non-controlling dividend		—	—	—	—	—	—	—	(760)	(760)
At 31 January 2020		**2,163**	**76,019**	**(2,673)**	**7,561**	**608**	**29,618**	**113,296**	**(585)**	**112,711**

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

2 Refer to note 1 for the restatement required following adoption of IFRS 16.

	Note	Share capital £'000	Share premium 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 January 2018 as previously stated		1,892	28,611	(2,673)	4,811	1,719	42,604	76,964	(643)	76,321
Change in accounting policy (IFRS 9)		—	—	—	—	—	48	48	—	48
At 1 February 2018 as restated		1,892	28,611	(2,673)	4,811	1,719	42,652	77,012	(643)	76,369
Profit for the year		—	—	—	—	—	13,887	13,887	639	14,526
Other comprehensive income/(expense) for the year		—	—	—	2,886	(700)	(682)	1,504	—	1,504
Total comprehensive income/(expense) for the year		—	—	—	2,886	(700)	13,205	15,391	639	16,030
Shares issued on satisfaction of vested performance shares	20	68	10,593	—	—	—	(10,697)	(36)	—	(36)
Shares issued on acquisitions	20,26	24	4,433	—	—	—	—	4,457	—	4,457
Shares issued on placing	20	105	19,356	—	—	—	—	19,461	—	19,461
Obligation to purchase non-controlling interest		—	—	—	—	—	—	—	(515)	(515)
Movement in relation to share-based payments		—	—	—	—	—	2,510	2,510	—	2,510
Tax on share-based payments	8	—	—	—	—	—	203	203	—	203
Dividends to owners of the Parent	9	—	—	—	—	—	(5,243)	(5,243)	—	(5,243)
Movement due to ESOP share purchases		—	—	—	—	(12)	—	(12)	—	(12)
Movement due to ESOP share option exercises		—	—	—	—	12	—	12	—	12
Movement on reserves for non-controlling interests		—	—	—	—	—	(1,226)	(1,226)	1,226	—
Non-controlling interest purchased in the period		—	—	—	—	—	—	—	(383)	(383)
Non-controlling dividend		—	—	—	—	—	—	—	(1,400)	(1,400)
At 31 January 2019		2,089	62,993	(2,673)	7,697	1,019	41,404	112,529	(1,076)	111,453

1 Other reserves include the ESOP reserve, the treasury reserve, the merger reserve and the 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 2020 and the year ended 31 January 2019

	Note	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000
Cash flows from operating activities					
Profit for the year		2,839		14,526	
Adjustments for:					
Depreciation	4,12	4,505		4,199	
Right-of-use depreciation	16	8,691		—	
Amortisation	4,11	13,211		9,624	
Finance expense	6	16,672		6,584	
Finance income	7	(2,611)		(4,667)	
Share of profit from equity-accounted associate		(204)		(65)	
Loss on sale of property, plant and equipment	4	1,360		202	
Loss on exit of finance lease	4	14		—	
Income tax expense	8	2,717		4,299	
Share-based payment charge		600		2,510	
Net cash inflow from operating activities before changes in working capital			47,794		37,212
Change in trade and other receivables		1,971		(8,013)	
Change in trade and other payables		(1,950)		7,629	
Movement in provisions		1,686		1,554	
Change in working capital			1,707		1,170
Net cash generated from operations			49,501		38,382
Income taxes paid			(5,993)		(6,237)
Net cash inflow from operating activities			43,508		32,145
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired	26	(18,501)		(19,281)	
Payment of contingent consideration		(5,622)		(9,265)	
Purchases of equity instruments designated at FVTOCI		(50)		(1,008)	
Acquisition of property, plant and equipment		(3,460)		(5,648)	
Proceeds on disposal of property, plant and equipment		23		71	
Proceeds on disposal of subsidiary		466		—	
Acquisition of intangible assets		(1,831)		(2,384)	
Net movement in long-term cash deposits		(24)		132	
Income from finance lease receivables		547		—	
Interest received	7	112		229	
Net cash outflow from investing activities			(28,340)		(37,154)
Net cash inflow/(outflow) from operating and investing activities			15,168		(5,009)

	Note	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000
Net cash inflow/(outflow) from operating and investing activities			**15,168**		(5,009)
Cash flows from financing activities					
Proceeds on issue of share capital		**—**		20,000	
Issue costs on issue of Ordinary Shares		**—**		(539)	
Repayment of lease liabilities		**(11,367)**		(5)	
Increase in bank borrowings and overdrafts		**27,045**		39,096	
Repayment of bank borrowings and overdrafts		**(14,006)**		(50,018)	
Interest paid	6	**(979)**		(1,246)	
Dividend and profit share paid to non-controlling interest partners	9	**(760)**		(1,400)	
Dividend paid to shareholders of the Parent	9	**(6,759)**		(5,243)	
Net cash (outflow)/inflow from financing activities			**(6,826)**		645
Net increase/(decrease) in cash and cash equivalents			**8,342**		(4,364)
Cash and cash equivalents at beginning of the year			**20,501**		24,283
Exchange (loss)/gain on cash held			**(182)**		582
Cash and cash equivalents at end of the year	19		**28,661**		20,501

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

1 Accounting policies

Next Fifteen Communications Group plc (the ‘Company’) is a public limited company incorporated in the United Kingdom (‘UK’) and registered in England and Wales. The consolidated financial statements include the Company and its subsidiaries (together, the ‘Group’) and its interests in associates.

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. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The consolidated financial statements have been prepared on a going concern basis (as set out in the corporate governance report) and on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below.

B. New and amended standards adopted by the Group

Impact of initial application of IFRS 16 ‘Leases’

In the current year, the Group has applied IFRS 16 ‘Leases’ which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to account for all leases on balance sheet, recognising a right-of-use asset and a lease liability at the lease commencement date, except for short-term leases and leases of low-value assets. The Group has adopted IFRS 16 using the modified retrospective approach therefore comparative information has not been restated and the Group has recognised the cumulative effect of adopting IFRS 16 as an adjustment to equity at the start of the current period. The comparative information continues to be reported under IAS 17.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to transactions that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was only applied to contracts entered into or changed from 1 February 2019.

As a lessee the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of the ownership of the asset to the Group. Under IFRS 16 the Group recognised a right-of-use asset and lease liability i.e. all leases are recognised on balance sheet, except for short-term leases and leases of low-value assets.

At transition, the lease liabilities were measured at the present value of the remaining lease payments using the the lessee's incremental borrowing rate as at 1 February 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 February 2019 was 3%. The right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s borrowing rate at the 1 February 2019. The Group used the following practical expedients when applying IFRS 16:

- adjusted the right-of-use assets for any onerous lease provisions immediately before the date of initial application rather than perform an impairment review;
- applied the exemption not to recognise a right-of-use asset or lease liability for leases of low value or with lease terms with less than 12 months remaining at 1 February 2019; and
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

On transition to IFRS 16 the Group recognised an additional £44.4m of right-of-use assets and £55.2m of lease liabilities, with a reduction in other creditors and provisions with regard to amounts relating to property leases, which are now recognised in the right-of-use asset. These movements resulted in a decrease to retained earnings of £1.8m and the recognition of a deferred tax asset of £0.4m.

1 Accounting policies continued

C. Basis of consolidation

The Group's financial statements consolidate the results of Next Fifteen Communications Group plc and all of its subsidiary undertakings, and its interests in associates.

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 has 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.

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. 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 are 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.

D. Merger reserve (included in other reserves)

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.

E. Revenue and other income

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 comprises commission and fees earned and is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Payment terms across the Group vary, but the Group is generally paid in arrears for its services and payment is typically due between 60 and 90 days.

Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. In the majority of cases, relevant output measures such as the completion of project milestones set out in the contract are used to assess proportional performance. Where this is not the case then an input method based on costs incurred to date is used to measure performance. The primary input of substantially all work performed is represented by labour. As a result of the relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

1 Accounting policies continued

E. Revenue and other income continued

The amount of revenue recognised depends on whether we act as an agent or as a principal. The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal the revenue recorded is the gross amount billed. Out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as a direct cost. Certain other arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases, we are acting as an agent and we do not control the relevant good or service before it is transferred to the client. When the Group is acting as an agent, the revenue is recorded at the net amount retained. There is deemed to be no significant judgements in applying IFRS 15 and in evaluating when customers obtain control of the promised goods or services.

Direct costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients but where the Group retains quality control oversight, such as production or research costs.

Further details on revenue recognition in terms of the nature of contractual agreements are as follows:

- retainer fees relate to arrangements whereby we have an obligation to perform services to the customer on an ongoing basis over the life of the contract. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition;
- where project fees relate to assignments carried out under contractual terms which entitle the Group to payment for its performance to date in the event of contract termination, then fees are recognised over the period of the relevant assignments. Revenue is typically recognised in line with the value delivered to the customer which is the amount assigned to the project milestones completed set out in the contract. Where this is not the case then an input method based on costs incurred is used; and
- revenue can be derived from media placements, for which the revenue for commissions on purchased media is typically recognised at the point in time the media is run.

Accrued and deferred income

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income on the Group's balance sheet. These balances are considered contract liabilities and are typically related to prepayments for third-party expenses that are incurred shortly after billing.

Finance income

Finance income primarily relates to changes in estimate in the Group's contingent consideration and share purchase obligation liabilities; refer to section T.

F. 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 the 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.

Costs associated with business combinations are recognised in the Consolidated Income Statement within the 'other operating charges' line in the year in which they are incurred. Those costs, which are directly attributable to the business combination, are excluded from underlying performance as they would not have been incurred had the business combination not occurred and a higher or lower spend has no relation on the underlying organic business. They do not relate to the underlying trading of the Group and are added back in the adjusted performance measures to aid comparability of the Group's profitability year on year.

1 Accounting policies continued

F. 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 seven years. Costs associated with maintaining computer software programs are recognised as an expense as they are incurred. No amortisation is charged on assets in the course of construction until they are available for operational use in the business.

Software acquired as part of a business combination is recognised at fair value at the acquisition date. Software has a finite useful life and is amortised using the straight-line method over its estimated useful life of two to four years.

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 up 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 five 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.

The amortisation of acquired intangibles recognised as a result of IFRS 3 is added back in for the Group's adjusted performance measures to aid comparability with its peer Group and to enhance comparability of the Group's profitability year on year.

G. 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 basis
Office furniture	–	20% per annum straight-line basis
Motor vehicles	–	25% per annum straight-line basis

H. 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.

1 Accounting policies continued

I. 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 ('NCI') and not recycled through the Consolidated Income Statement.

J. 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.

K. 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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables

All trade receivables held by the Group are financial assets held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term call deposits held with banks, with whom we determine there is a low credit risk. 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.

1 Accounting policies continued

K. Financial instruments *continued*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors.

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.

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 within finance income/expense.

The Group has a portion of contingent consideration which is payable subject to continuing employment of the previous owner within the Group. The expected liability is recognised within operating costs evenly over the required employment term of the seller.

