NEXT 15

Next Fifteen Communications Group plc

Annual Report 2017

We are a specialist communications group driven by technology

Revenue	Dividend per share	Net debt
£171.0m +32%	5.25p +25%	£11.4m +73%
(2016: £129.8m)	(2016: 4.2p)	(2016: £6.6m)
Adjusted diluted earnings per share	**Adjusted profit before tax**	**Statutory profit for the year**
23.4p +38%	£24.2m +50%	£1.7m -62%
(2016: 16.9p)	(2016: £16.1m)	(2016: £4.5m)

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Our mission is to create a new type of integrated marketing group, one rooted in technology and data

Employees	Offices	Countries
1,610	39	14

Our business

Next 15 is a Group that is centred on the technology of marketing: data, insight, analytics, apps, content platforms and, of course, content itself. We believe that we are creating a strong alternative to the major advertising groups whose business models still rely heavily on traditional advertising revenues.

Our brands

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

Our sectors

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

Our clients

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

Find out more about our brands at ar17.next15.com agent3

bDA®

beyond

bite®

TheBlueshirtGroup

cm connections media llc

encore

LEXIS

MORAR
A leap of insight

M BOOTH

ODD

The OutCast Agency

P publitek
marketing communications

story

TEXT100

vrge

twogether

Dear Shareholder,

Pundits debate the biggest changes to marketing communications in the internet era. Search, social media, the smart-phone, data analytics, artificial intelligence. In truth, each of these has impacted the opportunities for our clients, alongside the network of technological and cultural change that have come with them. Over this period, Next 15 has made understanding and adapting to change a central feature of its business approach.

So, despite these unpredictable times, I'm pleased to report a remarkably strong performance by the Group as a whole. Revenues continued to increase to £171.0m (+32%) while adjusted profit before tax rose by 50% to £24.2m. Fully diluted adjusted earnings per share rose by 38% to 23.4p.

These results were driven by three things: strong organic growth, well-executed acquisitions and the relative strength of the US dollar. Organic growth came from strong performances by many of the Group's businesses, validating the Group's focus on content, data and technology. During the year we added Publitek and Pinnacle, two highly specialist content businesses that operate in the semi conductor and electronic component markets. Twogether, a B2B content and software business also joined the Group and has made an impressive contribution. Lastly, we added to our growing data capability through the acquisition of HPI, a research business that now sits under Morar.

During the year we saw excellent performances from all the larger businesses: Beyond, M Booth, Outcast and Text 100. We saw great performances from Bite US and Encore; Publitek and Pinnacle also made strong contributions. The businesses in Asia and mainland Europe made very good progress with improved margins and relatively strong organic growth.

While it is pleasing to see such growth, we are entirely conscious that such a performance does not buy anyone a break from the agility and energy that have afforded it. Given the changes to the global economy, the Board is keen to see the businesses remain diligent about their respective business models.

Next 15 has made understanding and adapting to change a central feature of its business approach

In particular, we have to ensure that we are attracting and retaining the very best talent. While strategy matters, it will only succeed if the right people are in the right roles, working for the right clients. The Group continues to set high standards when it comes to the companies it represents. Working for the wrong companies may yield short-term gains but in the long run will erode our ability to grow as good talent leaves and our investment in our products and services is devalued.

Looking ahead I'm pleased to report that the business is well-placed to deliver further organic growth and has a strong enough balance sheet to enable to it make further acquisitions. As a Board we are reluctant to create a highly leveraged business. Therefore if larger acquisition opportunities present themselves, we would only pursue them with the support of our shareholders.

On behalf of the Board I would like to thank the 1,600 plus people who make up Next 15. Without their hard work, creativity and agility, the Group wouldn't be what it is today. We look forward to another exciting year.

Yours,

Richard Eyre CBE
Chairman
3 April 2017

Disruption is a word used all too often in the technology industry. Amazon has disrupted retail, Uber transportation and Facebook, the media. Indeed if, like me, you spend a lot of time talking to emerging tech companies and venture capitalists, you start to believe that everything will be disrupted in the next few years. While I suspect driverless cars and smart homes will become the norm in the next decade, at least in some parts of the world, the journey for other industries may take a little longer. But all this change is what makes Next 15, and its portfolio of businesses, such an exciting place right now. We are working with many of the companies tackling these challenges and we ourselves are looking at how to disrupt the way we deliver marketing solutions to our customers. It is why we describe the Group as a technology-driven marketing organisation.

I started this year’s letter in this way because I think it’s important that shareholders understand that, when you look at Next 15, you should see a company which is embracing the wave of technology that is disrupting industries and is trying to help both those driving disruption and those who are facing the risk of being disrupted. For the disruptors, marketing is all about how quickly they can get to the customer; for those being disrupted, it’s about how they need to adapt and change as a company to enable them to disrupt their own market. The collection of businesses that makes up Next 15 are all in the business of ‘speed’ and ‘change’. Our content businesses are designed to get the right messages out as quickly as possible to the right people but they may also help companies rethink their narrative and, in so doing, change the way people think about those brands. Our technology and data businesses play a similar role. We deliver data-driven insights and build technology-driven solutions so that companies can see real time who they should be communicating with and have the tools to do so.

In the last year we made a huge amount of progress in our mission to embed technology and data into everything we do but we still have work to do. I believe these efforts, coupled with some excellent execution, are behind the growth we are seeing across the business. As Richard and Peter note in their letters, we grew at a very strong pace last year. That kind of growth results from a lot of hard work by a lot of people. Running a Group like ours could be challenging but I’m deeply proud of the team that we have and the culture that exists within the Group. Next 15 businesses are modern, non-hierarchical, empowered, meritocratic organisations. This is an important part of our success. Our culture enables us to work with the high-growth tech companies and creates the challenge that large, established businesses want as they adapt to the kind of disruption to which I referred earlier.

In the last year we made a huge amount of progress in our mission to embed technology and data into everything we do

Looking ahead, I see significant opportunities for the Group. The Group has become an attractive home for people and businesses that share our vision and values. That applies to the people who work for us and the people we work for. While the world is possibly harder than ever to predict politically, the path for technology has never seemed more certain. Artificial intelligence and/or deep learning is set to reshape the services industry in ways that mechanisation and robots have changed manufacturing. It is very clear that if we are to remain competitive in the long term, we need to embrace these technologies rather than fight them. With this in mind the Group has already started making small investments in technology companies. The technologies these companies produce are the sorts of things we see our clients needing. A good example is Phrasee, a technology that uses artificial intelligence to optimise e-mail headlines to maximise the number of relevant people who will open that email. The opportunities for the application of technology at every stage of the customer life cycle are significant. This doesn't mean that human creativity is dead, far from it. As technology makes customer interaction more efficient, creativity will become the factor that determines the effectiveness of a company's sales and marketing efforts.

If ever there was a moment to use the often quoted expression 'may you live in interesting times' then this is it. Thankfully for Next 15, they are also exciting times.

Tim Dyson
Chief Executive Officer
3 April 2017

Another year of significant progress across the Group

We have had a very positive year with strong organic growth aided by a significant contribution from our recent acquisitions and favourable currency movements.

Adjusted results	**Year to 31 January 2017 £m**	Year to 31 January 2016 £m	Growth %
Revenue	**171.0**	129.8	32
EBITDA	**29.0**	19.2	51
Operating profit	**25.0**	16.5	52
Operating profit margin	**14.6%**	12.7%	
Net finance expense	**(0.5)**	(0.4)	
Share of profits of associate	**(0.3)**	0.0	
Profit before income tax	**24.2**	16.1	50
Tax rate on adjusted profit	**22.0%**	22.0%	
Diluted earnings per share	**23.4p**	16.9p	38

Overview

In order to better aid 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 2017 compared with the 12 months to 31 January 2016. The commentary refers to financial measures which have been adjusted to take account of amortisation, impairments, brand equity incentive schemes, restructuring charges and certain other non-recurring items.

Statutory revenues for the year were £171.0m (2016: £129.8m) which resulted in an operating profit of £7.9m, compared with £8.4m in the prior period. Diluted earnings per share were 1.5p, compared with 5.6p in the previous period.

Statutory results	**Year to 31 January 2017 £m**	Year to 31 January 2016 £m
Revenue	**171.0**	129.8
Profit for the year	**1.7**	4.5
Diluted earnings per share	**1.5p**	5.6p

Adjusted operating profit	Adjusted operating profit margin	Adjusted EBITDA
£25.0m +52%	14.6%	£29.0m +51%
(2016: £16.5m)	(2016: 12.7%)	(2016: £19.2m)
(2015: £12.7m)	(2015: 11.7%)	(2015: £14.6m)

Review of adjusted results to 31 January 2017

Group profit and loss account

The last 12 months have been a period of exceptional progress across the Group. We have again succeeded in growing the revenues at our US businesses at a double-digit organic rate whilst achieving an operating profit margin in excess of 20%. M Booth and Beyond US have had impressive performances whilst OutCast, Connections Media and Bite US have continued to deliver solid results.

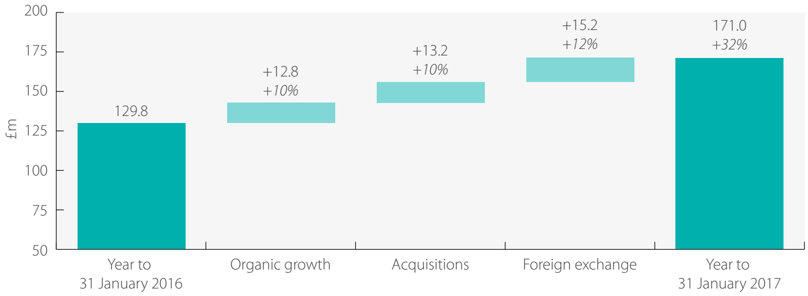
In addition, we have benefited from the series of operational improvements we have implemented which have resulted in an increase in the operating margins of our non-US operations. We have improved the efficiency of a number of our UK businesses whilst acquiring high-growth, high-margin agencies in Publitek, Pinnacle and Twogether. We also acquired HPI which has been merged with Morar to create MIG Global.

We have also benefited significantly from the merger in 2015 of our agencies in APAC and EMEA where trading continued to improve as the year progressed in both markets.

In total for the 12 months to January 2017, the Group delivered revenue of £171.0m, adjusted operating profit of £25.0m, adjusted profit before income tax of £24.2m and adjusted diluted earnings per share of 23.4p. This compares with revenue of £129.8m, adjusted operating profit of £16.5m, adjusted profit before income tax of £16.1m and adjusted diluted earnings per share of 16.9p for the 12 months to 31 January 2016.

The Group adjusted operating margin increased to 14.6% from 12.7% in the prior period.

Revenue bridge (£m)



Taxation

The tax rate on the Group's adjusted profit for the year to January 2017 was at a rate of 22%, compared to the statutory rate of 43%. This was in line with the rate achieved in the previous period as we benefited from a higher proportion of our profit coming from lower tax regimes such as the UK and the successful resolution of a number of historic tax queries.

Earnings

Diluted adjusted earnings per share have increased by 38% to 23.4p for the year to January 2017 compared with 16.9p achieved in the prior period, as a result of improved profitability.

Adjusted results represent the audited performance, adjusted to exclude amortisation, restructuring charges, brand equity incentive schemes, movements in acquisition-related consideration and certain other non-recurring items. They are reconciled to the statutory results in notes 2 and 5 to the financial statements. References to 2015 results are the unaudited adjusted results for the 12 months to 31 January 2015 (the statutory reporting period represented the 18 months to 31 January 2015). A reconciliation of the adjusted 12 month figures to the statutory 18 month period for 2015 can be found in the 2016 Annual Report.

Segmental review

US

Our US businesses have continued to perform strongly led by our Text 100, Beyond, OutCast, M Booth, Connections Media and Bite agencies. In the year to 31 January 2017 revenues grew by 28.1% to £107.0m from £83.5m which equated to an organic growth[1] rate of 12.6%, taking account of movements in exchange rates. Margins have remained consistently strong at above 20% but were impacted by the performance of our recent acquisition Story Worldwide which continued to disappoint. We incurred £0.6m in exceptional restructuring costs as we aligned the cost base with the anticipated revenue and the business has got off to an encouraging start in our new financial year as a result of our actions. The adjusted operating profit from our US businesses was £22.3m compared with £17.5m in the previous 12 months to 31 January 2016.

UK

The UK businesses have delivered a very encouraging performance over the last 12 months, with revenue increasing by 52.7% to £42.6m from £27.9m in the prior period. Adjusted operating profit increased to £8.0m from £3.8m in the prior year with the adjusted operating margin increasing to 18.9% from 13.6% in the prior period.

The improved performance in the UK has been delivered due to the acquisition of a number of high-growth, high-margin agencies, alongside a number of self-help measures. In March 2016, we acquired Publitek, a digital content marketing agency focused on the electronic components sector, and then in September 2016 we acquired Pinnacle, a competitor to Publitek, and merged them under the Publitek brand name. In March 2016 we acquired Twogether, a digital agency focused on helping Technology clients with their channel marketing. Finally, in November 2016, we acquired HPI, a market research agency, and merged it with Morar.

EMEA

We have delivered an improved trading performance in EMEA as we have continued to focus our efforts on markets of potential scale. Revenue increased by 11.5% to £7.2m and operating profit increased to £0.6m at an improved operating margin of 9.0%.

APAC

APAC produced an encouraging performance as we continued to benefit from the operational restructuring we undertook in 2015. Revenue increased by 18.4% to £14.2m, the operating margin improved to 15.2% from 11.5% in the prior period and the operating profit increased by 56.7% to £2.2m.

Segmental information

	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
31 January 2017						
Revenue	**42,638**	**7,166**	**107,008**	**14,201**	**–**	**171,013**
Organic revenue growth	**3.7%**	**5.7%**	**12.6%**	**6.4%**	**–**	**9.9%**
Adjusted operating profit	**8,042**	**647**	**22,347**	**2,162**	**(8,228)**	**24,970**
Adjusted operating margin	**18.9%**	**9.0%**	**20.9%**	**15.2%**	**–**	**14.6%**
31 January 2016						
Revenue	27,885	6,426	83,456	11,990	–	129,757
Organic revenue growth	(0.6%)	(8.1%)	14.1%	(2.4%)	–	7.8%
Adjusted operating profit	3,805	452	17,492	1,380	(6,610)	16,519
Adjusted operating margin	13.6%	7.0%	21.0%	11.5%	–	12.7%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2017 compared to the 12 months to 31 January 2016, excluding the effect of acquisitions made during those periods.

Cash flow

Cash flow KPIs	**Year to 31 January 2017 £m**	Year to 31 January 2016 £m
Net cash inflow from operating activities	**26.5**	16.1
Working capital movement	**6.3**	0.2
Net cash generated from operations	**32.8**	16.3
Income tax paid	**(2.0)**	(3.0)
Investing activities	**(30.6)**	(20.2)
Dividend paid to shareholders	**(3.3)**	(2.4)
Increase in bank borrowings	**11.6**	6.7

Adjusted cash flow

The net cash inflow from operating activities for the year to 31 January 2017 increased to £26.5m from £16.1m in the prior period. Our management of working capital remained strong and this resulted in our net cash generated from operations before tax being £32.8m. Income taxes paid decreased to £2.0m from £3.0m in the prior period reflecting resolution of historic tax issues.

Our strong cash flow and £30m facility have allowed us to increase our investment in acquisitions and capital expenditure from £20.2m to £30.6m reflecting the acquisitions of Publitek, Pinnacle, Twogether and HPI and the early buyouts of Morar as well as capital expenditure on the property moves in London and New York.

Dividends paid to Next 15 shareholders increased to £3.3m from £2.4m in the prior period reflecting the strong trading and our confidence in the future. Net interest paid to the Group's banks was similar to last year at approximately £0.5m.

Balance sheet

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2017 of £11.4m reflecting 0.4x adjusted EBITDA.

Treasury and funding

The Group operates a four-year £30m revolving credit facility with HSBC. The 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 $6m which is available for property rental guarantees and US-based working capital needs.

As part of the facility, Next 15 has to comply with a number of covenants, including maintaining the multiple of net bank debt before earn-out obligations to adjusted EBITDA below 1.75x and the level of net bank debt including earn-out obligations to adjusted EBITDA below 2.5x. Next 15 has ensured that it has complied with all of its covenant obligations with significant headroom.

Peter Harris
Chief Financial Officer
3 April 2017

Risk management

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

Risk management and internal control

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

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place for the period ended 31 January 2017 and up to the date of signing the annual report and accounts to safeguard the Group's assets and enhance over time the value of shareholders' investment. The Board also regularly reviews the effectiveness of the Group's system of internal control in accordance with revised guidance on internal control published by the Financial Reporting Council.

Internal controls review

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

Business risk reviews

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

Internal Audit

The Group formed an Internal Audit function in 2012 to provide assurance over the Group's control environment with lead internal auditors in the US and the UK. A risk-based approach is used to prioritise the focus of Internal Audit. The team maintains a detailed understanding of the processes and controls in place around the Group and regularly highlights control recommendations to management in adherence with a standardised Group controls matrix. This is supported by a monthly self-certification checklist submitted by local finance teams to confirm that controls identified are continuing to operate. The next phase of the controls work, which commenced in 2015, is to test the operating effectiveness of the controls identified on a periodic and rotational basis.

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

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

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

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

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

Whistle blowing and UK Bribery Act 2010

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

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

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

Risk description	Mitigating actions	Change
Operational risk		
Reliance on key customers Losing a major client unexpectedly can have a significant impact on the resourcing, revenue and profit of an individual brand. The impact of this will depend on the brand.	The Group's strategy is to build a portfolio of brands which is diversified across different communications markets and geographic regions. Regular client feedback is sought (for instance, via client surveys) and appropriate steps are taken to retain existing clients. The Board regularly reviews the Group's reliance on key customers through top ten client analysis and reviews of customers with revenues greater than US$1m per annum. The Group is not deemed to be overly reliant on any one customer.	↑
Staff retention and recruitment The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. The market for these employees is competitive.	The Remuneration Committee considers the retention and incentive mechanisms in place for key personnel at both brand and Group level, and reviews remuneration trends across the Group. The Group's human resources teams seek to recruit skilled employees and to offer exciting and challenging career opportunities with competitive remuneration and benefits. Policies are regularly reviewed to ensure high levels of staff motivation and development. Where possible the businesses ensure that client relationships are maintained as a team rather than by an individual.	↑
Remuneration and incentive schemes The Group operates a number of earn-out mechanisms and incentive schemes in order to attract and retain senior talent across the Group. This gives rise to a local risk of management override and financial misreporting. In addition, the accounting for the obligations at Group level involves the use of judgements which are deemed to be significant.	The Audit Committee reviews accounting for earn outs and growth shares schemes, including the significant judgements used. Internal audits are performed on any local accounts involved in the determination of earn-out or incentive scheme payments. The Remuneration Committee reviews and approves all incentive schemes across the Group. External advisers are used where necessary to advise the Board and individuals on any new schemes.	→

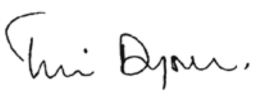
↑ Increase → Static ↓ Decrease

Risk description	Mitigating actions	Change
Operational risk continued		
Cyber security risk The Group notes the increased risk facing companies from third-party attempts to exploit weaknesses in cyber security, which is constantly evolving. Inadequate security could lead to business disruptions, damage to reputation and loss of assets.	Access controls, firewalls and virus checkers are in place and a review of the current IT infrastructure has been performed with an external consultant for the US and UK and is underway in APAC and EMEA. Implementation of upgrade programmes recommended following the review is in progress across the Group. IT security training has been carried out with relevant staff and is performed on a rolling, regular basis. The Group has expanded its IT security team in order to continue to monitor and improve the Group's IT security in light of the continually evolving threat.	↑
Technology/IT infrastructure The risks associated with the IT environment include failure to deliver projects on time and on budget and lack of management information. The Group has grown, both organically and by acquiring new businesses, which has resulted in the use within the Group of a number of legacy accounting and operating systems.	The Group is engaged in the implementation of a common finance IT platform which is largely completed in the US and UK and will continue in APAC and EMEA in 2017. The common finance system gives the Group greater visibility over the effectiveness and appropriateness of local controls. The implementation is supported by consultants and, where possible, by using internal teams to reduce the risk of relying on third parties. The Group ensures that there are appropriate business continuity plans in place and Internal Audit assesses the appropriateness of these plans. In addition, the Group has insurance cover in place to mitigate against business disruption.	→
Speed of change in the digital marketing space As the marketing and communications landscape evolves through the opportunities provided by digital channels, there is a risk that some businesses lack the resource to transition effectively.	The Group follows a strategy of focusing acquisitions on technology-driven marketing agencies and providing an integrated communications service (content, digital and traditional PR), underpinned by building appropriate skill sets within the businesses. The Group's Board has extensive digital, technology and commercial experience in the media and technology sectors.	→
Misappropriation of assets Particularly in smaller brands with fewer opportunities to segregate duties, there is a risk that, without appropriate oversight and review, there could be fraudulent activity or misreporting of financial information.	Overseen by the Audit Committee, the Internal Audit function provides assurance of the Group's control environment, with particular focus given to segregation of duties. The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances.	→

↑ Increase → Static ↓ Decrease

Risk description	Mitigating actions	Change
Financial risk		
Macroeconomic uncertainty Following recent changes in the political environment, the Group faces uncertainty in its two largest territories. In uncertain political and economic times there is an increased risk that customers cut marketing spend leading to reduced revenue and profit for the Group.	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. Regular client feedback is sought (for instance, via client surveys) and appropriate steps are taken to retain existing clients. The Board continues to monitor the latest macroeconomic developments to inform the Group-wide strategy.	↑
Liquidity risk Cash outflows related to significant acquisition-related obligations are unevenly spread throughout the year. There would be a risk to the business if working capital were not appropriately managed to maximise the growth of the business. There is an undiversified risk around going concern if there is a breach of covenants.	The Board has always maintained a prudent approach to taking on debt and the Group manages its risk of a shortage of funds with a mixture of long and short-term committed facilities. On 8 March 2016 the Group entered into a new extended four-year £30m revolving credit facility with HSBC. All cash in the US is swept each night, and the majority of cash in the UK is in a central cash pool. This allows the working capital to be monitored by the Group Treasury function and the cash used to maximum benefit. In addition global and local short-term cash flow forecasts are monitored on a daily basis by the Group Treasury function, and a four-year long-term cash flow model is monitored quarterly. Covenants are monitored regularly; they are forecast to have significant headroom within the foreseeable future.	↑
Currency risk As a result of global operations the Group's results can be affected by movements in foreign exchange rates against sterling. The Group has transactional currency exposure in the US, EMEA and APAC, including foreign currency bank accounts.	The Board and the Group Treasury function consider the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates on a case-by-case basis. Net investment hedges are used where appropriate for significant foreign currency investments. The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments, and natural currency hedging is used where possible across the Group. The Group generates 75% of its revenue outside of the UK and has therefore benefited in the past year from the weakening of sterling.	↑
Compliance with laws and regulations The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations. Any failure to respond quickly to legislative requirements could result in civil or criminal liabilities, leading to fines, penalties or restrictions being placed upon the Group's ability to trade resulting in reduced sales and profitability and reputational damage.	The Group has maintained an in-house legal function over the whole of its life as a public company and also uses external legal counsel to advise on local legal and regulatory requirements. The Group has an in-house tax function to ensure compliance with tax legislation globally which consults with external advisers.	→

The Strategic Report as set out on pages 2 to 15 was approved by the Board on 3 April 2017 and signed on its behalf by:



Tim Dyson
Chief Executive Officer

From left to right: Alicja Lesniak / Richard Eyre / Peter Harris / Genevieve Shore / Tim Dyson.

Richard Eyre CBE

N A R

Chairman (age 62)
Appointment May 2011

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

Richard has 41 years' experience across the media and marketing industries, including time as CEO of ITV Network LTD, Capital Radio plc and content and strategy director of RTL Group plc. He has served as chairman of RDF Media plc, GCap plc, mobile games publisher I Play, mobile tech company Rapid Mobile and The Eden Project. He was also a board member at the Guardian Media Group plc, Grant Thornton LLP and Results International LLP.

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

Tim Dyson

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Chief Executive Officer (age 56)
Appointment December 1991

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

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

Peter Harris

Chief Financial Officer (age 55)
Appointment March 2014

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

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

Alicja Lesniak FCA

N A R

Senior Independent Non-Executive Director (age 65)
Appointment July 2011

Alicja joined Next 15 in July 2011 as non-executive Director and Senior Independent Director. She chairs the Audit Committee and is a member of the Nomination and Remuneration Committees.

Alicja started her career as a Chartered Accountant at Arthur Andersen but rapidly moved into the financial, commercial and operational management of professional service businesses. Since 1987 Alicja has worked in the marketing services sector with global companies such as WPP Group plc, J Walter Thompson Group Ltd, Ogilvy & Mather Worldwide Inc, BBDO Worldwide Inc and Aegis Group plc, where she was chief financial officer. She has extensive experience of working internationally, including roles based in New York and Paris. Alicja is currently a non-executive director at the British Standards Institution and chairs its social responsibility committee.

Genevieve Shore

N A R

Non-executive Director (age 47)
Appointment February 2015

Genevieve Shore joined Next 15 in February 2015 as non-executive Director. She chairs the Remuneration Committee and is a member of the Nomination and Audit Committees.

Genevieve brings digital, technology and commercial expertise to Next 15 from a career in the media, publishing and technology sectors. Most recently, she was Chief Product and Marketing Officer of Pearson plc and previously a Director of Digital Strategy and Chief Information Officer.

Genevieve is also a non-executive director at Santander UK, Moneysupermarket.com Group PLC and the independently-owned Arup. She is an advisory board member for Lego Education, invests in a number of education technology start-ups and works with female executives as a coach and mentor.

Nick Lee Morrison

General Counsel and Company Secretary
Appointment January 2016

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

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

Chair of Committee
A Audit Committee
N Nomination Committee
R Remuneration Committee

Chairman's introduction

The Board is committed to maintaining appropriate standards of corporate governance to support Next 15's strategy, and to managing the Company and its subsidiaries (together 'the Group') in a flexible and effective manner for the benefit of its shareholders, while fostering a corporate culture that encourages growth. The Board monitors the Company's policies to ensure that they are appropriate for the nature, size and circumstances of the business.