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 within finance income/expense.

The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit can vary significantly depending on the underlying brand's performance.

Trade payables

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

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.

Hedging activities

The Group designates certain derivatives as hedging instruments in respect of hedges of net investments in foreign operations. The Group has chosen to continue to account for these under IAS 39 as allowed by the transition provisions for IFRS 9.

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 are 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.

1 Accounting policies continued

K. Financial instruments continued

Hedging activities continued

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.

L. 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 acquisition-related payments linked to the continuing employment of the sellers and is recognised over the required period of employment. Provisions comprise liabilities where there is uncertainty about the timing of the settlement and are 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.

M. 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.

N. 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 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.

The value is recognised as a one-off share-based payment in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. Therefore, adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's profitability and enhances comparability year on year.

O. Leased assets

The Group leases various assets, comprising mostly of properties and office equipment. The Group assesses whether a contract is or contains a lease, at inception of a contract, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets, where the Group has elected to use the exemption. The total rentals payable under these leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease. When this rate cannot be determined, the Group uses the incremental borrowing rate for the same term as the underlying lease. Lease payments comprise fixed payments less any lease incentives receivable and variable lease payments as at the commencement date. The lease liability is subsequently remeasured when there is a change in future lease payments due to a renegotiation or market rent review, or a reassessment of the lease term. Lease modifications result in remeasurement of the lease liability with a corresponding adjustment to the related right-of-use asset. Interest expense is included within finance expense in the Consolidated Income Statement.

1 Accounting policies continued

***O. Leased assets** continued*

The right-of-use asset is initially measured based on the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, plus the estimated cost for any restoration costs the Group is obligated to at lease inception. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset.

At times, entities of the Group will sublet certain of their properties when underlying business requirements change. The Group assesses the classification of these subleases with reference to the right-of-use asset, not the underlying asset. As a result, certain subleases are classified as finance leases and a sublease receivable is recognised and recorded as a financial asset within trade and other receivables on the Consolidated Balance Sheet and any relating right-of-use asset is derecognised.

When the Group acts as an intermediate lessor it accounts for the head lease and the sublease separately. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership in relation to the underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as finance lease receivables at the amount of the Group's net investment in the leases using the effective interest rate method. The Group recognises lessor payments under operating leases as income on a straight-line basis over the lease term.

P. 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.

Q. 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).

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 that the future tax deduction exceeds the related cumulative IFRS 2 'Share-Based Payment' ('IFRS 2') expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent that the future tax deduction matches the cumulative IFRS 2 expense, the associated deferred tax balance is recognised in the Consolidated Income Statement.

1 Accounting policies continued

R. 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.

S. 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.

T. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

I. Identification of acquired intangible assets

As part of the acquisition accounting under IFRS 3, the Group must identify and value the intangibles it has acquired. The identification of the intangibles acquired, such as customer relationships, intellectual property, non-compete agreements and brand names, requires judgement following an assessment of the acquired business. This involves reviewing the past performance of the acquiree and future forecasts to ascertain the intangible assets which the purchase price should be allocated to.

II. Identification of adjusting items

The identification of adjusting items is a judgement in terms of which costs or credits are not associated with the underlying trading of the business or otherwise impact the comparability of the Group's results year on year. Adjusting items for the Group include amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs and restructuring costs.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 revenue and cost growth rates from the Board-approved budget and discount rates applied. Further details are contained in note 11.

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations for the purposes of the goodwill impairment review. The Group performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY21 budget, and there is no growth in perpetuity, no impairment would be required. Secondly, with all other variables unchanged, if the discount rate increased by 4% to 15.2% then this would indicate an impairment of £0.6m.

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, which, if incorrect, could result in a material adjustment to the value of these liabilities within the next financial year. Further details, including sensitivity analysis, are contained in note 17.

1 Accounting policies continued

T. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

III. Impact of coronavirus (COVID-19)

In light of the global health crisis around the outbreak of COVID-19, the Group considered whether any adjustments are required to the reported results in the financial statements. As at the balance sheet date of 31 January 2020, there had been no global pandemic declared, and the outbreak of COVID-19 was limited to China, where the Group has limited operations. The subsequent macroeconomic downturn and extent of global interventions were not apparent.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March and we have seen a significant downturn in the global economic outlook. As a result, the Group has concluded that the necessity for large scale interventions and other information received was not indicative of conditions that existed at the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. However, given the significant events since the balance sheet date, further disclosures are given in note 30.

U. 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 2020 or later periods. These new pronouncements are listed below:

- IFRS 17 ‘Insurance Contracts’ (effective periods beginning on or after 1 January 2021); and
- IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 (amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

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.

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 (‘CODM’) to make strategic decisions, assess performance and allocate resources. These are deemed to be both regional and service segments.

The Group’s business is separated into a number of brands which are considered to be the underlying cash-generating units (‘CGUs’). These brands are organised into service segments based on the work they do for their customers and into geographical segments based on where the brand is located; within these reportable segments the Group operates a number of separate businesses which generally offer complementary products and services to their customers.

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 and other costs not associated with the underlying business, details of which are included in this note. 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.

2 Segment information continued

Measurement of operating segment profit *continued*

	Brand Marketing £'000	Data and Analytics £'000	Creative Technology £'000	Head office £'000	Total £'000
Year ended 31 January 2020					
Revenue	**160,242**	**59,446**	**81,023**	**—**	**300,711**
Net revenue	**135,036**	**45,054**	**68,379**	**—**	**248,469**
Segment adjusted operating profit/(loss)	**30,750**	**12,722**	**8,035**	**(9,051)**	**42,456**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities[1]	**29,930**	**12,697**	**7,774**	**(9,541)**	**40,860**
Adjusted operating profit margin[2]	**22.2%**	**28.2%**	**11.4%**	**—**	**16.4%**
Organic net revenue (decline)/growth	**(5.7)%**	**19.3%**	**(2.1)%**	**—**	**(2.0)%**
Year ended 31 January 2019					
Revenue	158,316	33,757	80,340	—	272,413
Net revenue	133,163	23,209	67,721	—	224,093
Segment adjusted operating profit/(loss)	29,580	7,171	9,489	(9,284)	36,956
Adjusted operating profit margin[2]	22.2%	30.9%	14.0%	—	16.5%
Organic net revenue growth	0.1%	30.6%	17.0%	—	6.4%

1 Operating profit after interest on finance lease liabilities is presented as a comparable measure to the prior year operating profit following the adoption of IFRS 16 from 1 February 2019.

2 Adjusted operating profit margin is calculated as a percentage of net revenue. In FY20, the margin is calculated as adjusted operating profit after interest on finance lease liabilities, as a percentage of net revenue.

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2020						
Revenue	**119,551**	**10,631**	**153,481**	**17,048**	**—**	**300,711**
Net revenue	**97,377**	**8,820**	**127,563**	**14,709**	**—**	**248,469**
Segment adjusted operating profit/(loss)	**20,366**	**1,619**	**27,155**	**2,367**	**(9,051)**	**42,456**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities[1]	**20,094**	**1,587**	**26,421**	**2,299**	**(9,541)**	**40,860**
Adjusted operating profit margin[2]	**20.6%**	**18.0%**	**20.7%**	**15.6%**	**—**	**16.4%**
Organic net revenue growth/(decline)	**0.3%**	**0.4%**	**(4.6)%**	**4.8%**	**—**	**(2.0)%**
Year ended 31 January 2019						
Revenue	109,161	10,267	136,290	16,695	—	272,413
Net revenue	83,528	8,735	117,911	13,919	—	224,093
Segment adjusted operating profit/(loss)	20,482	1,504	22,047	2,207	(9,284)	36,956
Adjusted operating profit margin[2]	24.5%	17.2%	18.7%	15.9%	—	16.5%
Organic net revenue growth	15.5%	7.3%	2.8%	(2.1)%	—	6.4%

1 Operating profit after interest on finance lease liabilities is presented as a comparable measure to the prior year operating profit following the adoption of IFRS 16 from 1 February 2019.

2 Adjusted operating profit margin is calculated as a percentage of net revenue. In FY20, the margin is calculated as adjusted operating profit after interest on finance lease liabilities, as a percentage of net revenue.

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 2020 £'000	Year ended 31 January 2019 £'000
Operating profit	**19,413**	20,677
Interest on finance lease liabilities	**(1,596)**	—
Operating profit after interest on finance lease liabilities	**17,817**	20,677
Share-based payment charge[1]	**374**	1,311
Employment-related acquisition payments[2]	**5,029**	821
Deal costs[3]	**945**	575
Costs associated with restructuring[4]	**4,596**	4,353
Charge associated with office moves[5]	**—**	173
Total adjusted costs in operating profit excluding amortisation	**10,944**	7,233
Amortisation of acquired intangibles[6]	**12,099**	9,046
Total adjusted costs in operating profit	**23,043**	16,279
Segment adjusted operating profit after interest on finance lease liabilities	**40,860**	36,956

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in M Booth & Associates LLC (2019: M Booth & Associates LLC, Encore Digital Media Limited, Twogether Creative Limited, Savanta Group Limited and ODD London Limited) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. It also includes charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (or growth shares) should be excluded from underlying performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands.

2 This charge relates to payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determines they should be excluded from the underlying performance, as the costs solely relate to acquiring the business. The sellers of the business are typically paid market rate salaries and bonuses in addition to these acquisition-related payments and therefore the Group determines these costs solely relate to acquiring the business. Adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's profitability and enhances comparability year on year.

3 These costs are directly attributable to business combinations and are excluded from underlying performance as they would not have been incurred had the business combination not occurred. They do not relate to the underlying trading of the Group and are added back to aid comparability of the Group's profitability year on year.

4 In the current period the Group has incurred restructuring costs in relation to the ongoing relaunch of the new Archetype brand in the UK and US along with the rebranding of the Savanta brands, in addition to writing off intangibles and other staff-related redundancy costs. These costs relate to these specific transformational events; they do not relate to underlying trading of the relevant brand and therefore have been added back to aid comparability of performance year on year. These costs are made up of £2.9m staff-related costs and £1.7m of other costs relating to the rebranding of the businesses.

5 In the prior year the Group has recognised an onerous lease provision for excess property space within the portfolio following the merger of Bite and Text 100. The Group has adjusted for the cost of the onerous property leases as the additional rent cost does not relate to the underlying trading of the business.

6 In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles has been added back to aid comparability.

3 Employee information

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

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Wages and salaries	**150,203**	136,421
Social security costs	**11,676**	10,292
Pension costs	**3,672**	3,202
Share-based payment charge (note 21)	**5,629**	3,332
	171,180	153,247

3 Employee information continued

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

	Year ended 31 January 2020	Year ended 31 January 2019
UK	**916**	800
Europe and Africa	**100**	94
US	**754**	739
Asia Pacific	**293**	324
Head office	**55**	47
	2,118	2,004

Key management personnel are considered to be the Board of Directors as set out on page 23.

Directors' remuneration consists of:

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Short-term employee benefits	**1,036**	1,226
Pension costs	**112**	105
Share-based payment charge	**137**	1,094
	1,285	2,425

The highest paid Director received total emoluments of £839,000 (2019: £1,076,000).

4 Operating profit

This is arrived at after charging/(crediting):

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Depreciation of owned property, plant and equipment	**4,505**	4,199
Depreciation of assets held under finance leases	**8,691**	—
Amortisation of intangible assets	**13,211**	9,624
Loss on sale of property, plant and equipment	**1,360**	202
Share-based payment charge	**226**	1,533
Share-based payment charge – adjusted (note 2)	**5,403**	2,132
Short-term sublease income	**(487)**	(611)
Short-term lease expense	**986**	9,409
Low-value lease expense	**194**	131
Foreign exchange loss/(gain)	**250**	(660)

4 Operating profit continued

Auditor's 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 2020 £'000	Year ended 31 January 2019 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**300**	237
The auditing of financial statements of the subsidiaries pursuant to legislation	**111**	230
Non-audit services:		
Tax advisory services	**21**	11
Other assurance services	**5**	5
	437	483

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 Group includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by the Group for internal performance analyses; the presentation of these measures facilitates comparability with other industry peers, although the Group's measures may not be calculated in the same way as similarly titled measures reported by other companies. The adjusting items have been explained in note 2.

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 2020 £'000	Year ended 31 January 2019 £'000
Profit before income tax	**5,556**	18,825
Unwinding of discount on contingent and deferred consideration (note 17)[2]	**3,394**	2,679
Unwinding of discount on share purchase obligation (note 17)[2]	**158**	127
Total adjusting items in operating profit (note 2)	**23,043**	16,279
Change in estimate of future contingent consideration payable (note 17)[1]	**6,167**	(1,966)
Change in estimate of future share purchase obligation (note 17)[1]	**1,919**	60
Adjusted profit before income tax	**40,237**	36,004

1 The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations.

2 The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

Adjusted EBITDA

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Operating profit	**19,413**	20,677
Depreciation of owned property, plant and equipment (note 12)	**4,505**	4,199
Depreciation of right-of-use assets (note 16)	**8,691**	—
Amortisation of intangible assets (note 11)	**13,211**	9,624
EBITDA	**45,820**	34,500
Total adjusting items in operating profit excluding amortisation (note 2)	**10,944**	7,233
Adjusted EBITDA	**56,764**	41,733

5 Reconciliation of pro forma financial measures continued

Adjusted staff costs

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Staff costs	**171,180**	153,247
Reorganisation costs	**(2,880)**	(3,383)
Charges associated with equity transactions accounted for as share-based payments (note 2)	**(374)**	(1,311)
Employment-related acquisition payments (note 2)	**(5,029)**	(821)
Adjusted staff costs	**162,897**	147,732

6 Finance expense

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Financial liabilities at amortised cost		
Bank interest payable	**977**	1,235
Interest on lease liabilities	**1,596**	—
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	**158**	127
Change in estimate of future share purchase obligation (note 17)	**1,997**	126
Unwinding of discount on contingent and deferred consideration (note 17)	**3,394**	2,679
Change in estimate of future contingent consideration payable (note 17)	**8,548**	2,406
Other		
Other interest payable	**2**	11
Finance expense	**16,672**	6,584

7 Finance income

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Financial assets at amortised cost		
Bank interest receivable	**99**	82
Finance lease interest receivable	**40**	—
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	**78**	66
Change in estimate of future contingent consideration (note 17)	**2,381**	4,372
Other		
Other interest receivable	**13**	147
Finance income	**2,611**	4,667

8 Taxation

The major components of income tax expense for the year ended 31 January 2020 and year ended 31 January 2019 are:

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	**6,244**	6,750
Adjustments in respect of current income tax in prior years	**(692)**	(293)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(3,223)**	(2,205)
Adjustments in respect of deferred tax for prior years	**388**	47
Income tax expense reported in the Consolidated Income Statement	**2,717**	4,299
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	**(167)**	(203)
Income tax benefit reported in equity	**(167)**	(203)
Factors affecting the tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The difference is explained below:		
Profit before income tax	**5,556**	18,825
Corporation tax expense at 19% (2019: 19%)	**1,056**	3,577
Effects of:		
Disallowed expenses	**1,775**	517
Recognition of previously unrecognised tax losses	**(2)**	(58)
Non-utilisation of tax losses	**3**	3
Higher rates of tax on overseas earnings	**189**	506
Deduction for overseas taxes	**—**	—
Adjustments in respect of prior years	**(304)**	(246)
	2,717	4,299
Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense reported in the Consolidated Income Statement	**2,717**	4,299
Add back:		
Tax on adjusting items		
Costs associated with the current period restructure and office moves (note 2)	**912**	903
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	**2,104**	162
Share-based payment charge (note 2)	**(198)**	90
Amortisation of acquired intangibles	**2,492**	1,746
Employment-related acquisition liabilities	**19**	—
Adjusted tax expense	**8,046**	7,200
Adjusted profit before income tax (note 5)	**40,237**	36,004
Adjusted effective tax rate	**20%**	20%

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 income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2019: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Net corporation tax paid during the year totalled £6m (2019: £6.2m).

9 Dividend

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Dividends paid during the year		
Final dividend paid for prior year of 5.4p per Ordinary Share (2019: 4.5p)	**4,595**	3,535
Interim dividend paid of 2.5p per Ordinary Share (2019: 2.16p)	**2,164**	1,708
	6,759	5,243
Non-controlling interest dividend[1]	**760**	1,400

1 During the year, a profit share was paid to the holders of the non-controlling interest of Vrge of £Nil (2019: £27,760), Blueshirt of £153,706 (2019: £136,460), OutCast of £225,840 (2019: £335,814), M Booth of £291,887 (2019: £206,776), Beyond of £81,556 (2019: £495,171), Bite US of £Nil (2019: £36,139), Connections Media of £7,181 (2019: £41,488), and Text 100 of £Nil (2019: £120,503).

The ESOP waived its right to dividends in the financial years ended 31 January 2020 and 2019.

Given the macroeconomic backdrop due to COVID-19, the Group has decided to suspend the final dividend, although it intends to resume dividend payments once the macro environment improves. In the prior year a final dividend of 5.4p per share was proposed, amounting to £4,512,455. This makes the total dividend for the year 2.5p per share (2019: 7.56p).

10 Earnings per share

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 notes 2 and 5 is the tax effect of those adjusting items.

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Earnings attributable to ordinary shareholders	**2,262**	13,887
Unwinding of discount on contingent and deferred consideration	**3,012**	2,602
Unwinding of discount on share purchase obligation	**126**	96
Change in estimate of future contingent consideration payable	**4,471**	(2,036)
Change in estimate of share purchase obligation	**1,924**	77
Costs associated with the current period restructure (note 2)	**3,746**	3,501
Share-based payment charge (note 2)	**572**	2,042
Charge associated with office moves (note 2)	**—**	136
Deal costs (note 2)	**882**	560
Employment-related acquisition payments (note 2)	**5,010**	—
Amortisation of acquired intangibles	**9,607**	7,300
Adjusted earnings attributable to ordinary shareholders	**31,612**	28,165

	Number	Number
Weighted average number of Ordinary Shares	**85,284,663**	79,225,075
Dilutive LTIP shares	**755,018**	1,193,361
Dilutive growth deal shares[1]	**2,983,371**	3,733,183
Other potentially issuable shares	**1,913,430**	864,585
Diluted weighted average number of Ordinary Shares	**90,936,482**	85,016,204
Basic earnings per share	**2.7p**	17.5p
Diluted earnings per share	**2.5p**	16.3p
Adjusted earnings per share	**37.1p**	35.6p
Diluted adjusted earnings per share	**34.8p**	33.1p

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

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-compete £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 2018	8,478	9,117	34,155	3,308	76,574	131,632
Additions	402	—	—	—	—	402
Capitalised internal development	1,982	—	—	—	—	1,982
Acquired through business combinations	877	4,743	16,801	2,406	11,959	36,786
Disposals	(43)	—	—	—	—	(43)
Exchange differences	60	281	411	1	1,737	2,490
At 31 January 2019	11,756	14,141	51,367	5,715	90,270	173,249
Additions	148	—	—	—	—	148
Capitalised internal development	1,677	—	—	—	—	1,677
Acquired through business combinations[1]	6	2,436	15,308	1,159	22,336	41,245
Disposals	(741)	—	—	—	—	(741)
Exchange differences	(10)	(12)	(65)	(3)	(130)	(220)
At 31 January 2020	**12,836**	**16,565**	**66,610**	**6,871**	**112,476**	**215,358**
Amortisation and impairment						
At 31 January 2018	6,010	2,940	15,597	1,561	10,681	36,789
Charge for the year	834	1,759	6,242	789	—	9,624
Disposals	(27)	—	—	—	—	(27)
Exchange differences	47	176	405	2	84	714
At 31 January 2019	6,864	4,875	22,244	2,352	10,765	47,100
Charge for the year[2]	1,432	1,185	9,560	1,034	—	13,211
Disposals	(125)	—	—	—	—	(125)
Exchange differences	(12)	(18)	(123)	(10)	(73)	(236)
At 31 January 2020	**8,159**	**6,042**	**31,681**	**3,376**	**10,692**	**59,950**
Net book value at 31 January 2020	**4,677**	**10,523**	**34,929**	**3,495**	**101,784**	**155,408**
Net book value at 31 January 2019	4,892	9,266	29,123	3,363	79,505	126,149

1 During the year, the Group acquired Palldium, Market Making, M Booth Health and Nectar as well as other acquisitions and a number of trade and asset purchases, none of which are individually significant to the Group (note 26).

2 Amortisation charge for the period includes acquired intangibles of £1,034,000 for non-compete agreements, £9,560,000 for customer relationships, £1,185,000 for trade names and £320,000 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:

	2020 £'000	2019 £'000
Archetype[1]	**7,104**	6,701
OutCast (US)[2]	**12,580**	9,646
M Booth (US)[3]	**22,025**	7,144
Blueshirt (US)	**5,201**	5,212
Savanta[4]	**8,881**	7,175
ODD[5]	**4,950**	2,458
Publitek	**9,879**	9,879
Twogether[6]	**10,620**	9,226
Velocity	**5,653**	5,653
Elvis	**2,179**	2,179
Activate	**5,610**	5,622
Brandwidth	**2,212**	2,212
Planning-inc	**2,157**	1,906
Other[7]	**2,733**	4,492
	101,784	79,505

1 The goodwill in Archetype (formerly known as Text 100) has increased due to the combination of the UK and US CGU when considering for impairment.