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

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

I look forward to meeting you at our Annual General Meeting ('AGM') on Wednesday 21 June 2017.

Richard Eyre CBE
Chairman
3 April 2017

The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. As at 3 April 2017 the Board comprised two executive Directors, a non-executive Chairman and two non-executive Directors. There were no changes to the composition of the Board during the year to 31 January 2017. Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on page 17.

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. No single Director is dominant in the decision-making process.

The Board aims to meet at least once per month, with additional meetings being held as required. As Tim Dyson is located in San Francisco, some of the Board meetings are held by telephone conference. The Board meets face to face whenever possible and aims to do so at least quarterly. Details of Board and Committee meetings held during the reporting period and the attendance records of individual Directors can be found on page 22.

The Board's responsibilities and processes

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

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

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

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

All Directors have access to the advice and services of the General Counsel and 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, upon the recommendation of the Nomination Committee.

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 at the AGM following their appointment and that, at each AGM of the Company, one-third of the Directors must retire by rotation. At the forthcoming AGM, Peter Harris and Richard Eyre will retire and, being eligible, will offer themselves for re-election by the shareholders.

With regard to the Directors who are offering themselves for re-election at the next AGM, the Board is satisfied that those Directors' contributions continue to be effective and that the Company and its shareholders should support their re-election.

The roles of the Chairman and Chief Executive

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

The 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 non-executive Director

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

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. The last Board evaluation was facilitated internally during the year to 31 January 2017 and involved a questionnaire to each Board Director. The review produced a number of key actions which will be progressed during 2017/18.

The Board has agreed that its succession planning framework should ensure that Board appointments provide an appropriate mix of skills and experience and a level of independence which will support the Group's objectives for business growth and its key strategic goals.

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

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, Nomination and Remuneration Committees. The reports of these Committees can be found on pages 22 to 32.

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

The Board appoints the Committee members. The Audit Committee comprises three non-executive Directors: Alicja Lesniak (Chair), Richard Eyre and Genevieve Shore. The Remuneration Committee comprises three non-executive Directors: Genevieve Shore (Chair), Alicja Lesniak and Richard Eyre. The Nomination Committee comprises Richard Eyre (Chair), Alicja Lesniak, Genevieve Shore and Tim Dyson. Attendance records of Committee meetings can be found on page 22.

Relations with shareholders

The Board recognises the importance of effective communication with its shareholders, to ensure that its strategy and performance are clearly understood. The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year results announcements, trading updates, the AGM and face-to-face meetings. A range of corporate information (including copies of presentations and announcements) is available on the Company's website at www.next15.com.

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

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

Financial reporting and going concern statement

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have made this assessment in light of reviewing the Group's budget and cash requirements for a period in excess of one year from the date of signing of the annual report and considered outline plans for the Group thereafter.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 8 to 11.

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

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 37.

Whistle blowing and Bribery Act 2010

The Company 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.

Environment

Due to the nature of its businesses, the Board considers that its direct or indirect impact on the environment is minimal and of low risk. However, the Company still seeks to minimise the environmental impact of its activities and its business practices support environmental good practice, such as reducing paper wastage through reuse, recycling, use of electronic communications and reducing business travel by replacing face-to-face meetings with conference calls where practical.

Nomination Committee

The Nomination Committee ('Committee') members are Richard Eyre (who also chairs the Committee), Alicja Lesniak, Genevieve Shore and Tim Dyson. Other Directors and management may be invited to attend meetings of the Committee as appropriate.

The Committee's duties include:

- reviewing the structure, size and composition (including the skills, knowledge, experience, independence and diversity) of the Board and making recommendations with regard to any changes;
- considering succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- identifying and nominating candidates to fill Board vacancies as they arise; and
- keeping under review the leadership needs of the organisation, to ensure the Company's ability to compete effectively in the marketplace.

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

It was not deemed necessary for the Committee to meet during the year to 31 January 2017. Subsequent to the period end, one meeting has taken place.

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

Board and Committee attendance for the year ended 31 January 2017

	Board	Audit	Remuneration	Nomination
Richard Eyre	12 of 12	3 of 3	6 of 6	–
Tim Dyson	12 of 12	–	–	–
Peter Harris	12 of 12	–	–	–
Alicja Lesniak	12 of 12	3 of 3	6 of 6	–
Genevieve Shore	11 of 12	3 of 3	6 of 6	–

I am pleased to present the report of the Audit Committee ('Committee') for the year to 31 January 2017. This report details the Committee's roles, responsibilities and key activities during the period. The principal aims of the Committee are to review and report to the Board on the Group's financial reporting, to ensure the integrity of the financial information provided to our shareholders, and to support the development and maintenance of the Group's risk management and internal control environment.

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

Alicja Lesniak
Audit Committee Chair
3 April 2017

Composition of the Audit Committee

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

The Committee meets periodically and at least three times a year, with the external auditor, other Directors, the Head of Internal Audit and other management attending by invitation. Attendance records of meetings held during the year can be found on page 22. Subsequent to the period end, one further meeting has taken place. 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 each Committee meeting to identify and discuss key areas for consideration by the Committee.

Roles, responsibilities and activities during the reporting period

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

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the Group's financial statements and other announcements relating to its financial performance;
- considering the Group's accounting policies and practices, application of accounting standards and significant judgements;
- overseeing the relationship with the Group's external auditor, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the external auditor's 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 full terms of reference are available on the Company's website at www.next15.com.

During the period the Committee's 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;
- reviewing reports on the work of the Internal Audit function;
- receiving updates on upcoming changes to accounting standards and legal and regulatory requirements;
- overseeing the relationship with the external auditor, including the assessment of their independence; and
- reviewing the Committee's terms of reference.

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. 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 auditor.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2017. The report sets out the work of the Remuneration Committee (the 'Committee') in the previous period and our strategic approach to pay, benefits and incentives. We also report in detail upon the amounts earned by the Directors during the year.

This year the Committee has continued to focus upon remuneration policy best practice with a significant amount of time spent reviewing our own policies and structures and working with both regulatory bodies and advisers. We have also undertaken a consultation with our largest shareholders and received extremely helpful and in-depth feedback. In addition to this we conducted an independent sector benchmarking of executive Director remuneration and, lastly, we undertook a review of the Committee's effectiveness.

As a result of this work we are making significant changes to our Long-Term Incentive Plan, details of which can be found in the report on pages 27 to 28. We have also increased, in this report, the disclosure of our financial and non-financial targets and we reflect more closely upon not only the achievement of the relevant performance targets but also our longer-term strategic goals.

As we indicated in last year's report we continue to develop our equity-based schemes as a key mechanic to attract and retain our key talent and entrepreneurs. We share more detail of these schemes on page 29. As we discussed last year, we continue to be mindful of the headroom granted by our shareholders for all our incentive schemes and we can reassure shareholders that we have made real progress in the past 12 months to reduce the percentage dilution from the high to low teens. We continue our programme of work to reduce this further in 2017/18.

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

Genevieve Shore
Remuneration Committee Chair
3 April 2017

Composition of the Remuneration Committee

The Committee comprises three non-executive Directors: Genevieve Shore (Committee Chair), Alicja Lesniak and Richard Eyre. 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 and we have sought advice from both Deloitte and Pearl Meyer during the period. Details of the cost can be found on page 32.

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 can be found in the Corporate Governance section of the Company's website. The Committee met six times during the year and details of attendance can be found in the Corporate Governance Report on page 22. Subsequent to the year end, one further meeting has taken place in preparation for the AGM.

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

- reviewing the ongoing appropriateness and relevance of the remuneration framework as it aligns to Group strategy;
- undertaking the annual review of remuneration for all executive Directors including a market benchmarking exercise of salaries, bonuses, incentive payments and pension arrangements;
- setting both financial and non-financial targets for the annual bonus plan;
- agreeing the structure of awards under the LTIP, reviewing and setting appropriate stretching performance targets;
- reviewing the extent to which performance conditions have been met for both 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;
- reviewing the remuneration trends for senior executives, across the Group and in the market;
- performing an evaluation of the Committee's effectiveness;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including the UK Government consultation in 2016/17; and
- engaging independent remuneration advisers to review long-term incentive plans, policies, market changes and sector benchmarking.

Remuneration packages for executive Directors

The Company's approach to executive Directors' remuneration seeks to ensure that individual contributions to the Group's performance are fairly rewarded. This is achieved through a balance of fixed and variable, short-term and long-term elements consisting of a competitive basic salary, pension and benefits, an annual performance-related cash bonus and participation in a long-term equity incentive plan. Details for each Director are set in the table on page 30.

The Committee assesses executive remuneration packages annually and, when reviewing salaries, the Committee considers a number of factors, including:

- the experience, responsibility and contribution of the individual; and
- remuneration trends across the Group and for comparable roles in appropriate comparator groups.

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

Short-term incentives

The executive Directors' remuneration includes an element of annual performance-related pay so that awards can be aligned to improvements in shareholder value. During the year the Committee reviewed the executive Directors' annual bonus framework and agreed stretching performance targets, with a continued annual maximum opportunity set at 60% of salary.

The targets are closely aligned to the Company's strategic aims and the interests of shareholders, being based on the performance of the Group against market expectations, the delivery of budget targets and the robust management of cash flow and financial KPIs. In addition to these financial targets, strategic goals were also set, aligned to the development of the Group's insight and data capabilities and the brands' strategy for developing and retaining talent.

For the year ended 31 January 2017 it has been determined that each executive Director fully met the financial targets and made significant progress towards the targets set for talent, data and consumer insight. As such, an award of 48.15% of salary for each executive Director has been agreed by the Committee. Details of the actual amounts can be found in the table on page 30.

Long-term incentive plan

Following feedback from several of our shareholders regarding long-term performance measures and awards, the Committee has undertaken a detailed review of the Company's current long-term incentive plan, the Next Fifteen Communications Group plc Long-Term Incentive Plan 2015 ('2015 LTIP'). The intention of this review was to alleviate shareholder concerns but also to retain executive engagement and alignment.

In light of this review, the Committee has determined to make certain amendments a priority. As such, the FY17 award has been retroactively modified to address shareholder concerns at the use of the best three out of four years' performance measures. The award has therefore been adjusted such that performance will now be measured over three years only, with the complete elimination of a 'bye year'. This brings vesting forward by one year but the performance targets are otherwise unchanged.

Long-term incentive plan continued

During the period, the Committee recommended LTIP awards to its executive Directors which were larger than usual (225,000 shares to both Tim Dyson and Peter Harris) in the absence of awards to those two Directors in the prior year. While the FY17 awards were technically in excess of the 2015 LTIP's annual limit of 100% of salary, the Committee regards these awards as proportionate, appropriate and in the best interests of shareholders. The Committee consulted with its largest shareholders before making the award, setting out the reasons for its approach:

- ***No LTIP awards were made to the executive Directors in FY16.*** This was a consequence of the change in the financial year end (FY15 was extended by six months to an 18-month period) and following a review of the LTIP for best practice in several areas. The Committee agreed that the FY17 awards would to a certain extent make up for the lack of award in FY16.
- ***Share price increase during FY17.*** The Company's share price rose significantly in the lead-up to the FY17 grants – 40% between April and September 2016. The Committee believed that scaling back on the delayed FY17 awards would unfairly penalise the Directors for leading the Company through a period of exceptional performance. This would be neither fair nor appropriate given their value to the Company.
- ***The LTIP is a key incentive component for rewarding and retaining executives.*** The appreciation in the Company's share price reflected the exceptional financial, strategic and operational performance which the executive Directors had delivered over the previous year. Executive Director pay policy provides for a relatively modest bonus opportunity (60% at maximum). The FY17 LTIP grant was therefore particularly important in ensuring incentives are aligned with shareholders' interests through long-term equity, whilst continuing to incentivise and retain talent.

The FY17 awards, in excess of the 100%-of-salary limit, were made under separate one-off share award agreements, the terms of which are in line with the LTIP. In accordance with the requirements for AIM-listed companies, these agreements were not submitted for formal shareholder approval but did receive support from the Company's largest shareholders.

The awards made in FY17 will be subject to the following targets:

- an earnings per share ('EPS') target which will determine 70% of the total vesting over three performance years. EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure.
- 30% of the award will vest based upon long-term strategic KPIs which were determined by the Committee at award. Due to the market sensitivity of these targets, they will be detailed upon vesting in the appropriate directors' remuneration report of the Company.

Going forward, we remain committed to operating within the LTIP framework in future years, with award sizes determined on a percentage-of-salary basis, not to exceed 100% of basic salary and to be granted within 42 days of the full-year results.

The Committee hopes that these decisions demonstrate to shareholders our commitment to listening and responding to shareholder feedback. In a similar vein, the Committee will be writing to shareholders to set out how we intend to apply performance conditions and holding periods to future grants. We look forward to discussing these with you in detail.

The executive Directors hold unvested awards under the 2005 Next Fifteen Communications Group plc Long-Term Incentive Plan ('2005 LTIP'), under which no new awards have been made since June 2015. The awards are subject to a four-year performance period, commencing with the financial year in which the award was granted (following the Company's change of year end in 2014, the 2005 LTIP awards vest following the publication of the Company's interim results during the financial year of the relevant performance period). During FY17 an award of performance shares vested for Tim Dyson under the 2005 LTIP, with 100% of the award vesting as determined by the two performance measures:

(i) EPS growth of the Group exceeded the Consumer Prices Index ('CPI') by an average of 10% or more per annum over the performance period; and

(ii) Group performance met budgeted profit targets over the performance period.