2 The goodwill in OutCast (US) has increased due to the acquisition of Nectar (£2,953,000).

3 The goodwill in M Booth (US) has increased due to the acquisition of M Booth Health (£14,895,000).

4 The goodwill in Savanta (formerly known as MIG) has increased in the year due acquisition of ComRes (£1,617,000) and the trade and asset purchases of HSR (£89,000).

5 The goodwill in ODD has increased in the year due to the acquisition of Market Making (£2,492,000).

6 The goodwill in Twogether has increased due to the transfer of the Encore CGU into the existing Twogether CGU.

7 Other goodwill represents goodwill on a number of CGUs, 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. This is a lower level than the operating segments disclosed in note 2; the CGUs are allocated to operating segments based on their geographical location or the product or service they provide.

The Group performs an impairment testing process by considering:

Stage 1) The performance of the brands during the previous financial year and the value in use of the brands at 31 January 2020. The value in use is calculated by taking the present value of expected future cash flows based on minimum expected standard growth rates applied to the Board-approved FY21 budget.

Stage 2) 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 FY21 budget.

Note that the growth rates in stages 1 and 2 applied for year five are dependent on the geographical region of the respective brand. The long-term perpetuity growth rates applied for year five onwards for the US, UK and APAC regions are 2% (2019: 1.5%), 0.5% (2019: 1%) and 1% (2019: 1%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 1.5% (2019: 2%), 0.5% (2019: 0.5%) and 1% (2019: 1%) respectively. The UK growth rate for years two to five has been risk affected for Brexit.

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 taken from the most recent financial budgets approved by management for the next financial year. The Board-approved budgets are based on assumptions of client wins and losses, rate card changes and cost inflation as well as any other one-off items expected in the year for that particular CGU. The cash flow forecasts extrapolate the FY21 budgeted cash flows for the following four years based on the estimated regional growth rates, which is applied to revenue and costs. This rate does not exceed the average long-term growth rate for the relevant markets. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets. The growth rate in relation to the geographical region of the brand is then applied into perpetuity after five years.

11 Intangible assets continued

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 11.2% (2019: 12.4%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 11.2% to be calculated using appropriate methodology. This rate is already in the higher end of the spectrum amongst its peers, and the Board 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 digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

Change to CGUs

In the current year, as part of a strategic decision, the Encore and Twogether CGUs have been combined following the merging of these two businesses under one leadership team in addition to the combining of the Archetype UK and US CGUs when considering impairment. This is due to Twogether and Archetype being the lowest level at which goodwill is monitored for internal management purposes for those respective businesses. The previous businesses now operate as one and are managed as such.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2018	14,676	7,530	2,405	2	24,613
Exchange differences	969	351	203	—	1,523
Additions	2,796	1,785	1,067	—	5,648
Acquired through business combinations	—	307	—	—	307
Disposals	(628)	(1,238)	(399)	—	(2,265)
At 31 January 2019	17,813	8,735	3,276	2	29,826
Exchange differences	(85)	(67)	(23)	—	(175)
Additions	1,126	1,564	770	—	3,460
Acquired through business combinations	243	104	14	—	361
Disposals	(598)	(1,039)	(223)	—	(1,860)
At 31 January 2020	**18,499**	**9,297**	**3,814**	**2**	**31,612**
Accumulated depreciation					
At 31 January 2018	4,509	5,587	948	2	11,046
Exchange differences	333	270	118	—	721
Charge for the year	1,899	1,515	785	—	4,199
Disposals	(545)	(1,156)	(309)	—	(2,010)
At 31 January 2019	6,196	6,216	1,542	2	13,956
Exchange differences	(87)	(58)	(26)	—	(171)
Charge for the year	2,119	1,578	808	—	4,505
Disposals	(171)	(590)	(141)	—	(902)
At 31 January 2020	**8,057**	**7,146**	**2,183**	**2**	**17,388**
Net book value at 31 January 2020	**10,442**	**2,151**	**1,631**	**—**	**14,224**
Net book value at 31 January 2019	11,617	2,519	1,734	—	15,870

13 Trade and other receivables

	2020 £'000	2019 £'000
Current		
Trade receivables	**52,915**	48,795
Less: provision for impairment of trade receivables	**(310)**	(378)
Trade receivables – net	**52,605**	48,417
Other receivables	**2,875**	1,479
Prepayments	**4,004**	4,023
Accrued income	**10,293**	12,204
Finance lease receivables	**483**	—
	70,260	66,123
Non-current		
Rent deposits	**809**	803

Trade receivables disclosed above are measured at amortised cost. There were no significant changes in the accrued income balances during the reporting period.

As of 31 January 2020, trade receivables of £310,000 (2019: £378,000) were impaired. Movements in the provision were as follows:

	2020 £'000	2019 £'000
At start of period	**378**	492
Provision for receivables impairment	**254**	141
Receivables written off during the year as uncollectable	**(284)**	(81)
Unused amounts reversed	**(31)**	(200)
Foreign exchange movements	**(7)**	26
At end of period	**310**	378

The provision for receivables impairment has been determined using an expected credit loss model 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:

	2020 £'000	2019 £'000
Not past due	**35,289**	33,360
Up to 30 days	**11,123**	9,973
31 to 60 days	**3,353**	2,706
Greater than 61 days	**2,840**	2,378
At end of period	**52,605**	48,417

14 Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade creditors	**13,940**	13,498
Other taxation and social security	**5,378**	4,179
Short-term compensated absences	**1,582**	1,815
Other creditors	**2,832**	2,317
Accruals	**13,362**	18,568
Deferred income	**22,526**	19,796
	59,620	60,173
Non-current		
Rental lease liabilities	**16**	4,622
	16	4,622

The Group considers that the carrying amount of trade and other payables approximates to their fair value with the exception of obligations under finance leases; refer to note 19.

There were no significant changes in the deferred income balances during the reporting period. All the brought forward deferred income balance was recognised as revenue in the current reporting period. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

15 Provisions

	Onerous lease[1] £'000	Property[2] £'000	Acquisition payments[3] £'000	Other[4] £'000	Total £'000
At 31 January 2018	256	513	—	777	1,546
Additions	536	190	784	646	2,156
On acquisition of subsidiary	—	60	—	—	60
Used during the year	(271)	(305)	—	(263)	(839)
Exchange differences	20	4	—	(4)	20
At 31 January 2019	541	462	784	1,156	2,943
Additions	—	612	4,563	—	5,175
On acquisition of subsidiary	—	55	—	36	91
Used during the year	(557)	—	(522)	(671)	(1,750)
Exchange differences	16	(7)	(4)	—	5
At 31 January 2020	**—**	**1,122**	**4,821**	**521**	**6,464**
Current	**—**	**145**	**1,221**	**156**	**1,522**
Non-current	**—**	**977**	**3,600**	**365**	**4,942**

1 Onerous lease provisions are calculated based on the remaining term of the lease and associated cost where the Group expects the cost to outweigh the benefit. Onerous leases were debited on transition to IFRS 16.

2 Property provisions are primarily for dilapidations and include assumptions of a cost per square foot required to make good the property at the end of the lease. As a result of IFRS 16, an additional £612,000 has been recognised during the year.

3 Acquisition payments are provisions for employment-related acquisition payments linked to the continuing employment of the sellers.

4 Other includes provisions for potential tax liabilities and redundancy provisions.

16 Leases

The movements in the year ended 31 January 2020 were as follows:

Right-of-use assets:	Land and buildings £'000
At 1 February 2019	44,371
Exchange differences	(849)
Additions	7,955
Disposals	(1,131)
Depreciation of right-of-use assets	(8,691)
At 31 January 2020	**41,655**

Due to the transition to IFRS 16, the right-of-use asset cost and accumulated depreciation at 31 January 2019 was nil. The closing cost was £48,471,000 and the closing accumulated depreciation was £8,691,000.

Lease liabilities:	Land and buildings £'000
At 1 February 2019	55,159
Exchange differences	(117)
Additions	9,368
Interest expense related to lease liabilities	1,596
Disposals	(406)
Repayment of lease liabilities	(11,367)
At 31 January 2020	**54,233**

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts recognised as finance income and finance costs:

	2020 £'000
Depreciation of right-of-use assets	**8,691**
Short-term lease expense	**986**
Low-value lease expense	**194**
Short-term sublease income	**(487)**
Charge to operating profit	**9,384**
Sublease finance income	**(40)**
Lease liability interest expense	**1,596**
Lease charge to profit before income tax	**10,940**

The maturity of the lease liabilities is as follows:

	2020 £'000
Amounts payable:	
Within one year	**12,648**
In two to five years	**38,116**
After five years	**8,335**
Total gross future liability	**59,099**
Effect of discounting	**(4,866)**
Lease liability at 31 January	**54,233**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 19 for management of liquidity risk.

17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration[1] £'000	Share purchase obligation £'000	Total £'000
At 31 January 2018	6,039	18,639	955	25,633
Arising during the year[1]	—	15,516	765	16,281
Changes in estimates[2]	—	(1,966)	60	(1,906)
Exchange differences	—	(312)	78	(234)
Utilised[3]	(5,066)	(6,171)	(249)	(11,486)
Reclassification	3,072	(3,072)	—	—
Unwinding of discount	601	2,078	127	2,806
At 31 January 2019	4,646	24,712	1,736	31,094
Arising during the year[1]	350	14,445	—	14,795
Changes in estimates[2]	—	6,167	1,919	8,086
Exchange differences	—	(726)	7	(719)
Utilised[3]	(2,667)	(5,425)	(453)	(8,545)
Unwinding of discount	386	3,008	158	3,552
At 31 January 2020	**2,715**	**42,181**	**3,367**	**48,263**
Current	**2,715**	**15,366**	**1,269**	**19,350**
Non-current	**—**	**26,815**	**2,098**	**28,913**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in M Booth Health, Nectar and Market Making as well as a number of other acquisitions, none of which are material to the Group. (2019: Brandwidth, Technical, Activate and Planning-inc). See note 26 for additional information on these acquisitions.

2 Gross movements in changes in assumptions are disclosed in notes 6 and 7.

3 The amounts utilised were settled £6.5m in cash and £2.0m in shares.

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 FY21 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 period and discounted back to present value using a pre-tax discount rate.

Sensitivity analysis

A five percentage point increase or decrease in the estimated future revenue growth rate, estimated future profit margin, and the discount rate used would increase or decrease the combined liabilities due to earn-out agreements by approximately £2,752,000, £5,170,000, and £3,399,000, respectively. The most sensitive earn-out individually would increase or decrease by £1,136,000, £2,754,000 and £1,813,000 due to a five percentage point increase or decrease in revenue growth, profit margin and discount rate. 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 £174,000 impact on the liabilities. An increase in the liability would result in an increase in interest expense, 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	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 January 2018	(246)	289	5,342	92	(2,943)	2,385	1,006	5,925
(Charge)/credit to income	(143)	9	(2,277)	(46)	3,571	1,123	(79)	2,158
Exchange differences	(43)	20	—	7	117	268	18	387
Acquisition of subsidiaries	(34)	—	—	—	(2,294)	65	—	(2,263)
Taken to equity	—	—	(189)	—	—	—	—	(189)
At 31 January 2019	(466)	318	2,876	53	(1,549)	3,841	945	6,018
(Charge)/credit to income	(772)	(63)	(1,275)	33	4,117	1,125	(330)	2,835
Exchange differences	24	(3)	—	(1)	(99)	26	(7)	(60)
Acquisition of subsidiaries	44	—	—	—	(2,225)	472	—	(1,709)
Taken to equity	—	—	(55)	—	—	400	—	345
At 31 January 2020	**(1,170)**	**252**	**1,546**	**85**	**244**	**5,864**	**608**	**7,429**

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

	2020 £'000	2019 £'000
Net deferred tax balance		
Deferred tax assets	**10,967**	10,521
Deferred tax liabilities	**(3,538)**	(4,503)
Net deferred tax asset	**7,429**	6,018

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 £0.2m (2019: £0.6m).

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 £7.4m (2019: £6m). 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.

19 Financial instruments

Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, finance leases, 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 reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax at 31 January 2020, based on period-end balances and rates.

19 Financial instruments continued

Interest rate risk continued

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	**2020 £'000**	2019 £'000
Group	+200	**(769)**	(524)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities.

On 5 February 2018 the Group extended its facilities agreement with HSBC to include a loan of £20m in addition to the revolving loan credit facility ('RCF') of £40m (available in multiple currencies) which is available until 5 July 2022. The £20m loan was drawn down on 9 February 2018 and has £10m left to be repaid in equal instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF. The interest rate is variable dependent on the net debt: EBITDA ratio. The Group also has a $7m facility available in the US.

At 31 January 2020 the Group had an undrawn amount of £11,277,521 (2019: £28,753,013) on the RCF in the UK and $4,012,637 (2019: $4,412,637) available on the $7m US facility (this allows for the letters of credit in place).

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 2020 and 31 January 2019, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	More than five years £'000	Total £'000
At 31 January 2020				
Financial liabilities	**70,248**	**123,839**	**10,977**	**205,064**
At 31 January 2019				
Financial liabilities	50,802	52,926	5,596	109,324

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 and the 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 reasonably possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax based on period-end balances, year average and period-end rates:

	Weakening against sterling	**2020 £'000**	2019 £'000
US dollar	20%	**(5,060)**	(3,118)
Euro	20%	**(358)**	(477)
Australian dollar	20%	**(262)**	(263)
Indian rupee	20%	**115**	71

19 Financial instruments continued

Currency risk continued

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

	Weakening against sterling	2020 £'000	2019 £'000
US dollar	20%	**(5,197)**	(4,076)
Euro	20%	**(561)**	(904)
Australian dollar	20%	**(412)**	(423)
Indian rupee	20%	**(63)**	(110)

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 an expected credit loss model driven by historical experience and factors specific to certain debtors.

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

	2020 £'000	2019 £'000
Total trade and other receivables	**70,260**	66,123
Cash and cash equivalents	**28,661**	20,501

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 2020 to 2025.

	2020 £'000	2019 £'000
Total loans and borrowings[1]	**38,007**	25,678
Less: cash and cash equivalents	**(28,661)**	(20,501)
Net debt	**9,346**	5,177
Total equity	**112,711**	111,453
Total capital	**122,057**	116,630

1 Total loans and borrowings is made up of current obligations (£5,000,000) and non-current obligations (£33,007,000).

19 Financial instruments continued

Capital risk management *continued*

	2020 £'000	2019 £'000
Net debt	**9,346**	5,177
Share purchase obligation	**3,367**	1,736
Contingent consideration	**42,181**	24,712
Deferred consideration	**2,715**	4,646
Net debt plus earn-out liabilities	**57,609**	36,271

The movement in net debt is as follows:

	At 1 February 2018 £'000	Cash (inflows)/ outflows from operations £'000	Cash flow from share placing £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2019 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	**At 1 February 2020 £'000**
Total loans and borrowings	35,871	(10,922)	—	—	729	25,678	(4,006)	17,045	(710)	**38,007**
Obligations under finance leases	5	(5)	—	—	—	—	—	—	—	**—**
Less: cash and cash equivalents	(24,283)	(5,729)	(19,461)	29,554	(582)	(20,501)	(15,470)	7,128	182	**(28,661)**
Net debt	11,593	(16,656)	(19,461)	29,554	147	5,177	(19,476)	24,173	(528)	**9,346**

Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on the ratio of net debt to adjusted EBITDA; net debt plus earn-out liabilities (note 17) to adjusted EBITDA; and adjusted net finance charges to adjusted EBITDA. The Group maintains long-term cash forecasts which incorporate forecast covenant positions as part of the Group's capital and cash management. 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 2020, with the exception of obligations under finance leases. The book value of obligations under finance leases is £54,233,000 (2019: £Nil) and the fair value is £59,099,000 (2019: £Nil). The fair value of obligations under finance leases is estimated by discounting future cash flows to net present value and is Level 3 within the fair value hierarchy.

19 Financial instruments continued

Financial instruments – detailed disclosures

Financial instruments recognised in the balance sheet

The IFRS 9 categories of financial assets and liabilities included in the balance sheet and the line in which they are included are as follows:

At 31 January 2020	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	1,075	—	—	1,075
Other receivables	—	—	—	809	809
	—	1,075	—	809	1,884
Current financial assets					
Cash and cash equivalents	—	—	—	28,661	28,661
Trade and other receivables	—	—	—	66,256	66,256
	—	—	—	94,917	94,917
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	31,716	—	31,716
Lease liabilities	—	—	11,210	—	11,210
Provisions	—	—	1,522	—	1,522
Contingent consideration[1]	1,269	—	—	—	1,269
Share purchase obligation[1]	15,366	—	—	—	15,366
Deferred consideration[1]	—	—	2,715	—	2,715
	16,635	—	52,163	—	68,798
Non-current financial liabilities					
Loans and borrowings	—	—	33,007	—	33,007
Lease liabilities	—	—	43,023	—	43,023
Provisions	—	—	4,942	—	4,942
Other payables	—	—	16	—	16
Contingent consideration[1]	26,815	—	—	—	26,815
Share purchase obligation[1]	2,098	—	—	—	2,098
Deferred consideration[1]	—	—	—	—	—
	28,913	—	80,988	—	109,901

1 See note 17.

The Group has no fair value Level 1 instruments (2019: none). The investments in equity instruments are Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than quoted prices, such as historical quoted prices.

All other instruments at fair value through profit or loss were Level 3 instruments as per the table above in the current year and were as per the table overleaf in the prior year. 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. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data.

19 Financial instruments continued

Financial instruments – detailed disclosures continued

Financial instruments recognised in the balance sheet continued

At 31 January 2019	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	1,587	—	—	1,587
Other receivables	—	—	—	803	803
	—	1,587	—	803	2,390
Current financial assets					
Cash and cash equivalents	—	—	—	20,501	20,501
Trade and other receivables	—	—	—	62,100	62,100
	—	—	—	82,601	82,601
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	36,198	—	36,198
Provisions	—	—	1,118	—	1,118
Contingent consideration[1]	4,565	—	—	—	4,565
Share purchase obligation[1]	1,608	—	—	—	1,608
Deferred consideration[1]	—	—	2,182	—	2,182
	6,173	—	44,498	—	50,671
Non-current financial liabilities					
Loans and borrowings	—	—	20,678	—	20,678
Provisions	—	—	1,825	—	1,825
Other payables	—	—	4,622	—	4,622
Contingent consideration[1]	20,147	—	—	—	20,147
Share purchase obligation[1]	128	—	—	—	128
Deferred consideration[1]	—	—	2,464	—	2,464
	20,275	—	29,859	—	49,864

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 2020:

	Effective interest rate	**2020 £'000**	2019 £'000
Current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**5,000**	5,000
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**33,007**	20,678

The fair value of the borrowings at 31 January 2020 is US$21,000,000 (£15,934,000) (2019: US$6,400,000 (£4,866,000)). The foreign exchange loss of £411,000 (2019: loss of £700,000) 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, £Nil was transferred during the period from the hedging reserve to the income statement (2019: £Nil).

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2020 Number	2019 Number
Authorised, allotted, called up and fully paid		
At start of period	**83,563,988**	75,685,350
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	**1,456,041**	971,716
Issued in the year in satisfaction of vested LTIPs (note 21)	**583,176**	489,491
Issued in the year in respect of growth share sales	**949,443**	2,206,905
Issued in the year in respect of share placing	**—**	4,210,526
At end of period	**86,552,648**	83,563,988

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

21 Share-based payments

The Group uses a Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications for LTIPs. At each period end the cumulative expense is adjusted to take into account any changes in the estimate of the likely number of shares expected to vest. Details of the relevant LTIP schemes are given in the following note. 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. The Group uses a weighted average probability model to value the brand appreciation rights as permitted under IFRS 2.

In the period ended 31 January 2020 the Group recognised a charge of £5,629,000 (2019: £3,332,000) made up of £226,000 (2019: £1,533,000) in respect of employment-related LTIP shares; £374,000 (2019: £978,000) given in respect of the grant of growth participating interests of 4.5% in M Booth & Associates LLC (2019: 3.5% in M Booth & Associates LLC, 40% in ODD London Limited, 2.5% in Savanta Group Limited, 5% in Twogether Creative Limited and 3% in Encore Digital Media Limited), as well as £5,029,000 (2019: £821,000) for employment-linked acquisition-related payments.

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

	Outstanding 31 January 2019 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	Outstanding 31 January 2020 Number ('000)	Exercisable 31 January 2020 Number ('000)
Long-Term Incentive Plan — performance shares	1,285	316	(93)	(583)	**925**	**270**

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

	April 2019	April 2019
Fair value of performance shares granted under the LTIP (p)	498	484
Share price at date of grant (p)	518	518
Risk-free rate (%)	1.94	1.94
Expected life (years)	3	5
Expected volatility (%)	26.5	26.5
Dividend yield (%)	1.34	1.34

Expected volatility was determined by calculating the historical volatility of the Company's share price, over a period equal to the expected life of the options.

Performance shares issued by the Company under the Next Fifteen Communications Group plc Long-Term Incentive Plan are granted at a nil exercise price. The weighted average share price at the date of exercise for share options exercised in the year was 520p (2019: 450p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2019: one year).

22 Performance shares

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 Group plc				
Long-Term Incentive Plan	270,371	1 February 2017	31 January 2020	2 May 2017
	47,593	1 February 2017	31 January 2022	2 May 2017
	210,586	1 February 2018	31 January 2021	10 April 2018
	80,798	1 February 2018	31 January 2023	10 April 2018
	241,210	1 February 2019	31 January 2022	25 April 2019
	74,564	1 February 2019	31 January 2024	25 April 2019
	925,122			

During the period the Company issued 583,176 shares to satisfy the vesting under the Next 15 LTIPs. These were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23).