For further details of the 2015 LTIP, 2005 LTIP and details of total LTIPs which vested during the period, see notes 21 and 22.

Equity incentive schemes

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

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

At the end of the minimum holding period following an award of equity, the holders of the non-controlling interest have the option to sell a percentage of their units back to Next 15, while the remaining percentage can be sold in subsequent years or held indefinitely. Value is realised on any subsequent sale of the units to the Group, restricted by defined terms around the timing and pricing formula. The purchase of the units will be settled in Next 15 shares, for which there is no minimum holding period. Under certain plans, if the unit holder leaves the business before the end of the minimum holding period, the Group retains the right to repurchase the shares under a consistent pricing formula, or require the participant to wait until the minimum holding period has elapsed.

Further details of the Group's equity incentive schemes are shown in note 21 to the financial statements.

The nature of the equity incentive schemes means that the forecast of the number of shares to be issued contains significant judgements, including forecasting the underlying performance of the business, movement in the Group's share price and foreign currency fluctuations. In the event that the Company is required to issue shares to participants in excess of the authority given by shareholders, the Company's employee trust will purchase shares in the market. In order to ensure that sufficient shares are available, the Company regularly reviews its headroom and has agreed to create a buy-back policy whereby the employee trust will purchase shares as and when required. As at 31 January 2017 no shares had been purchased to settle future vestings of the equity incentive schemes.

Directors' service contracts

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

Non-executive Directors

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

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

Directors' remuneration for the 12-month period to 31 January 2017

	Salary and fees 2017 £'000	Performance-related bonus 2017 £'000	Pension contributions 2017 £'000	Other benefit 2017 £'000	**Total 2017 £'000**	Total 2016 £'000
Executive Directors						
Tim Dyson	637	307	72	56	**1,072**	815
Peter Harris	300	144	33	3	**480**	431
Non-executive Directors						
Richard Eyre	120	–	–	–	**120**	120
Alicja Lesniak	56	–	–	–	**56**	56
Genevieve Shore	45	–	–	–	**45**	45

Directors' interests in share plans for the year to 31 January 2017

As at 31 January 2017 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:

	Number of shares at 1 February 2016 (or date of appointment if later)	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	**Number of shares at 31 January 2017 (or date of resignation if earlier)**	Grant date	End of performance period	Total gain on vesting £
Executive Directors								
Tim Dyson	175,000	–	175,000	–	**–**	07.01.2013	31.07.2016	600,250
	125,000	–	–	–	**125,000**	21.01.2014	31.07.2017	–
	150,000	–	–	–	**150,000**	14.11.2014	31.01.2018	–
	–	–	–	225,000	**225,000**	17.10.2016	31.01.2019	–
Peter Harris								
	150,000	–	–	–	**150,000**	16.04.2014	31.07.2017	–
	150,000	–	–	–	**150,000**	14.11.2014	31.01.2018	–
	–	–	–	225,000	**225,000**	17.10.2016	31.01.2019	–

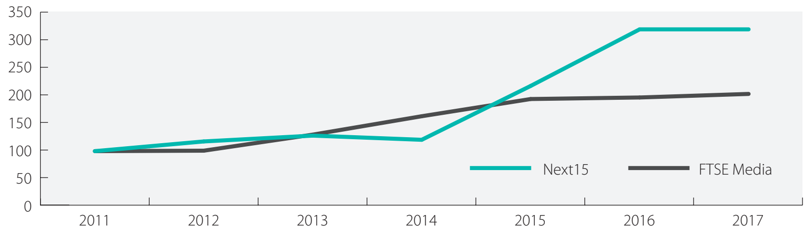
Directors' interests in the shares of Next Fifteen Communications Group plc

The interests of the Directors in the share capital of the Company at 1 February 2016 and 31 January 2017 are as follows:

	Ordinary Shares		LTIP performance shares	
	1 February 2016 (or date of appointment if later)	**31 January 2017 (or date of resignation if earlier)**	1 February 2016 (or date of appointment if later)	**31 January 2017 (or date of resignation if earlier)**
Executive Directors				
Tim Dyson	5,077,997	**5,077,997**	450,000	**500,000**
Peter Harris	42,372	**42,372**	300,000	**525,000**
Non-executive Directors				
Richard Eyre	183,921	**197,993**	–	**–**
Alicja Lesniak	–	**–**	–	**–**
Genevieve Shore	–	**–**	–	**–**

Total shareholder return

The Company's total shareholder return performance for the six financial years to 31 January 2017 is shown on the graph below compared with the FTSE Media Index.



This graph shows the value on 31 January 2017 of £100 invested in the Company on 31 January 2011 with £100 invested in the FTSE Media Index.

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

Payments for loss of office

There were no payments for loss of office during the period.

Payments made to past Directors

As disclosed in the 2013 Remuneration Report, David Dewhurst agreed to step down as a Director on 29 October 2013. As part of the settlement agreement, it was agreed at the Company's discretion that Mr Dewhurst's LTIP performance shares would not lapse when he ceased to be an eligible employee on his last day of employment but that, in addition to the usual performance condition, the vesting of these LTIPs would continue and would be based on the time elapsing between the grant date and Mr Dewhurst's termination date. Accordingly, Mr Dewhurst's LTIP award vested on 27 September 2016 and the pre-tax value at the vesting date was £212,965.

Payments made to remuneration advisers

During the period the Committee was assisted in meeting its responsibilities by Deloitte LLP and Pearl Meyer & Partners UK LLP, who provided advice relating to remuneration, for which they received fees of £23,250 and £13,325 respectively. The Committee is satisfied that the advice it receives is objective and independent.

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 2017.

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 the Directors' Report.

Group results and dividends

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 40. The Directors recommend a final dividend of 3.75p per Ordinary Share (2016: 3.0p) to be paid on 4 August 2017 for the year ended 31 January 2017 which, when added to the interim dividend of 1.5p (2016: 1.2p) paid on 25 November 2016, gives a total dividend for the period of 5.25p per share (2016: 4.2p).

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on page 17.

Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the Report of the Remuneration Committee on pages 25 to 32.

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

Directors' indemnity

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

Acquisitions

The following is a summary of Group acquisitions made in the year to 31 January 2017, more detailed disclosure of which can be found in note 26 to the financial statements.

On 26 February 2016, Next 15 acquired the remaining 25% minority interest in Morar Consulting Limited, its research and advisory agency, and settled in full the remaining obligation for the original purchase of 75% of the issued share capital made on 3 December 2014. The aggregate consideration for the minority interest and remaining obligation was £3.55m, of which £1.5m was paid in February 2017.

On 10 March 2016, Next 15 purchased the entire share capital of Publitek Limited ('Publitek'), a specialist technical content marketing business that services customers in the global semiconductor and electronic component market, for initial consideration of £6.2m, of which £5.7m was satisfied in cash with the balance satisfied by the issue of new Ordinary Shares in Next 15. Further consideration may become payable based on the average profits of Publitek for the years ending 31 January 2018, 2019, 2020 and 2021 and any deferred consideration that becomes payable may be satisfied by cash or up to 25% in new Ordinary Shares, at the option of Next 15.

Acquisitions continued

On 31 March 2016, Next 15 purchased the entire share capital of Twogether Creative Limited ('Twogether'), a B2B creative and digital marketing agency with a focus on technology clients, for an initial consideration of £6.6m, of which £4.0m was satisfied in cash, with the balance satisfied by the issue of new Ordinary Shares in Next 15. Further consideration may become payable based on the average profits of Twogether for the years ending 31 January 2018, 2019, 2020 and 2021 and any deferred consideration that becomes payable may be satisfied by cash or up to 25 per cent in new Ordinary Shares, at the option of Next 15.

On 26 September 2016, Next 15 purchased the entire share capital of PMC Investments Limited ('Pinnacle'), a specialist technical content and digital marketing business with customers in the electronics, telecoms and engineering sectors, for an initial consideration of £4.4m, of which £4m was satisfied in cash with the balance satisfied by the issue of new Ordinary Shares in Next 15. Following the acquisition, Pinnacle has been managed as one business alongside Publitek.

On 9 November 2016, Next 15 acquired an 85% stake in HPI Research Limited ('HPI'), a market research agency based in London, through its data and insights subsidiary, Morar Consulting Limited ('Morar'). The initial consideration was £1,282,000, satisfied in cash (comprised of £800,000 for the net assets acquired on completion and £482,000 as an upfront payment for the business). The remaining 15% stake in HPI will be acquired by Morar in June 2018, with the consideration based on HPI's operating profit for the financial year ending 31 January 2018.

Significant post-balance sheet events

There have been no significant post balance sheet events.

Likely future developments in the business of the Company

The Group's priorities for 2017/18 are disclosed in the Strategic Report on pages 2 to 15.

Employee involvement

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

Equal opportunities

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

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

Health and safety

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

Political donations

It is the Group's policy not to make donations for political purposes and, accordingly, there were no payments to political organisations during the year (2016: £Nil).

Acquisition of shares

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

Financial instruments

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

Auditors

The Board appointed Deloitte LLP to act as auditors for the year ended 31 January 2017. A resolution to reappoint Deloitte LLP as auditors of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM.

Disclosure of information to the auditors

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

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

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

Annual General Meeting

The notice convening the Company's 2017 AGM at the Company's offices at 75 Bermondsey Street, London SE1 3XF on Wednesday 21 June 2017 at 3.30 p.m. is set out in a separate document and will be mailed separately to shareholders who requested a paper copy. The notice of AGM will also be made available on the Company's website at www.next15.com.

Substantial shareholdings

As at 31 January 2017 and 31 March 2017 the Company had received the notifications below of the following substantial 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.

	31 March 2017		31 January 2017	
	Total	%	Total	%
Liontrust Investment Partners LLP	10,918,822	14.89	10,918,822	14.89
Octopus Investments Nominees Limited	6,658,356	9.08	6,143,005	8.38
Herald Investment Management	5,231,796	8.76	5,231,796	8.76
Mr Tim Dyson	5,077,997	8.47	5,077,997	8.47
Standard Life Investments (Holdings) Ltd	5,068,139	6.92	5,068,139	6.92
Hargreave Hale Limited	3,785,000	6.33	3,785,000	6.33
FIL Limited	3,098,160	5.18	3,098,160	5.18
Aviva plc and subsidiaries	3,573,273	5.07	3,573,273	5.07
BlackRock, Inc.	3,610,618	5.00	3,610,618	5.00
Mr Thomas Lewis	2,804,000	4.79	2,804,000	4.79
River and Mercantile Asset Management LLP	2,820,549	4.72	2,820,549	4.72
Investec Asset Management	2,846,045	4.24	2,846,045	4.24
Slater Investments Ltd	2,862,700	3.97	2,862,700	3.97
J O Hambro Capital Management Group	1,846,000	3.09	1,846,000	3.09

Approved by the Board on 3 April 2017 and signed on its behalf by:

Nick Lee Morrison
General Counsel and Company Secretary
3 April 2017

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 3 April 2017 and is signed on its behalf by:

Peter Harris
Chief Financial Officer

We have audited the financial statements of Next Fifteen Communications Group plc for the year ended 31 January 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flow and the related notes 1 to 29. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's ('FRC') website at https://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

James A Bates

James Bates
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
3 April 2017

Consolidated income statement

for the year ended 31 January 2017 and the year ended 31 January 2016

	Note	Year ended 31 January 2017 £'000	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000
Billings			**200,745**		151,658
Revenue	2		**171,013**		129,757
Staff costs	3	**126,756**		92,721	
Depreciation	4,12	**3,482**		2,348	
Amortisation	4,11	**6,017**		3,796	
Other operating charges		**26,844**		22,463	
Total operating charges			**(163,099)**		(121,328)
Operating profit	2,5		**7,914**		8,429
Finance expense	6		**(5,607)**		(4,905)
Finance income	7		**865**		2,059
Net finance expense			**(4,742)**		(2,846)
Share of loss from associate			**(272)**		(5)
Profit before income tax	5		**2,900**		5,578
Income tax expense	8		**(1,232)**		(1,116)
Profit for the year			**1,668**		4,462
Attributable to:					
Owners of the Parent			**1,138**		3,992
Non-controlling interests			**530**		470
			1,668		4,462
Earnings per share					
Basic (pence)	10		**1.6**		6.0
Diluted (pence)	10		**1.5**		5.6

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 2017 and year ended 31 January 2016

	Note	**Year ended 31 January 2017 £'000**	Year ended 31 January 2016 £'000
Profit for the year		**1,668**	4,462
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**5,128**	1,585
Loss on net investment hedges	19	**(1,378)**	(662)
		3,750	923
Amounts reclassified and reported in the income statement:			
Profit on net investment hedges	19	**–**	4
		–	4
Total other comprehensive income for the year		**3,750**	927
Total comprehensive income for the year		**5,418**	5,389
Total comprehensive income attributable to:			
Owners of the Parent		**4,888**	4,919
Non-controlling interests		**530**	470
		5,418	5,389