The Company's current Long-Term Incentive Plan is the 2015 LTIP, which was approved by shareholders at the Company's 2015 AGM. Under the 2015 LTIP performance shares or share options may be awarded. The performance is measured over a period of either three or five consecutive financial years of the Group, commencing with the financial year in which the award was granted. The Committee has decided that, initially, there will be two performance conditions:

(a) an earnings per share ('EPS') target, which will determine 70% of the total vesting. Diluted adjusted EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. If the growth in the Company's earnings per share in the relevant year is at least 15%, 100% of 70% of the total award will vest. If the compound growth in EPS in the relevant year is between 5% and 15% then between 25% and 100% of 70% of the total award will vest on a straight-line basis. If EPS does not grow at an average of 5% or more, the full award will lapse; and

(b) a key performance indicator ('KPI') target, which will determine 30% of the total vesting. Each participant will have a number of KPIs relating to his or her role. The Remuneration Committee will determine the extent to which the KPIs have been met in each relevant year. 100% of 30% of the total award will 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.

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 2020 the ESOP held Nil (2019: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 583,176 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 583,176 shares for £Nil consideration (2019: 489,491 shares for £Nil consideration). Nil shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2019: Nil shares for £Nil proceeds).

Treasury shares

At 31 January 2020, the Group held Nil treasury shares (2019: Nil) at a cost of £Nil (2019: £Nil).

24 Other reserves

	Merger reserve £'000	ESOP reserve[1] £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2018	3,075	—	(1,356)	1,719
Total comprehensive income for the year	—	—	(700)	(700)
Purchase and take on of shares	—	(12)	—	(12)
Movement due to ESOP LTIP and growth shares exercises	—	12	—	12
At 31 January 2019	3,075	—	(2,056)	1,019
Total comprehensive expense for the year	—	—	(411)	(411)
Purchase and take on of shares	—	(15)	—	(15)
Movement due to ESOP LTIP and growth shares exercises	—	15	—	15
At 31 January 2020	**3,075**	**—**	**(2,467)**	**608**

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 a result of the transition to IFRS 16, leases previously classified as operating leases have now been recognised on balance sheet, except for the short-term leases and leases of low-value assets which are included below.

As at 31 January 2020, the Group's total future minimum lease rentals are as follows:

	2020		2019	
	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	**793**	**148**	10,869	70
In two to five years	**—**	**121**	39,371	136
After five years	**—**	**—**	12,664	—
	793	**269**	62,904	206

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Palladium Group Limited;
2. the acquisition of UK-based Market Making Limited;
3. the acquisition of US-based Creston Plc US Holdings Inc; and
4. the acquisition of US-based Nectar Communications LLC.

More details on each transaction are provided below.

1. Palladium Group Limited

On 2 April 2019, Next 15 purchased the entire share capital of Palladium Group Limited ("Palladium"), a UK-based consultancy for the private equity market.

Goodwill of £2,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Palladium has contributed £2,622,000 to net revenue and £455,000 to profit before tax. If acquired on 1 February 2019 Palladium would have contributed net revenue of £3,147,000 and profit before tax of £546,000 to the Group results. 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	—	204	204
Property, plant and equipment	13	—	13
Current assets			
Cash and cash equivalents	216	—	216
Other current assets[1]	167	—	167
Current liabilities	(155)	—	(155)
Deferred tax liability	—	(36)	(36)
Net assets acquired	241	168	409
Goodwill			2
			411
Consideration			
Initial consideration settled in cash[2]			387
Initial consideration settled in Ordinary Shares of the Parent			—
Total discounted contingent consideration			24
			411

1 The fair value of receivables acquired is £163,000.

2 This includes initial consideration paid for the business and cash paid for working capital.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £56,000. Further consideration is payable based on the profit before interest and tax of Palladium over the next four years.

26 Acquisitions and equity transactions continued

2. Market Making Limited

On 7 June 2019, Next 15 purchased Market Making Limited ("MML").

Goodwill of £2,492,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period MML has contributed £1,397,000 to net revenue and £519,000 to profit before tax. If acquired on 1 February 2019 MML would have contributed net revenue of £2,096,000 and profit before tax of £779,000 to the Group results. 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	—	2,502	2,502
Property, plant and equipment	14	—	14
Current assets			
Cash and cash equivalents	2,079	—	2,079
Other current assets[1]	295	—	295
Current liabilities	(868)	—	(868)
Deferred tax liability	(3)	(438)	(441)
Net assets acquired	1,517	2,064	3,581
Goodwill			2,492
			6,073
Consideration			
Initial consideration settled in cash[2]			2,791
Initial consideration settled in Ordinary Shares of the Parent			456
Total discounted contingent consideration			2,826
			6,073

1 The fair value of receivables acquired is £201,000.

2 This includes initial consideration paid for the business and cash paid for working capital.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £163,000.

3. Creston Plc US Holdings Inc

On 1 October 2019, Next 15 purchased the entire share capital of Creston Plc US Holdings Inc ("Creston") and its subsidiary, Health Unlimited LLC ("Health") from Creston Overseas Holdings Limited. Health is a global health consultancy and communications agency. Goodwill of £5,786,000 ($7,394,000) arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Health has contributed £3,837,000 to net revenue and £777,000 to profit before tax. If acquired on 1 February 2019 Health would have contributed net revenue of £11,510,000 and profit before tax of £2,331,000 to the Group results. The due diligence over the identifiable assets acquired is still in progress; therefore, the fair value of the assets used below are provisional.

26 Acquisitions and equity transactions continued

3. Creston Plc US Holdings Inc *continued*

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	—	11,361	11,361
Property, plant and equipment	2,991	—	2,991
Current assets			
Cash and cash equivalents	863	—	863
Other current assets[1]	4,366	—	4,366
Current liabilities	(4,947)	—	(4,947)
Deferred tax liability	—	(2,840)	(2,840)
Net assets acquired	3,273	8,521	11,794
Goodwill[3]			15,934
			27,728
Consideration			
Initial consideration settled in cash[2]			17,104
Initial consideration settled in Ordinary Shares of the Parent			5,443
Total discounted contingent consideration			5,181
			27,728

1 The fair value of receivables acquired is £1,089,000.

2 This includes initial consideration paid for the business and cash paid for working capital.

3 Goodwill is denominated in USD and therefore the exchange rate at the point of acquisition has been used.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £272,000.

Further contingent consideration is payable in 2020 and 2021 dependent on the EBITDA performance of Health for the years ending 31 March 2020 and 31 March 2021 respectively.

26 Acquisitions and equity transactions continued

4. Nectar Communications LLC

On 26 November 2019, Next 15 purchased the entire share capital of Nectar Communications LLC ("Nectar"). Goodwill of £3,008,000 ($3,892,000) arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Nectar has contributed £1,755,000 to net revenue and £477,000 to profit before tax. If acquired on 1 February 2019 Nectar would have contributed net revenue of £7,020,000 and profit before tax of £1,909,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group. The due diligence over the identifiable assets acquired is still in progress; therefore, the fair value of the assets used below are provisional.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	—	3,285	3,285
Property, plant and equipment	1,277	—	1,277
Current assets			
Cash and cash equivalents	1,433	—	1,433
Other current assets[1]	912	—	912
Current liabilities	(2,116)	—	(2,116)
Net assets acquired	1,506	3,285	4,791
Goodwill			3,008
			7,799
Consideration			
Initial consideration settled in cash			2,156
Total discounted contingent consideration[2]			5,643
			7,799

1 The fair value of receivables acquired is £688,000.

2 This includes cash payable for working capital.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £51,000.

Further contingent consideration may be payable around April 2022 and April 2025 based on the EBITDA performance of Health over the next five years.

The following table summarises the net cash outflow and value of shares issued on acquisition of subsidiaries during the year ending 31 January 2020:

	Consideration settled in cash £'000	Cash and cash equivalent balances acquired £'000	Total net cash outflow £'000	Value of shares issued £'000
Palladium	**387**	**(216)**	**171**	**—**
Market Making	**2,791**	**(2,079)**	**712**	**456**
Health	**17,104**	**(863)**	**16,241**	**5,443**
Nectar	**2,156**	**(1,433)**	**723**	**—**
Other[1]	**1,190**	**(536)**	**654**	**—**
	23,628	**(5,127)**	**18,501**	**5,899**

1 Other represents amounts in relation to a number of acquisitions, none of which is individually significant to the Group.

27 Subsidiaries

The Group's subsidiaries at 31 January 2020 are listed below.

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Activate Marketing Services LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Agent3 Limited	United Kingdom	✓	56.9	75 Bermondsey Street, London SE1 3XF
Agent3 LLC	USA		56.9	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Archetype Agency AB	Sweden		100	Västmannagatan 4, 111 24 Stockholm
Archetype Agency Beijing Limited	China		100	14F, Room 1703,1705, Tower 2, No. 22 Guanghua Road, Chaoyang District, Beijing, 100020 China
Archetype Agency BV	Netherlands		100	Silodam 1D, 1013 AL Amsterdam, Netherlands
Archetype Agency GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Archetype Agency Limited	Hong Kong	✓	100	Unit 1102-04, 11/F, 299QRC, 297-299 Queen's Road Central, Sheung Wan, Hong Kong
Archetype Agency SRL	Italy		100	Piazzale Principessa Clotilde, 8 20121 Milano
Archetype Agency Limited	United Kingdom		100	6th Floor, 110 High Holborn, London WC1V 6JS
Archetype Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Archetype Agency Sdn. Bhd.	Malaysia		100	Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 KL, Malaysia
Archetype Agency Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Archetype Agency Pte Limited	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
Archetype Agency Pty Limited	Australia		100	10-14 Waterloo Street, Surry Hills, NSW 2010
Archetype Agency SARL	France		100	17 rue de la Banque, 75002 Paris
Archetype Agency SL	Spain		100	c/ Prim, 19 5ª Planta, Madrid 28004
August.One Communications International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Bite Communications Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Bite Communications Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Brandwidth Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Brandwidth LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Brandwidth Marketing Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Bullet Marketing Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
BYND Limited	United Kingdom	✓	94.9	75 Bermondsey Street, London SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Charterhouse Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Circle Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
CommunicateResearch Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Creston Plc US Holdings Inc	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

27 Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Elvis Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Encore Digital Media Limited	United Kingdom	✓	79.9	3 Melville Street, Edinburgh, Scotland EH3 7PE
HPI Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Hypertext Communications Private Limited	India		100	Unit 503, Fifth Floor, Millennium Plaza, M.G. Road, Gurgaon, Haryana, 122002, India
Hypertext Pte Limited	Singapore		100	600 North Bridge Road, #23-01, Parkview Square, Singapore 188 778
IF.Agency, LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
M Booth & Associates LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
M Booth Health LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Market Making Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Narration LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Nectar Communications LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Holdco1 Limited	United Kingdom		100	3 Melville Street, Edinburgh, Scotland EH3 7PE
ODD Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
ODD London Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Outcast London Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Palladium Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Partnermarketing.com Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Planning-inc Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Publitek GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Publitek Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Publitek LLC	USA		100	CT Corporation System, 780 Commercial Street SE, Suite 100, Salem OR 97301
Savanta Analytics Limited	Canada		100	700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B8
Savanta Group Limited	United Kingdom	✓	97.9	3 Melville Street, Edinburgh, Scotland EH3 7PE
Savanta Group LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
TechAD Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Technical Publicity Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Text 100 Pty Limited	Australia		100	10-14 Waterloo Street, Surry Hills, NSW 2010
Text 100 International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF

27 Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Text 100 Proprietary Limited	South Africa		100	Sandton Close, 2nd Floor Block A, Cnr 5th Street & Norwich Close, Sandton, Johannesburg
The Blueshirt Group LLC	USA		89.3	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
The Lexis Agency Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
The OutCast Agency LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Twogether Creative Limited	United Kingdom	✓	95.0	75 Bermondsey Street, London SE1 3XF
Twogether Creative LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Velocity Partners Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Velocity Partners US Inc.	USA		100	CT Corporation System, 28 Liberty Street, New York, NY 10005
Vox Public Relations India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025

All shares held are a class of Ordinary Shares with the exception of the US LLCs where LLC units are held.

The principal activity of the subsidiary undertakings is digital communications consultancy specialising predominantly in the technology and consumer sectors.

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.

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2020 by virtue of section 479A of the Companies Act 2006: Archetype Agency Limited (03329933), August. One Communications International Limited (03224261), Bite Communications Group Limited (04131879), Bite Communications Limited (03023521), Brandwidth Group Limited (09599858), Bullet Marketing Limited (04842820), BYND Limited (07123452), Charterhouse Research Limited (05079748), Circle Research Limited (05669149), Communicate Research Limited (04810991), Elvis Communications Limited (04768344), Encore Digital Media Limited (SC449653), HPI Research Limited (05816194), Market Making Limited (07913465), Next Fifteen Holdco1 Limited (SC364548), The Lexis Agency Limited (04404752), ODD Communications Limited (07861569), ODD London Limited (05107477), Outcast London Limited (07831770), Palladium Group Limited (09460746), Partnermarketing.com Limited (07545480), Planning-inc Limited (04118854), TechAd Limited (01872833), Technical Publicity Limited (02384040), Text 100 International Limited (02433862), The Lexis Agency Limited (04404752) and Velocity Partners Limited (04128107).

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in the United Kingdom and registered 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 2020 there were the following related-party transactions:

Brand	Services	Related party	**Income impact 2020 £'000**	**Asset at year end 2020 £'000**	Income impact 2019 £'000	Asset at year end 2019 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors is an associate of Next 15	**35**	**34**	22	22

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 £383,897, £26,787 and £7,884 respectively (2019: £338,195, £16,142 and £6,660). Key management personnel compensation is disclosed in note 3.

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:

	2020 £'000	2019 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	**231**	428
In two to five years	**—**	1,198
	231	1,626

30 Events after the balance sheet date

Impact of Coronavirus

Refer to note 1 for details of the Group's judgement that the impact of COVID-19 represents a non-adjusting post balance sheet event. Given the global scale of the situation, further explanation of the impact of changing the estimates and assumptions presented in the financial statements are given below.

Refer to notes 1 and 11 for details of the Group's impairment methodology and key assumptions and sensitivity analysis.

In terms of current trading, we have yet to see any material impact on the business overall and we have seen some benefit from the strength of the US dollar versus sterling and some clients switching spend away from live events into digital marketing and lead generation. Note 19 shows the sensitivity of our business to movements in our key exchange rates, notably US dollar to sterling. We have also yet to see any material impact on our recoverability of trade debtors. However, we do anticipate our business will be impacted from May as the wider economic impact of COVID-19 increases. It remains too early to assess the impact that this unfolding situation will have on trading for the year ahead.

The Group has therefore carried out further sensitivity analysis on the assumptions used in the value-in-use calculations for the purposes of the goodwill impairment review. Using a revised brand-specific FY21 budget to calculate the value in use for each cash-generating unit would indicate an impairment in the range of £0–£1.5m for the Group.

The Group also uses key assumptions when determining the value of contingent consideration and share purchase obligations related to acquisitions, including judgements around future revenue growth and profit margins. Therefore, as a result of the impact of COVID-19, these assumptions are likely to change, as such this will result in a material adjustment to the value of these liabilities within the next financial year. Further details, including sensitivity analysis, are contained in note 17.

Deferred tax assets are only recognised to the extent it is probable there will be future taxable profits. Subsequent to the balance sheet date, the Group has reviewed the current impact of COVID-19 on those future taxable profits and concluded that deferred tax assets can continue to be recognised in full.

Company balance sheet
as at 31 January 2020 and 31 January 2019

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Non-current assets					
Intangible assets	2	**646**		910	
Tangible assets	3	**1,050**		1,253	
Right-of-use assets	4	**6,115**		—	
Investments in subsidiaries	5	**170,916**		163,496	
Investment in financial assets		**838**		1,335	
Deferred tax assets	10	**755**		47	
			180,320		167,041
Current assets					
Trade and other receivables	6	**49,412**		23,068	
Current tax asset		**2,259**		1,991	
			51,671		25,059
Current liabilities					
Borrowings		**5,000**		5,000	
Trade and other payables	7	**19,667**		22,706	
Lease liabilities	4	**1,213**		—	
Provisions	9	**1,129**		491	
Contingent consideration		**7,402**		1,871	
Deferred consideration		**2,715**		2,182	
			(37,126)		(32,250)
Net current assets/(liabilities)			**14,545**		(7,191)
Total assets less current liabilities			**194,865**		159,850
Non-current liabilities					
Borrowings	8	**33,007**		20,678	
Other financial liabilities	8	**7,080**		10,819	
Lease liabilities	4	**5,576**		—	
Provisions		**3,578**		784	
			(49,241)		(32,281)
Net assets			**145,624**		127,569
Equity					
Share capital	11	**2,163**		2,089	
Share premium account		**76,019**		62,993	
Merger reserve		**3,075**		3,075	
Share-based payment reserve		**8,136**		7,925	
Other reserve		**26,460**		26,871	
Retained earnings		**29,771**		24,616	
Equity attributable to owners of the Company			**145,624**		127,569

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

The Company reported a profit for the financial year ended 31 January 2020 of £12,937,000 (2019: £16,910,000).

These financial statements were approved and authorised for issue by the Board on 22 April 2020.

Peter Harris
Chief Financial Officer

Company number 01579589

Company statement of changes in equity
for the year ended 31 January 2020 and 31 January 2019

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 31 January 2018		1,892	28,611	3,075	6,404	—	27,571	13,642	81,195
Profit for the period		—	—	—	—	—	—	16,910	16,910
Fair value loss on investments in equity instruments designated as FVTOCI		—	—	—	—	—	—	(693)	(693)
Dividends	10	—	—	—	—	—	—	(5,243)	(5,243)
Shares issued in satisfaction of vested share options and performance shares		68	10,593	—	(12)	—	—	—	10,649
Shares issued on acquisition		24	4,433	—	—	—	—	—	4,457
Shares issued on placing		105	19,356	—	—	—	—	—	19,461
Movement in hedging reserve		—	—	—	—	—	(700)	—	(700)
Movement in relation to share-based payments		—	—	—	1,533	—	—	—	1,533
Movement due to ESOP share purchases		—	—	—	—	(12)	—	—	(12)
Movement due to ESOP share option exercises		—	—	—	—	12	—	—	12
At 31 January 2019		2,089	62,993	3,075	7,925	—	26,871	24,616	127,569
Change in accounting policy (IFRS 16)[1]		—	—	—	—	—	—	(573)	(573)
Deferred tax on accounting policy change (IFRS 16)[1]		—	—	—	—	—	—	97	97
At 1 February 2019 (as restated)		2,089	62,993	3,075	7,925	—	26,871	24,140	127,093
Profit for the period		—	—	—	—	—	—	12,937	12,937
Fair value loss on investments in equity instruments designated as FVTOCI		—	—	—	—	—	—	(547)	(547)
Dividends		—	—	—	—	—	—	(6,759)	(6,759)
Shares issued in satisfaction of vested share options and performance shares		38	5,388	—	(15)	—	—	—	5,411
Shares issued on acquisition		36	7,638	—	—	—	—	—	7,674
Movement in hedging reserve		—	—	—	—	—	(411)	—	(411)
Movement in relation to share-based payments		—	—	—	226	—	—	—	226
Movement due to ESOP share purchases		—	—	—	—	(15)	—	—	(15)
Movement due to ESOP share option exercises		—	—	—	—	15	—	—	15
At 31 January 2020		**2,163**	**76,019**	**3,075**	**8,136**	**—**	**26,460**	**29,771**	**145,624**

1 Refer to note 1 for the restatement required following adoption of IFRS 16.

The following notes are an integral part of this Company Statement of Changes in Equity.

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 the inside back cover. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 21. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council incorporating the amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

The separate 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 principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 4 to the consolidated financial statements.

The Company has adopted IFRS 16 in the period, further details of which are disclosed in note 1 to the consolidated financial statements. The impact of adoption of IFRS 16 for the Company in the period is a £476,000 reduction in retained earnings relating to the recognition of right-of-use assets and lease liabilities.

The new standards and amendments which have not yet been adopted are disclosed in note 1, section U, to the consolidated financial statements.

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 payments, 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 monthly average number of employees during the year was 43 and employee costs for the year totalled £3,292,000 (2019: £3,797,000) . This was made up of £2,474,000 in respect of wages and salaries (2019: £2,643,000); £604,000 in respect of social security (2019: £318,000); £107,000 in respect of pension costs (2019: £67,000) as well as £107,000 in relation to share-based payment charges (2019: £769,000). Disclosures relating to the remuneration of the Parent company's directors are included in the directors' remuneration report on pages 32 to 42.

B. Investments in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment.

C. 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 Strategic Report 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.

D. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

1 Accounting policies continued

D. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

I. 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 £171m.

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, which, if inappropriate, would result in a material adjustment to the value of these liabilities within the next financial year. Further details are contained in note 17 in the Group financial statements and note 7 in the Company financial statements.