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 2017 and 31 January 2016

	Note	**31 January 2017 £'000**	**31 January 2017 £'000**	31 January 2016 £'000	31 January 2016 £'000
Assets					
Property, plant and equipment	12	**15,764**		9,988	
Intangible assets	11	**79,979**		53,555	
Investment in equity-accounted associate		**120**		465	
Trade investment		**743**		235	
Deferred tax assets	18	**9,987**		6,485	
Other receivables	13,19	**817**		702	
Total non-current assets			**107,410**		71,430
Trade and other receivables	13,19	**42,143**		40,924	
Cash and cash equivalents	19	**22,072**		14,132	
Corporation tax asset		**601**		1,097	
Total current assets			**64,816**		56,153
Total assets			**172,226**		127,583
Liabilities					
Loans and borrowings	19	**31,869**		20,683	
Deferred tax liabilities	18	**2,692**		–	
Other payables	14,19	**5,537**		5,739	
Provisions	15,19	**54**		450	
Contingent consideration	17,19	**10,971**		5,701	
Share purchase obligation	17,19	**3,033**		2,225	
Total non-current liabilities			**(54,156)**		(34,798)
Loans and borrowings	19	**1,589**		–	
Trade and other payables	14,19	**39,409**		34,088	
Provisions	15,19	**2,647**		989	
Corporation tax liability		**1,594**		765	
Share purchase obligation	17,19	**400**		1,509	
Contingent consideration	17,19	**3,934**		2,643	
Total current liabilities			**(49,573)**		(39,994)
Total liabilities			**(103,729)**		(74,792)
Total net assets			**68,497**		52,791
Equity					
Share capital		**1,834**		1,763	
Share premium reserve		**25,681**		21,523	
Share purchase reserve		**(2,673)**		(2,673)	
Foreign currency translation reserve		**10,238**		5,110	
Other reserves	24	**529**		1,907	
Retained earnings		**31,962**		24,418	
Total equity attributable to owners of the Parent			**67,571**		52,048
Non-controlling interests			**926**		743
Total equity			**68,497**		52,791

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

These financial statements were approved and authorised by the Board on 3 April 2017.

Peter Harris
Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2017 and year ended 31 January 2016

	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 owner of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2016		1,763	21,523	(2,673)	5,110	1,907	24,418	52,048	743	52,791
Profit for the year		–	–	–	–	–	1,138	1,138	530	1,668
Other comprehensive income/(expense) for the year		–	–	–	5,128	(1,378)	–	3,750	–	3,750
Total comprehensive income/(expense) for the year		–	–	–	5,128	(1,378)	1,138	4,888	530	5,418
Shares issued on satisfaction of vested share options	20	27	–	–	–	–	(265)	(238)	–	(238)
Shares issued on acquisitions	20, 26	44	4,158	–	–	–	–	4,202	–	4,202
Movement in relation to share-based payments		–	–	–	–	–	8,974	8,974	–	8,974
Tax on share-based payments	8	–	–	–	–	–	1,239	1,239	–	1,239
Dividends to owners of the Parent	9	–	–	–	–	–	(3,264)	(3,264)	–	(3,264)
Movement due to ESOP share purchases		–	–	–	–	(25)	–	(25)	–	(25)
Movement due to ESOP share option exercises		–	–	–	–	25	–	25	–	25
Movement on reserves for non-controlling interests		–	–	–	–	–	(292)	(292)	292	–
Share options issued on acquisition of subsidiary		–	–	–	–	–	14	14	–	14
Non-controlling interest arising on acquisition		–	–	–	–	–	–	–	436	436
Non-controlling dividend		–	–	–	–	–	–	–	(1,075)	(1,075)
At 31 January 2017		**1,834**	**25,681**	**(2,673)**	**10,238**	**529**	**31,962**	**67,571**	**926**	**68,497**

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

Consolidated statement of changes in equity continued

for the year ended 31 January 2017 and year ended 31 January 2016

	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 owner of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2015		1,545	8,272	(2,673)	3,525	2,565	24,741	37,975	(773)	37,202
Profit for the year		–	–	–	–	–	3,992	3,992	470	4,462
Other comprehensive income/(expense) for the year		–	–	–	1,585	(658)	–	927	–	927
Total comprehensive income/(expense) for the year		–	–	–	1,585	(658)	3,992	4,919	470	5,389
Shares issued on satisfaction of vested share options		38	–	–	–	–	–	38	–	38
Shares issued on acquisitions		19	1,331	–	–	–	–	1,350	–	1,350
Shares issued on placing		161	11,920	–	–	–	–	12,081	–	12,081
Movement in relation to share-based payments		–	–	–	–	–	1,274	1,274	–	1,274
Tax on share-based payments	8	–	–	–	–	–	239	239	–	239
Dividends to owners of the Parent	9	–	–	–	–	–	(2,441)	(2,441)	–	(2,441)
Movement due to ESOP share purchases		–	–	–	–	(38)	–	(38)	–	(38)
Movement due to ESOP share option exercises		–	–	–	–	38	–	38	–	38
Movement on reserves for non-controlling interests		–	–	–	–	–	(3,494)	(3,494)	3,494	–
Share options issued on acquisition of subsidiary		–	–	–	–	–	107	107	–	107
Non-controlling interest arising on acquisition		–	–	–	–	–	–	–	(1,888)	(1,888)
Non-controlling dividend		–	–	–	–	–	–	–	(560)	(560)
At 31 January 2016		1,763	21,523	(2,673)	5,110	1,907	24,418	52,048	743	52,791

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 2017 and year ended 31 January 2016

	Note	**Year ended 31 January 2017 £'000**	**Year ended 31 January 2017 £'000**	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000
Cash flows from operating activities					
Profit for the year		**1,668**		4,462	
Adjustments for:					
Depreciation	4,12	**3,482**		2,348	
Amortisation	4,11	**6,017**		3,796	
Finance expense	6	**5,607**		4,905	
Finance income	7	**(865)**		(2,059)	
Share of loss from equity-accounted associate		**272**		5	
Loss on sale of property, plant and equipment	4	**110**		156	
Income tax expense	8	**1,232**		1,116	
Share-based payment charge		**8,989**		1,393	
Net cash inflow from operating activities before changes in working capital			**26,512**		16,122
Change in trade and other receivables		**8,430**		(6,740)	
Change in trade and other payables		**(2,861)**		6,447	
Movement in provisions		**763**		459	
Change in working capital			**6,332**		166
Net cash generated from operations			**32,844**		16,288
Income taxes paid			**(1,978)**		(2,954)
Net cash from operating activities			**30,866**		13,334
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired		**(14,546)**		(4,190)	
Payment of contingent consideration		**(6,622)**		(9,160)	
Acquisition of investments and associates		**(777)**		–	
Proceeds on disposal of associates		**330**		–	
Acquisition of property, plant and equipment		**(8,284)**		(6,411)	
Proceeds on disposal of property, plant and equipment		**7**		7	
Acquisition of intangible assets		**(612)**		(562)	
Net movement in long-term cash deposits		**(292)**		109	
Interest received	7	**204**		49	
Net cash outflow from investing activities			**(30,592)**		(20,158)
Net cash from operating and investing activities			**274**		(6,824)

	Note	Year ended 31 January 2017 £'000	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000	Year ended 31 January 2016 £'000
Net cash from operating and investing activities			**274**		(6,824)
Cash flows from financing activities					
Proceeds from sale of own shares		**–**		12,540	
Issue costs on issue of Ordinary Shares		**–**		(457)	
Capital element of finance lease rental repayment		**(55)**		(23)	
Increase in bank borrowings and overdrafts		**11,589**		6,661	
Repayment of bank borrowings and overdrafts		**–**		(3,790)	
Interest paid	6	**(695)**		(471)	
Dividend and profit share paid to non-controlling interest partners	9	**(1,075)**		(560)	
Dividend paid to shareholders of the Parent	9	**(3,264)**		(2,441)	
Net cash inflow from financing activities			**6,500**		11,459
Net increase in cash and cash equivalents			**6,774**		4,635
Cash and cash equivalents at beginning of the year			**14,132**		9,315
Exchange gains on cash held			**1,166**		182
Cash and cash equivalents at end of the year	19		**22,072**		14,132

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 Directors' Report) and on an 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

The Group has adopted the new accounting pronouncements which became effective this year, none of which had a significant impact on the Group's results or financial position.

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 have been used by the Group. Non-controlling interests are subsequently measured as the amount of those non-controlling interests at the date of the original combination and the non-controlling interest's share of changes in equity since the date of the combination.

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. The £272,000 share of loss from associates in the current year constitutes a £200,000 loss on disposal of associates and £72,000 share of loss from associates.

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.

1 Accounting policies continued

E. Revenue

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

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

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

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.

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 three 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 two to twenty years. In the year we have reassessed the useful life of one of the Group's trade names, reducing it from ten years to two years. The impact of this change in estimate is an increase in the amortisation of £0.4m.

Customer relationships

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

Non-compete

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

1 Accounting policies continued

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.

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 (the '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.

1 Accounting policies continued

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.

Trade receivables

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

Hedging activities

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

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

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

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

Bank borrowing

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

Deal costs

Costs associated with 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 considered exceptional to the extent they would not have been incurred had the business combination not occurred.

1 Accounting policies continued

K. Financial instruments continued

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.

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.

Trade payables

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

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 vacant or sublet properties when the Group has a legal obligation for future expenditure in relation to onerous leases. The provision is measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

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

The Group grants brand equity appreciation rights to key individuals in the form of LLC units or restricted ordinary shares in the relevant subsidiary. The LLC units or restricted ordinary shares give the individuals a right to a percentage of the future appreciation in their particular brand's equity. Appreciation is measured based on a multiple of the brand's operating earnings in subsequent year(s), over the base line value determined at the date of grant. Since any brand appreciation payments are to be settled in Group equity, they are accounted for as equity-settled share-based payments. The Group fair values the LLC units or restricted ordinary shares at the date of grant and expenses them fully at that point. The Group determines that these brand appreciation rights (or growth shares) are exceptional in nature as they are the continuation of acquisition-related payments used to incentivise key management to grow their business and are one-off in nature as expensed to the Income Statement in full in the year of grant.

O. Leased assets

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

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

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

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.

1 Accounting policies continued

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 Payments' ('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.

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. Significant judgements and key areas of estimation uncertainty

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.

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.

III. Share-based payments

The Group grants brand equity appreciation rights which are fully settled in Company shares and are accounted as equity-settled share-based payments. These are valued using a model to determine a probability weighted average forecast value of the brand appreciation rights on settlement with Company shares. This involves estimating future revenue growth and profit margins of the brands over a number of years, as well as making assumptions on timing of the exercise of the put option by employees.

1 Accounting policies continued

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 2017 or later periods. These new pronouncements are listed below:

- Annual Improvements 2012–2014 cycle (effective for periods beginning on or after 1 July 2016)
- IFRS 15 'Revenue from Contracts with Customers' (effective periods beginning on or after 1 January 2018)
- IFRS 9 'Financial Instruments' (effective periods beginning on or after 1 January 2018)
- IFRS 16 'Leases' (effective periods beginning on or after 1 January 2019)[1]

1 Not yet endorsed for use in the EU.

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

- IFRS 15 may impact the timing of revenue recognition for the Group, particularly for revenue earnt through project work, and is effective for the Group's year ending 31 January 2019. The Group is currently evaluating the impact of the adoption of this standard in future periods.
- IFRS 16 requires the recognition of all lease assets and liabilities by lessees on the balance sheet and is effective for the Group's year ending 31 January 2020. The Group is currently evaluating the impact of the adoption of this standard on its financial position and operating results.

2 Segment information

Reportable segments

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

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

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, amortisation of acquired intangibles, goodwill impairment charges and other exceptional one-off costs. Other information provided to them is measured in a manner consistent with that in the financial statements. Head Office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 January 2017						
Revenue	**42,638**	**7,166**	**107,008**	**14,201**	**–**	**171,013**
Segment adjusted operating profit/(loss)	**8,042**	**647**	**22,347**	**2,162**	**(8,228)**	**24,970**
Operating profit margin	**18.9%**	**9.0%**	**20.9%**	**15.2%**	**–**	**14.6%**
Organic revenue growth	**3.7%**	**5.7%**	**12.6%**	**6.4%**	**–**	**9.9%**
Year ended 31 January 2016						
Revenue	27,885	6,426	83,456	11,990	–	129,757
Segment adjusted operating profit/(loss)	3,805	452	17,492	1,380	(6,610)	16,519
Operating profit margin	13.6%	7.0%	21.0%	11.5%	–	12.7%
Organic revenue growth	(0.6%)	(8.1%)	14.1%	(2.4%)	–	7.8%

2 Segment information

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 2017 £'000	Year ended 31 January 2016 £'000
Segment adjusted operating profit	**24,970**	16,519
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments[1]	**(10,507)**	(1,549)
Deal costs	**(368)**	(208)
Costs associated with restructuring[2]	**(676)**	(1,492)
Charge associated with office moves	**–**	(1,354)
Total exceptional costs in operating profit excluding amortisation	**(11,551)**	(4,603)
Amortisation of acquired intangibles	**(5,505)**	(3,487)
Total exceptional costs in operating profit	**(17,056)**	(8,090)
Total operating profit	**7,914**	8,429

1 This charge relates to the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration, and transactions whereby a restricted grant of brand equity was given to key management in Agent3 Limited, BYND Limited, MIG Global Limited, The Lexis Agency Limited, Twogether Creative Limited, BYND LLC, Vrge Strategies LLC and M Booth LLC (2016: Bite Communications Limited, Bite Communications LLC and The OutCast Agency LLC) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement. It also includes charges associated with equity transactions accounted for as share-based payments.