2 Intangible assets

	Computer software £'000
Cost	
At 1 February 2019	3,561
Additions	93
At 31 January 2020	**3,654**
Accumulated depreciation	
At 1 February 2019	2,651
Charge for the year	357
At 31 January 2020	**3,008**
Net book value	
At 31 January 2020	**646**
At 31 January 2019	910

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2019	1,795	694	2,489
Additions	16	89	105
At 31 January 2020	**1,811**	**783**	**2,594**
Accumulated depreciation			
At 1 February 2019	718	518	1,236
Charge for the year	219	89	308
At 31 January 2020	**937**	**607**	**1,544**
Net book value			
At 31 January 2020	**874**	**176**	**1,050**
At 31 January 2019	1,077	176	1,253

4 Leases

The movements in the year ended 31 January 2020 were as follows:

Right-of-use assets:

	Land and buildings £'000
At 31 January 2019	5,678
Additions	1,417
Depreciation of right-of-use assets	(980)
At 31 January 2020	**6,115**

Lease liabilities:

	Land and buildings £'000
At 31 January 2019	6,417
Additions	1,395
Interest expense related to lease liabilities	178
Repayment of lease liabilities	(1,201)
At 31 January 2020	**6,789**

The maturity of the lease liabilities is as follows:

	2020 £'000
Amounts payable:	
Within one year	**1,394**
In two to five years	**4,632**
After five years	**1,358**
Total gross future liability	**7,384**
Effect of discounting	**(595)**
Lease liability at 31 January	**6,789**

5 Investments

	Total £'000
Cost	
At 1 February 2019	163,496
Acquisitions[1]	7,420
Disposals	—
At 31 January 2020	**170,916**

1 On 2 April 2019, the Company purchased 100% of the issued share capital of Palladium Group Limited. On 7 June 2019, the Company purchased 100% of the share capital of Market Making Limited. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

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 Company's subsidiaries are those as listed in note 27 of the consolidated financial statements.

6 Trade and other receivables

	Company 2020 £'000	Company 2019 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**48,015**	20,883
Other debtors	**922**	1,642
Prepayments and accrued income	**320**	532
Other taxation	**155**	11
Total trade and other receivables	**49,412**	23,068

7 Trade and other payables

	Company 2020 £'000	Company 2019 £'000
Overdraft	**4,333**	8,961
Trade creditors	**327**	513
Amounts owed to subsidiary undertakings	**13,750**	11,126
Other taxation and social security	**117**	92
Other creditors	**7**	22
Accruals and deferred income	**1,133**	1,992
Total trade and other payables	**19,667**	22,706

8 Non-current liabilities

	Company 2020 £'000	Company 2019 £'000
Bank loan[1]	**33,007**	20,678
Between one and two years	**5,000**	5,000
Between two and five years	**28,007**	15,678
After five years	**—**	—
Contingent consideration	**4,982**	8,227
Between one and two years	**1,350**	4,247
Between two and five years	**3,632**	3,980
After five years	**—**	—
Deferred consideration	**—**	2,464
Between one and two years	**—**	2,464
Between two and five years	**—**	—
After five years	**—**	—
Share purchase obligation	**2,098**	128
Between one and two years	**—**	—
Between two and five years	**2,098**	128
After five years	**—**	—
Total	**40,087**	31,497

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

8 Non-current liabilities continued

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 2020.

The Company has no fair value Level 1 instruments (2019: none). The Company's investments in financial assets are Level 2 instruments and are measured at historic quoted prices. All other instruments at fair value through profit or loss are Level 3 instruments being the contingent consideration and share purchase obligation liabilities.

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. They are not based on observable market data.

9 Provisions

	Employment-related acquisition liabilities £'000	Total £'000
At 31 January 2019	1,275	1,275
Additions	4,446	4,446
Utilised in period	(1,014)	(1,014)
At 31 January 2020	**4,707**	**4,707**

10 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 January 2018	(6)	—	3	(3)
Credit to income	11	17	22	50
At 31 January 2019	5	17	25	47
Accounting policy change (IFRS 16)	—	—	97	97
Credit to income	30	(17)	598	611
At 31 January 2020	**35**	**—**	**720**	**755**

11 Share capital and reserves

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid		
86,552,648 Ordinary Shares of 2.5p each	**2,163**	2,089

For details on changes to issued share capital in the year, please refer to note 20 in the Group financial statements. For details of the dividends declared and paid in the year, please refer to note 9 in the Group financial statements.

12 Operating leases

As a result of the transition to IFRS 16, leases previously classified as operating leases have now been recognised on balance sheet, except for the short-term leases and leases of low value assets which are included below.

As at 31 January 2020, the Company's total future minimum lease rentals are as follows:

	2020		2019	
	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	**91**	**27**	1,204	—
In two to five years	**—**	**—**	5,053	—
After five years	**—**	**—**	1,001	—
	91	**27**	7,258	—

Operating leases relate to the rental of office space for the Group in the UK.

13 Related-party transactions

During the period the Company received the following amounts in respect of head office costs and intercompany interest from undertakings which were not wholly owned at the balance sheet date:

	Intercompany interest		Recharges	
	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000	**Year ended 31 January 2020 £'000**	Year ended 31 January 2019 £'000
Agent3 Limited	**—**	—	**906**	806
Blueshirt Group LLC	**—**	—	**243**	196

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

	Year ended 31 January 2020 £'000	Year ended 31 January 2019 £'000
Agent3 Limited	**2,986**	2,246
Blueshirt Group LLC	**4**	9

Five-year financial information
for the 12-month period ended 31 January (unaudited)

	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000	Year ended 2017 IFRS £'000	Year ended 2016 IFRS £'000
Profit and loss					
Billings	**325,353**	291,037	243,485	200,745	151,658
Net revenue	**248,469**	224,093	196,811	171,013	129,757
Staff costs	**171,180**	153,247	136,346	126,756	92,721
Operating profit	**19,413**	20,677	17,225	7,914	8,429
Net finance expense	**(14,061)**	(1,917)	(3,955)	(4,742)	(2,846)
Profit before income tax	**5,556**	18,825	13,296	2,900	5,578
Income tax expense	**(2,717)**	(4,299)	(4,000)	(1,232)	(1,116)
Profit for the year	**2,839**	14,526	9,296	1,668	4,462
Non-controlling interests	**577**	639	664	530	470
Profit attributable to owners of the Parent	**2,262**	13,887	8,632	1,138	3,992
Balance sheet					
Non-current assets	**224,370**	155,028	120,082	107,410	71,430
Net current assets	**1,780**	10,792	15,014	15,243	16,159
Non-current liabilities	**(113,439)**	(54,367)	(58,775)	(54,156)	(34,798)
Total equity attributable to owners of the Parent	**113,296**	112,529	76,964	67,571	52,048
Non-controlling interests	**(585)**	(1,076)	(643)	926	743
Total equity	**112,711**	111,453	76,321	68,497	52,791
Cash flow					
Profit for the year	**2,839**	14,526	9,296	1,668	4,462
Non-cash adjustments and working capital movements	**46,662**	23,856	19,569	31,176	11,826
Net cash generated from operations	**49,501**	38,382	28,865	32,844	16,288
Income tax paid	**(5,993)**	(6,237)	(4,284)	(1,978)	(2,954)
Net cash from operating activities	**43,508**	32,145	24,581	30,866	13,334
Acquisition of subsidiaries net of cash acquired	**(18,501)**	(19,281)	(9,824)	(14,546)	(4,190)
Acquisition of property, plant and equipment	**(3,460)**	(5,648)	(2,974)	(8,284)	(6,411)
Net cash outflow from investing activities	**(28,340)**	(37,154)	(19,399)	(30,592)	(20,158)
Net cash movement in bank borrowings	**13,039**	(10,922)	4,484	11,589	2,871
Dividends paid to owners of the Parent	**(6,759)**	(5,243)	(4,121)	(3,264)	(2,441)
Net cash (outflow)/inflow from financing activities	**(6,826)**	645	(2,034)	6,500	11,459
Increase/(decrease) in cash for the year	**8,342**	(4,364)	3,148	6,774	4,635
Dividend per share (p)	**2.5**	7.56	6.30	5.25	4.2
Basic earnings per share (p)	**2.7**	17.5	11.6	1.6	6.0
Diluted earnings per share (p)	**2.5**	16.3	10.5	1.5	5.6
Key performance indicators and other non-statutory measures					
Headline staff costs as a % of net revenue[1]	**65.6**	65.9	67.0	67.6	69.3
Headline EBITDA[2]	**56,764**	41,733	34,388	28,964	19,176
Headline profit before income tax[3]	**40,237**	36,004	29,338	24,200	16,092
Diluted headline earnings per share (p)[4]	**34.8**	33.1	27.8	23.4	16.9
Net debt[5]	**(9,346)**	(5,177)	(11,593)	(11,412)	(6,618)

1 Staff costs excluding restructuring costs. See note 5 of the financial statements.
2 Operating profit before depreciation, amortisation, acquisition-related consideration movements and other adjusting items.
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.

Financial calendar

Preliminary results

2020 full-year results announcement	23 April 2020
Annual General Meeting	25 June 2020
2021 half-year results announcement	October 2020
Year end	31 January 2021
2021 full-year results announcement	April 2021

Final dividend

As detailed on page 43, the 2020 final dividend has been suspended.

Interim dividend

Ex-dividend date	October 2020
Record date	October 2020
Last date for DRIP election	November 2020
Payment of 2021 interim dividend	November 2020

These dates are provisional and may be subject to change.

Annual General Meeting

Please see page 44 for further details.

Managing your shares and shareholder communications

The Company's shareholder register is maintained by its registrar, Link Asset Services. Information on how to manage your shareholdings can be found at www.signalshares.com. Shareholders can contact Link Asset Services in relation to all administrative enquiries relating to their shares, such as a change of personal details, the loss of a share certificate, out-of-date dividend cheques, change of dividend payment methods and to apply for the Dividend Reinvestment Plan. Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign up by registering at www.signalshares.com. Should shareholders who have elected for electronic communications require a paper copy of any of the Company's shareholder documentation, or wish to change their instructions, they should contact Link Asset Services.

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone from the UK: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Lines are open Monday to Friday (9.00 a.m.–5.30 p.m.).

Telephone from overseas: +44 (0)371 664 0300

Calls outside the UK will be charged at the applicable international rate.

E-mail: enquiries@linkgroup.co.uk

Dividends

Dividends can be paid directly into your bank account. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out-of-date cheques. A dividend mandate form is available from Link Asset Services or at www.signalshares.com.

For dividends payable on or after 6 April 2018 the dividend nil rate will only apply to the first £2,000 of a person's dividend income. Please refer to HMRC's website www.gov.uk/tax-on-dividends or seek advice from a professional tax adviser if you have any doubt about how this impacts your tax position.

Link Asset Services is also able to pay dividends to shareholder bank accounts in many currencies worldwide through the International Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Link Asset Services or at http://ips.linkassetservices.com/.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ('DRIP') which enables shareholders to buy the Company's shares on the London Stock Exchange with their cash dividend. Further information about the DRIP is available from Link Asset Services. If shareholders would like their future dividends to qualify for the DRIP, completed application forms must be returned to the registrar.

Shareholder fraud

Fraud is on the increase and many shareholders are targeted every year. If you have any reason to believe that you may have been the target of fraud, or attempted fraud, in relation to your shareholding, please contact Link Asset Services immediately.

More detailed information can be found on the FCA website at: www.fsa.gov.uk/consumerinformation/scamsandswindles/investment_scams/boiler_room.

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