2 In the current period the Group has incurred exceptional costs in relation to Story Worldwide LLC and finalisation of the restructure of the EMEA region. In the prior period the costs were in relation to the decision to exit both South Africa and Denmark, the restructuring of the Story Worldwide LLC business and finally the merging of the research agencies under the Morar brand.

3 Employee information

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

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Wages and salaries	**105,622**	83,200
Social security costs	**7,629**	5,836
Pension costs	**2,159**	1,613
Share-based payment charge (note 21)	**11,346**	2,072
	126,756	92,721

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

	Year ended 31 January 2017	Year ended 31 January 2016
UK	**424**	304
Europe and Africa	**81**	85
US	**716**	611
Asia Pacific	**314**	314
Head Office	**45**	36
	1,580	1,350

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

3 Employee information continued

Directors' remuneration consists of:

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Short-term employee benefits	**1,388**	1,186
Pension costs	**105**	60
Share-based payment charge	**325**	165
	1,818	1,411

The highest paid Director received total emoluments of £1,072,000 (2016: £815,000).

4 Operating profit

This is arrived at after charging/(crediting):

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Depreciation of owned property, plant and equipment	**3,354**	2,246
Depreciation of assets held under finance leases	**128**	102
Amortisation of intangible assets	**6,017**	3,796
Loss on sale of property, plant and equipment	**110**	156
Share-based payment charge	**839**	523
Share-based payment charge – exceptional	**10,507**	1,549
Operating lease income	**(223)**	(543)
Operating lease rentals – property	**7,603**	4,413
– plant and machinery	**61**	45
Foreign exchange gain	**(824)**	(105)

Auditors' remuneration

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

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**195**	183
The auditing of financial statements of the subsidiaries pursuant to legislation	**148**	127
Non-audit services:		
Tax advisory services	**71**	42
Other assurance services	**30**	5
	444	357

5 Reconciliation of pro forma financial measures

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

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

Adjusted profit before income tax and earnings to ordinary shareholders

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Profit before income tax	**2,900**	5,578
Unwinding of discount on contingent and deferred consideration (note 17)	**1,787**	936
Unwinding of discount on share purchase obligation (note 17)	**395**	576
Total exceptional costs in operating profit (note 2)	**17,056**	8,090
Change in estimate of future contingent consideration payable (note 17)	**1,606**	439
Change in estimate of future share purchase obligation (note 17)	**456**	473
Adjusted profit before income tax	**24,200**	16,092

Adjusted EBITDA

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Operating profit	**7,914**	8,429
Depreciation of owned property, plant and equipment (note 12)	**3,354**	2,246
Depreciation of assets held under finance leases (note 12)	**128**	102
Amortisation of intangible assets (note 11)	**6,017**	3,796
Total exceptional costs in operating profit excluding amortisation (note 2)	**11,551**	4,603
Adjusted EBITDA	**28,964**	19,176

Adjusted staff costs

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Staff costs	**126,756**	92,721
Reorganisation costs	**(593)**	(1,219)
Charges associated with equity transactions accounted for as share-based payments (note 2)	**(10,507)**	(1,549)
Adjusted staff costs	**115,656**	89,953

6 Finance expense

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Financial liabilities at amortised cost		
Bank interest payable	**685**	445
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	**395**	576
Change in estimate of future share purchase obligation (note 17)	**858**	759
Unwinding of discount on contingent and deferred consideration (note 17)	**1,787**	936
Change in estimate of future contingent consideration payable (note 17)	**1,865**	2,163
Other		
Finance lease interest	**7**	8
Other interest payable	**10**	18
Finance expense	**5,607**	4,905

7 Finance income

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Financial assets at amortised cost		
Bank interest receivable	**40**	42
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	**402**	286
Change in estimate of future contingent consideration (note 17)	**259**	1,724
Other		
Other interest receivable	**164**	7
Finance income	**865**	2,059

8 Taxation

The major components of income tax expense/(credit) for the year ended 31 January 2017 and year ended 31 January 2016 are:

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	**4,232**	2,019
Adjustments in respect of current income tax in prior years	**(106)**	30
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(3,025)**	(957)
Adjustments in respect of deferred tax for prior years	**131**	24
Income tax expense reported in the Consolidated Income Statement	**1,232**	1,116
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	**(1,239)**	(239)
Income tax benefit reported in equity	**(1,239)**	(239)
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20% (2016: 20.17%). The difference is explained below:		
Profit before income tax	**2,900**	5,578
Corporation tax expense at 20% (2016: 20.17%)	**580**	1,125
Effects of:		
Disallowed expenses	**1,338**	765
Recognition of previously unrecognised tax losses	**(19)**	(354)
Non-utilisation of tax losses	**18**	26
Higher rates of tax on overseas earnings	**836**	734
Deduction for overseas taxes	**(1,546)**	(1,234)
Adjustments in respect of prior years	**25**	54
	1,232	1,116
Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense reported in the Consolidated Income Statement	**1,232**	1,116
Add back:		
Tax on adjusting items		
Costs associated with the current period restructure (note 2)	**197**	497
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	**146**	200
Share-based payment charge (note 2)	**2,431**	312
Charge associated with office moves (note 2)	**–**	491
Amortisation of acquired intangibles	**1,318**	924
Adjusted tax expense	**5,324**	3,540
Adjusted profit before income tax (note 5)	**24,200**	16,092
Adjusted effective tax rate	**22%**	22%

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

The UK income tax expense is based on the UK statutory rate of corporation tax during the year to 31 January 2017 of 20% (2016: 20.17%).

As a result of the reduction in the UK corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 that was substantively enacted on 6 September 2016, the UK deferred tax balances have been remeasured.

9 Dividend

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Dividends paid during the period		
Final dividend paid for prior year of 3.00p per Ordinary Share (2016: 2.50p)	**2,164**	1,635
Interim dividend paid of 1.50p per Ordinary Share (2016: 1.20p)	**1,100**	806
	3,264	2,441
Non-controlling interest dividend[1]	**1,075**	560

1 During the year, a profit share was paid to the holders of the non-controlling interest of Vrge Strategies LLC of £13,440 (2016: £29,000), The Blueshirt Group LLC of £187,895 (2016: £120,000), Outcast of £396,248 (2016: £278,000), M Booth of £123,300 (2016: £64,000), Beyond of £170,879 (2016: £Nil), Bite US of £9,046 (2016: £1,000) and Connections Media of £173,756 (2016: £68,000).

The ESOP waived its right to dividends in the financial years ended 31 January 2017 and 2016.

A final dividend of 3.75p per share (2016: 3.00p) has been proposed, which is a total amount of £2,750,708 (2016: £2,164,000). This has not been accrued. This makes the total dividend for the year 5.25p per share (2016: 4.2p). The final dividend, if approved at the AGM on 21 June 2017, will be paid on 4 August 2017 to all shareholders on the Register of Members as at 30 June 2017. The ex-dividend date for the shares is 29 June 2017.

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 note 5 is the tax effect of those adjusting items.

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Earnings attributable to ordinary shareholders	**1,138**	3,992
Unwinding of discount on contingent and deferred consideration	**1,683**	793
Unwinding of discount on share purchase obligation	**345**	519
Change in estimate of future contingent consideration payable	**1,500**	439
Change in estimate of share purchase obligation	**570**	473
Costs associated with the current period restructure (note 2)	**511**	995
Share-based payment charge (note 2)	**8,075**	1,237
Charge associated with office moves (note 2)	**–**	863
Deal costs (note 2)	**337**	208
Amortisation of acquired intangibles	**4,187**	2,563
Adjusted earnings attributable to ordinary shareholders	**18,346**	12,082

	Number	Number
Weighted average number of Ordinary Shares	**72,306,063**	66,298,503
Dilutive LTIP shares	**2,103,789**	2,904,335
Dilutive growth deal shares[1]	**2,905,385**	1,689,729
Other potentially issuable shares	**973,882**	745,340
Diluted weighted average number of Ordinary Shares	**78,289,119**	71,637,907
Basic earnings per share	**1.6p**	6.0p
Diluted earnings per share	**1.5p**	5.6p
Adjusted earnings per share	**25.4p**	18.2p
Diluted adjusted earnings per share	**23.4p**	16.9p

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 2015	5,192	3,260	10,063	466	45,509	64,490
Additions	562	–	–	–	–	562
Capitalised internal development	197	–	–	–	–	197
Acquired through business combinations[1]	801	635	3,083	313	5,586	10,418
Disposals	(242)	–	–	–	–	(242)
Exchange differences	23	200	318	2	1,218	1,761
At 31 January 2016	6,533	4,095	13,464	781	52,313	77,186
Additions	259	–	–	–	–	259
Capitalised internal development	353	–	–	–	–	353
Acquired through business combinations[1]	495	2,010	11,952	1,513	12,900	28,870
Disposals	(282)	–	–	–	–	(282)
Exchange differences	104	439	764	2	2,946	4,255
At 31 January 2017	**7,462**	**6,544**	**26,180**	**2,296**	**68,159**	**110,641**
Amortisation and impairment						
At 31 January 2015	3,263	607	5,243	125	10,337	19,575
Charge for the year[2]	933	395	2,085	383	–	3,796
Disposals	(185)	–	–	–	–	(185)
Exchange differences	23	64	264	–	94	445
At 31 January 2016	4,034	1,066	7,592	508	10,431	23,631
Charge for the year[2]	1,308	932	3,336	441	–	6,017
Disposals	(284)	–	–	–	–	(284)
Exchange differences	99	172	667	3	357	1,298
At 31 January 2017	**5,157**	**2,170**	**11,595**	**952**	**10,788**	**30,662**
Net book value at 31 January 2017	**2,305**	**4,374**	**14,585**	**1,344**	**57,371**	**79,979**
Net book value at 31 January 2016	2,499	3,029	5,872	273	41,882	53,555

1 During the year, the Group acquired HPI, Publitek, Pinnacle and Twogether (note 26). The Group recognised customer relationships of £623,000, £5,247,000, £3,134,000 and £2,948,000 in HPI, Publitek, Pinnacle and Twogether respectively. £771,000, £71,000 and £1,168,000 of trade names were recognised in Publitek, Pinnacle and Twogether respectively. £102,000, £482,000, £457,000 and £472,000 of intangibles relating to non-compete clauses were recognised in HPI, Publitek, Pinnacle and Twogether respectively. £495,000 of software intangibles were recognised in Twogether.

2 Amortisation charge for the period includes acquired intangibles of £441,000 for non-compete agreements, £3,336,000 for customer relationships, £932,000 for trade names and £796,000 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:

	2017 £'000	2016 £'000
Text 100 Group	**5,189**	5,189
OutCast (US)	**8,399**	7,453
M Booth (US)	**5,390**	4,783
Blueshirt (US)	**5,445**	4,832
Bourne	**5,631**	5,631
Story Worldwide (US)	**2,074**	1,840
Morar (note 26)	**2,623**	1,913
ODD	**2,458**	2,458
Publitek (includes Pinnacle) (note 26)	**8,884**	–
Twogether (note 26)	**3,594**	–
Other[1]	**7,684**	7,783
	57,371	41,882

1 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.

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

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

Stage 2) the value in use of the brands, calculated by taking the present value of expected future cash flows based on a 2.5% long-term growth rate applied to the Board-approved FY18 budget.

Stage 3) the value in use of the brands, calculated by taking the present value of expected future cash flows based on management's best estimate of brand-specific growth rates for the following four years applied to the Board-approved FY18 budget.

Note that the long-term perpetuity growth rate in stages 2 and 3 is 2.5%. Stage 3 is only performed if impairment is indicated at stages 1 and 2.

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 cash flows for the following five years based on estimated growth rates of 2.5% (2016: 2.5%) 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.

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 12.7% (2016: 14.4%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 12.7% to be appropriate as this is already in the higher end of the spectrum amongst its peers, and views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar PR businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. 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 Lexis CGU has been transferred into the existing Text 100 CGU. This is due to Text 100 being the lowest level at which goodwill is monitored for internal management purposes. The previous Lexis and Text 100 businesses now operate as one and are managed as such. It is believed that the two agencies have both revenue and cost synergies to be realised immediately now that both agencies are managed together.

11 Intangible assets continued

Sensitivity to changes in assumptions

Two CGUs have been identified at stage 3, which show indicators of impairment, those being Bourne and Story. If expected growth rates reduced by 1% and the discount rates increased by 1%, this would not cause the carrying values of the individual CGUs to exceed their recoverable amounts, with the exception of Bourne.

Financial year	Brand	Key assumptions	Reasonably possible change
Year to January 2017	Bourne	In stage two analysis, the carrying value of Bourne goodwill exceeds its recoverable amount. Bourne has been consistently profitable over the last few years with the operating profit margin improving from 6.4% in FY16 to 13.4% in FY17. Next year, the business has budgeted to continue making solid operating profit, with 10% for the budgeted full-year margin. Furthermore, the agency expects to grow in terms of revenue next year with significant opportunities, both organically and through new business. Greater collaboration between Bourne and other UK MarTech agencies is also expected to bring significant revenue opportunities and cost synergies. When a revenue growth rate of 6% is used for the three years following the FY18 budget, and 5% in subsequent years, the recoverable amount exceeds the carrying amount by £0.4m (7%). It is deemed that these models are appropriate given the current growth rates in the Company and it is expected that they will be met. As such, no impairment has been proposed, although management will continue to monitor the position closely.	In order for the carrying amount to exceed the recoverable amount, revenue growth would have to decrease to 5.4% in all years with no proportionate increase in costs, or revenue growth would remain the same, with an increase in underlying costs of 0.5% in all years. Alternatively, in order for the carrying amount to exceed the recoverable amount with no change in revenue or cost growth rates, the discount rate would need to increase by 0.8%. These changes are not deemed reasonably possible by management.
Year to January 2017	Story	In the stage two analysis performed at the current year end, the carrying value of goodwill exceeds its recoverable amount. In the stage two analysis performed at the current year end, the carrying value of goodwill exceeds its recoverable amount. However, when critically assessing and adjusting the budgeted costs to reflect the staff needed to deliver the forecasted revenue, the recoverable amount exceeds the carrying amount by £3.0m. Management has deemed the cost adjustment appropriate to reflect the staff needed to deliver the revenue forecasted. Management continues to monitor Story closely with growth strategies in place to help the business grow.	In order for the carrying amount to exceed the recoverable amount, revenue growth would have to decrease to 0% in all years with no proportionate increase in costs, or revenue growth would have to remain the same, with an increase in underlying staff and overhead costs to 5.2% in all years. Alternatively, in order for the carrying amount to exceed the recoverable amount with no change in revenue or cost growth rates, the discount rate would need to increase by 15.6%. These changes are not deemed reasonably possible by management.

12 Property, plant and equipment

	Short leasehold Improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2015	6,415	6,169	1,261	94	13,939
Exchange differences	469	209	140	4	822
Additions	3,921	1,099	754	–	5,774
Acquired through business combinations	98	279	383	–	760
Disposals	(1,081)	(1,766)	(631)	(22)	(3,500)
At 31 January 2016	9,822	5,990	1,907	76	17,795
Exchange differences	1,280	303	358	6	1,947
Additions	5,754	1,425	1,098	7	8,284
Acquired through business combinations	52	349	63	–	464
Disposals	(1,496)	(1,011)	(877)	(87)	(3,471)
At 31 January 2017	**15,412**	**7,056**	**2,549**	**2**	**25,019**
Accumulated depreciation					
At 31 January 2015	3,217	4,505	735	31	8,488
Exchange differences	159	140	75	2	376
Charge for the year	990	972	376	10	2,348
Disposals	(1,046)	(1,736)	(607)	(16)	(3,405)
At 31 January 2016	3,320	3,881	579	27	7,807
Exchange differences	374	474	173	2	1,023
Charge for the year	1,544	1,372	554	12	3,482
Acquired through business combinations	29	239	36	–	304
Disposals	(1,507)	(1,034)	(779)	(41)	(3,361)
At 31 January 2017	**3,760**	**4,932**	**563**	**–**	**9,255**
Net book value at 31 January 2017	**11,652**	**2,124**	**1,986**	**2**	**15,764**
Net book value at 31 January 2016	6,502	2,109	1,328	49	9,988

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts as follows: £Nil of leasehold improvements (2016: £30,000) and £32,000 of office equipment and furniture (2016: £36,000). Depreciation charged in the year in respect of finance leases was £128,000 (2016: £102,000). The Group has contractual commitments for short leasehold improvements of £Nil (2016: £Nil).

13 Trade and other receivables

	2017 £'000	2016 £'000
Current		
Trade receivables	**31,919**	31,029
Less: provision for impairment of trade receivables	**(1,067)**	(697)
Trade receivables – net	**30,852**	30,332
Balance owing from associate	**130**	–
Other receivables	**1,958**	3,648
Prepayments	**2,948**	2,297
Accrued income	**6,255**	4,647
	42,143	40,924
Non-current		
Rent deposits	**817**	702

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

13 Trade and other receivables continued

As of 31 January 2017, trade receivables of £1,067,000 (2016: £697,000) were impaired. Movements in the provision were as follows:

	2017 £'000	2016 £'000
At start of period	**697**	662
Provision for receivables impairment	**432**	174
Receivables written off during the year as uncollectable	**(120)**	(49)
Unused amounts reversed	**(24)**	(101)
Foreign exchange movements	**82**	11
At period end	**1,067**	697

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

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

	2017 £'000	2016 £'000
Not past due	**19,813**	17,784
Up to 30 days	**6,223**	6,611
31 to 60 days	**2,495**	3,312
Greater than 61 days	**2,321**	2,625
At period end	**30,852**	30,332

14 Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade creditors	**5,195**	4,677
Finance lease obligation	**14**	56
Other taxation and social security	**2,608**	2,338
Short-term compensated absences	**2,192**	1,563
Other creditors	**2,415**	1,655
Accruals	**15,187**	13,712
Deferred income	**11,798**	10,087
	39,409	34,088
Non-current		
Finance lease obligation	**10**	11
Rental lease liabilities	**5,527**	5,728
	5,537	5,739

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

15 Provisions

	Onerous lease £'000	Property £'000	Other[1] £'000	Total £'000
At 31 January 2015	751	723	94	1,568
Additions	–	200	1,033	1,233
Used during the year	(699)	(588)	(75)	(1,362)
At 31 January 2016	52	335	1,052	1,439
Additions	–	92	1,467	1,559
On acquisition of subsidiary	192	101	57	350
Used during the year	(55)	(79)	(579)	(713)
Exchange differences	3	15	48	66
At 31 January 2017	**192**	**464**	**2,045**	**2,701**
Current	**192**	**410**	**2,045**	**2,647**
Non-current	**–**	**54**	**–**	**54**

1 Other includes employment dependent acquisition payments of £1,961,000 and other immaterial provisions.

16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Amounts payable:				
Within one year	**16**	52	**14**	56
In two to five years	**10**	20	**10**	11
	26	72	**24**	67
Less: finance charges allocated to future periods	**(2)**	(5)	**–**	–
Present value of lease obligations	**24**	67	**24**	67

17 Other financial liabilities

	Deferred consideration £'000	Contingent Consideration[1] £'000	Share purchase obligation £'000	Total £'000
At 31 January 2015	94	7,174	5,842	13,110
Arising during the period	–	4,092	916	5,008
Changes in assumptions[2]	–	439	473	912
Exchange differences	–	223	93	316
Utilised	(95)	(4,519)	(4,166)	(8,780)
Unwinding of discount	1	935	576	1,512
At 31 January 2016	–	8,344	3,734	12,078
Arising during the year	–	7,936	400	8,336
Changes in assumptions[2]	–	1,606	456	2,062
Exchange differences	–	312	144	456
Utilised[3]	–	(5,080)	(1,509)	(6,589)
Written off as sold	–	–	(187)	(187)
Unwinding of discount	–	1,787	395	2,182
At 31 January 2017	**–**	**14,905**	**3,433**	**18,338**
Current	**–**	**3,934**	**400**	**4,334**
Non-current	**–**	**10,971**	**3,033**	**14,004**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in HPI, Pinnacle, Pulblitek and Twogether (2016: IncrediBull, Encore and ODD). 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 £6.1m in cash and £0.5m in shares. The difference to the cash-flow statement is due to employment dependent acquisition payments made in cash of £0.5m which were recognised as provisions over the required employment term.

17 Other financial liabilities continued

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 FY18 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 1 percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earn-out agreements by approximately £204,000 (2016: £34,000). There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing on the earn-out agreements would have approximately a £73,000 (2016: £13,000) impact on the liabilities. An increase in the liability would result in a reduction in the revaluation of financial instruments, while a decrease would result in a further gain.

18 Deferred taxation

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

	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 January 2015	493	630	1,947	67	106	2,079	513	5,835
(Charge)/credit to income	(685)	(90)	(96)	17	998	824	(35)	933
Exchange differences	(33)	24	–	5	210	186	10	402
Acquisition of subsidiaries	(8)	–	–	–	(922)	6	–	(924)
Taken to equity	–	–	239	–	–	–	–	239
At 31 January 2016	(233)	564	2,090	89	392	3,095	488	6,485
(Charge)/credit to income	(253)	(59)	2,463	3	990	(152)	(98)	2,894
Exchange differences	(68)	64	–	11	291	402	39	739
Acquisition of subsidiaries	(16)	–	–	–	(2,999)	(67)	62	(3,020)
Taken to equity	–	–	197	–	–	–	–	197
At 31 January 2017	**(570)**	**569**	**4,750**	**103**	**(1,326)**	**3,278**	**491**	**7,295**

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

	2017 £'000	2016 £'000
Net deferred tax balance		
Deferred tax assets	**9,987**	6,485
Deferred tax liabilities	**(2,692)**	–
Net deferred tax asset	**7,295**	6,485

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 £1,882,886 (2016: £359,857).

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 £6m (2016: £4m). No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

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 2017, based on period-end balances and rates.

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

	Movement in basis points	**2017 £'000**	2016 £'000
Group	+200	**(669)**	(410)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities. On 8 March 2016 the Group extended its four-year revolving loan credit facility agreement with HSBC Bank available in multiple currencies to £30m (previously £20m).

At 31 January 2017 the Group had an undrawn amount of £443,099 (2016: £96,441). The interest rate is variable dependent on the net debt:EBITDA ratio and the facility is available until 8 March 2020.

In addition, on 18 December 2014, the Group entered into an overdraft facility with HSBC Bank of £2m available at a rate of 2.25% above HSBC Bank's base rate in multiple currencies. The overdraft facility is reviewed at the bank's discretion with no expiry date. At the balance sheet date, the Group had utilised £Nil of the HSBC overdraft bank facility (2016: £Nil).

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 2017 and 31 January 2016, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	More than five years £'000	Total £'000
As at 31 January 2017				
Financial liabilities	**49,657**	**59,899**	**–**	**109,556**
As at 31 January 2016				
Financial liabilities	40,338	37,259	1,061	78,658

19 Financial instruments continued

Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe 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 and rates.

	Weakening against sterling	**2017 £'000**	2016 £'000
US dollar	20%	**(2,001)**	(336)
Euro	20%	**(147)**	28
Australian dollar	20%	**–**	7
Chinese renminbi	20%	**(55)**	(14)

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

	Weakening against sterling	**2017 £'000**	2016 £'000
US dollar	20%	**(79)**	1,234
Euro	20%	**(350)**	39
Australian dollar	20%	**(441)**	(176)
Chinese renminbi	20%	**442**	(6)

Credit risk

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

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

Maximum exposure to credit risk

	2017 £'000	2016 £'000
Total trade and other receivables	**42,143**	40,924
Cash and cash equivalents	**22,072**	14,132

19 Financial instruments continued

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings and finance leases, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2017 to 2022.

	2017 £'000	2016 £'000
Total loans and borrowings[1]	**33,458**	20,683
Obligations under finance leases	**26**	72
Less: cash and cash equivalents	**(22,072)**	(14,132)
Net debt	**11,412**	6,623
Total equity	**68,497**	52,791
Total capital	**79,909**	59,414

1 Total loans and borrowings is made up of current obligations (£31,869,000) and non-current obligations (£1,589,000).

	2017 £'000	2016 £'000
Net debt	**11,412**	6,623
Share purchase obligation	**3,433**	3,734
Contingent consideration	**14,905**	8,344
	29,750	18,701

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 2017, with the exception of obligations under finance leases. The book value of obligations under finance leases is £24,000 (2016: £72,000) and the fair value is £26,000 (2016: £67,000). The fair value of obligations under finance lease 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 IAS 39 categories of financial assets and liabilities included in the balance sheet and the line in which they are included are as follows:

As at 31 January 2017	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
Non-current financial assets				
Other receivables	–	–	817	817
	–	–	817	817
Current financial assets				
Cash and cash equivalents	–	–	22,072	22,072
Trade and other receivables	–	–	39,195	39,195
	–	–	61,267	61,267
Current financial liabilities				
Loans and borrowings	–	1,589	–	1,589
Trade and other payables	–	25,003	–	25,003
Provisions	–	2,647	–	2,647
Share purchase obligation[1]	400	–	–	400
Contingent consideration[1]	3,934	–	–	3,934
	4,334	29,239	–	33,573
Non-current financial liabilities				
Loans and borrowings	–	31,869	–	31,869
Provisions	–	54	–	54
Other payables	–	5,537	–	5,537
Contingent consideration[1]	10,971	–	–	10,971
Share purchase obligation[1]	3,033	–	–	3,033
	14,004	37,460	–	51,464

1 See note 17.

The Group has no fair value Level 1 or 2 instruments (2016: none). All instruments at fair value through profit of 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

As at 31 January 2016	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
Non-current financial assets				
Other receivables	–	–	702	702
	–	–	702	702
Current financial assets				
Cash and cash equivalents	–	–	14,132	14,132
Trade and other receivables	–	–	38,628	38,628
	–	–	52,760	52,760
Current financial liabilities				
Loans and borrowings	–	–	–	–
Trade and other payables	–	21,663	–	21,663
Provisions	–	989	–	989
Share purchase obligation[1]	1,509	–	–	1,509
Contingent consideration[1]	2,643	–	–	2,643
Deferred consideration[1]	–	–	–	–
	4,152	22,652	–	26,804
Non-current financial liabilities				
Loans and borrowings	–	20,683	–	20,683
Provisions	–	450	–	450
Other payables	–	5,739	–	5,739
Contingent consideration[1]	5,701	–	–	5,701
Share purchase obligation[1]	2,225	–	–	2,225
	7,926	26,872	–	34,798

1 See note 17.

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2017:

	Effective interest rate	**2017 £'000**	2016 £'000
Current			
Variable rate bank loan	3.01%	**1,589**	–
Obligations under finance leases	8.00%	**14**	52
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.60%	**31,869**	20,683
Obligations under finance leases	8.00%	**10**	20

Hedge of net investment in foreign entity

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

The fair value of the borrowings at 31 January 2017 is $15,400,000 (£12,233,000) (FY16: US$15,400,000 (£10,855,000)). The foreign exchange loss of £1,378,000 (FY16: £662,000) 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 (FY16: credit of £4,000) to the income statement.

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2017 Number	2016 Number
Authorised, allotted, called up and fully paid		
At start of period	**70,525,701**	61,797,256
Issued in the year in respect of contingent consideration and share purchase obligations	**1,765,751**	740,663
Issued in the year in satisfaction of exercised share options (note 21)	**1,027,932**	1,539,554
Issued in the year in respect of growth share sales	**32,830**	–
Issued in the year in respect of placing	**–**	6,448,228
At end of period	**73,352,214**	70,525,701

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

21 Share-based payments

The Group uses the Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications 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 option schemes are given in note 22. All the share-based payment plans are subject to non-market performance conditions such as adjusted earnings per share targets and continued employment. All schemes are equity settled. 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 2017 the Group recognised a charge of £11,346,000 (2016: £2,072,000) made up of £839,000 (2016: £523,000) in respect of employment-related LTIP shares; £10,507,000 (2016: £1,549,000) given in performance shares offered in consideration for the remaining non-controlling interest acquired in Bourne in 2012 and in respect of the disposal of growth participating interests of 2% in M Booth, 30% in Vrge, 2% in Agent3, 35% in Beyond Group, 49% in Morar, 13.5% in Lexis and 10% in Twogether (2016: 10% in OutCast, 5% in Bite UK and 5% in Bite US).

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

	Outstanding 31 January 2016 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	Outstanding 31 January 2017 Number ('000)	Exercisable 31 January 2017 Number ('000)
Long-Term Incentive Plan – performance shares	2,917	630	(352)	(1,028)	**2,167**	**–**
Bourne Acquisition Grant	526	–	–	–	**526**	**–**
	3,443	630	(352)	(1,028)	**2,693**	**–**

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

	October 2016
Fair value of performance shares granted under the LTIP (p)	311
Share price at date of grant (p)	357
Risk-free rate (%)	2.00
Expected life (years)	4
Expected volatility (%)	31
Dividend yield (%)	1.26

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 345p (2016: 202p). For share options outstanding at the end of the year the weighted average remaining contractual life is two years (2016: one year).

22 Share options

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

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications Group plc Long-Term Incentive Plan	855,000	1 August 2013	31 July 2017	21 January 2014
	200,000	1 August 2013	31 July 2017	16 April 2014
	460,000	1 February 2014	31 January 2018	14 November 2014
	21,500	1 February 2015	31 January 2019	6 May 2015
	630,000	1 February 2016	31 January 2019	17 October 2016
	2,166,500			
Bourne Acquisition Grant	525,773	1 August 2012	31 July 2017	5 April 2012
	2,692,273			

During the period the Company issued 985,402 shares to satisfy the vesting under the Next 15 LTIPs which were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23).

For all awards granted under the 2005 LTIP (note that no awards have been granted under the 2005 LTIP since 30 June 2015), performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The level of vesting will be determined using the best three of the four years' performance for each performance measure. The growth of adjusted EPS of the Group must exceed the UK Consumer Price Index ('CPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest. If the growth of adjusted EPS over CPI is between an average of 3% and 10% per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis. The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit targets over the performance period. To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of the award will lapse on a straight-line basis. Employees who work in Group roles will be measured by reference to whole Group performance, rather than any particular business unit.

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 three 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. EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. If the annual growth in the Company's earnings per share in the performance period exceeds the growth in the CPI by at least 15% per annum, 100% of 70% of the total award will vest. If the compound growth in EPS in the three years of the performance period exceeds the growth in CPI 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 over the growth in the CPI per annum over the performance period, 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 over the three-year performance period. 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.

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

23 Investment in own shares

Employee share ownership plan ('ESOP')

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

At 31 January 2017 the ESOP held Nil (2016: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 985,402 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting for £Nil consideration (2016: 1,539,554 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 (2016: Nil shares for £Nil proceeds).

Treasury shares

At 31 January 2017, the Group held nil treasury shares (2016: Nil) at a cost of £Nil (2016: £Nil).

24 Other reserves

	Merger reserve £'000	ESOP reserve[1] £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2015	3,075	–	(510)	2,565
Total comprehensive income for the year	–	–	(658)	(658)
Purchase and take on of shares	–	(38)	–	(38)
Movement due to ESOP share option and LTIP exercises	–	38	–	38
At 31 January 2016	3,075	–	(1,168)	1,907
Total comprehensive income for the year	–	–	(1,378)	(1,378)
Purchase and take on of shares	–	(25)	–	(25)
Movement due to ESOP share option and LTIP exercises	–	25	–	25
At 31 January 2017	**3,075**	**–**	**(2,546)**	**529**

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

25 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 January 2017, the Group's total future minimum lease rentals are as follows:

	2017		2016	
	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	**8,680**	**81**	4,663	41
In two to five years	**29,135**	**43**	22,089	44
After five years	**17,401**	**–**	20,066	–
	55,216	**124**	46,818	85

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Publitek Limited;
2. the acquisition of UK-based Twogether Creative Limited;
3. the acquisition of UK-based Pinnacle Marketing Communications Limited; and
4. the purchase of the remaining non-controlling interest in MIG Global Limited (formerly Morar Consulting Limited).

More details on each transaction are provided below.

1. Publitek

On 10 March 2016, Next 15 purchased the entire share capital of Publitek Limited ('Publitek'), a specialist technical content marketing business that services customers in the global semiconductor and electronic component markets.

Goodwill of £5,684,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Publitek has contributed £3,518,000 to revenue and £2,468,000 to profit before tax. If acquired on 1 February 2016 Publitek would have contributed revenue of £3,804,000 and profit before tax of £2,662,000 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	–	6,500	6,500
Property, plant and equipment	13	–	13
Current assets			
Cash and cash equivalents	3,104	–	3,104
Other current assets[1]	1,528	–	1,528
Current liabilities	(1,227)	–	(1,227)
Deferred tax liability	–	(1,224)	(1,224)
Net assets acquired	3,418	5,276	8,694
Goodwill			5,684
			14,378
Consideration			
Initial consideration settled in cash[2]			9,075
Initial consideration settled in Ordinary Shares of the Parent			513
Total discounted contingent consideration			4,790
			14,378

1 The fair value of receivables acquired is £1,320,000.

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 £85,000. Contingent consideration is payable based on a share of the average profit of the combined business (including Pinnacle) in FY18 and FY19, and then FY20 and FY21, and a contractual multiple.

26 Acquisitions and equity transactions continued

2. Twogether Creative Limited

On 31 March 2016, Next 15 purchased the entire share capital of Twogether Creative Limited ('Twogether'), a B2B creative and digital marketing agency with a focus on technology clients.

Goodwill of £3,594,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Twogether has contributed £5,251,000 to revenue and £753,000 to profit before tax. If acquired on 1 February 2016 Twogether would have contributed revenue of £6,273,000 and profit before tax of £970,000 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	–	5,083	5,083
Property, plant and equipment	90	–	90
Current assets			
Cash and cash equivalents	163	–	163
Other current assets[1]	1,669	–	1,669
Current liabilities	(1,947)	–	(1,947)
Deferred tax liability	–	(956)	(956)
Net assets acquired	(25)	4,127	4,102
Goodwill			3,594
			7,696
Consideration			
Initial consideration settled in cash			3,910
Initial consideration settled in Ordinary Shares of the Parent			2,624
Total discounted contingent consideration			1,162
			7,696

1 The fair value of receivables acquired is £1,297,000.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £99,000. Contingent consideration is payable based on the average profit of the business in FY18 and FY19, and then FY20 and FY21, and a contractual multiple determined by average profit margin and revenue growth in the same financial years.

26 Acquisitions and equity transactions continued

3. Pinnacle Marketing Communications Limited

On 26 September 2016 Next 15 purchased the entire share capital of Pinnacle Marketing Communications Limited ('Pinnacle'), a technical content and digital marketing agency. Goodwill of £3,200,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Pinnacle has contributed £737,000 to revenue and £362,000 to profit before tax. If acquired on 1 February 2016 Pinnacle would have contributed revenue of £2,278,000 and profit before tax of £1,126,000 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	–	3,662	3,662
Property, plant and equipment	61	–	61
Current assets			
Cash and cash equivalents	1,082	–	1,082
Other current assets[1]	403	–	403
Current liabilities	(594)	–	(594)
Deferred tax liability	–	(682)	(682)
Net assets acquired	952	2,980	3,932
Goodwill			3,200
			7,132
Consideration			
Initial consideration settled in cash[2]			4,743
Initial consideration settled in Ordinary Shares of the Parent			402
Total contingent consideration			1,987
			7,132

1 The fair value of receivables acquired is £381,000.

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 £41,000.

Contingent consideration is payable based on a share of the average profit of the combined business (including Pinnacle) in FY18 and FY19, and then FY20 and FY21, and a contractual multiple.

4. Morar

On 26 February 2016, Next 15 acquired the remaining 25% minority interest in Morar Consulting Limited (now MIG Global Limited or 'Morar'), its research and advisory agency and settled in full the remaining obligation for the original purchase of 75% of the issued share capital made on 3 December 2014. The aggregate consideration for the minority interest and remaining obligation was £3.55m of which £1.5m is payable in February 2017 subject to the remaining employment of the sellers.

On 9 November 2016, Morar purchased an 85% interest in HPI Research Limited, a market research business, for £1.3m with an obligation to purchase the remaining 15%. The net assets acquired are £0.9m, including cash of £0.1m. Goodwill of £0.4m arises from anticipated profitability and future operating synergies.

27 Subsidiaries

The Group's subsidiaries at 31 January 2017 are listed below.

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Agent3 Limited	England		54	75 Bermondsey Street, London SE1 3XF
Agent3 LLC	USA		54	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
August One Communications International Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Beijing Text 100 Consulting Services Limited	China		100	7F, Room 819, Tower 2, No. 22 Guanghua Road, Chaoyang District, Beijing, 100020 China
BYND Limited	England	✓	95	75 Bermondsey Street, London SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Bite Communications Corporation	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Bite Communications Group Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Bite Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF
Bite Communications Hong Kong Limited	Hong Kong		100	26 F & 25F, 46 Lyndhurst Terrace, Central, Hong Kong
Bite Consulting GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
BITEDA Limited	England		100	111 Bell Street, Glasgow G4 0TQ
biteDA Inc	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
The Blueshirt Group LLC	USA		89.3	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Connections Media LLC	USA	✓	80	CT Corporation System, 1015 15th Street, NW, Suite 1000, Washington, DC 20005
Encore Digital Media Limited	England		75	1 Spiersbridge Way, Spiersbridge Business Park, Thornliebank, Glasgow G46 8NG
HPI Research Limited	England		85.4	75 Bermondsey Street, London SE1 3XF
Hypertext Communications Private Ltd	India		100	Unit 506, 5th Floor, Tower B, Millennium Plaza, Sector 27, Gurgaon – 122002, Haryana
IncrediBull America Inc	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
IncrediBull World Limited	England		100	6th floor, 110 High Holborn, London WC1V 6JS
Joe Public Relations Corp	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Joe Public Relations Limited	England		100	75 Bermondsey Street, London SE1 3XF
The Lexis Agency Limited	England		100	75 Bermondsey Street, London SE1 3XF
M Booth & Associates, Inc.	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
MIG Global Limited (formerly Morar Consulting Limited)	England		76.2	c/o BiteDA Ltd, 111 Bell Street, Glasgow G4 0TQ
Morar Consulting 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

27 Subsidiaries continued

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Next Fifteen Communications (US Holdings) LLC	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Communications Hong Kong Limited	Hong Kong	✓	100	26 F & 25F, 46 Lyndhurst Terrace, Central, Hong Kong
Next Fifteen Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF
Next Fifteen LLC	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen UK Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
ODD Communications Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
ODD London Limited	England		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
Partnermarketing.com Limited	England		100	75 Bermondsey Street, London SE1 3XF
PMC Investments Limited	England		100	75 Bermondsey Street, London SE1 3XF
Publitek Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Pinnacle Marketing Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF
Republic Publishing Corporation	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Story Worldwide LLC	USA	✓	100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Text 100 AB	Sweden		100	Västmannagatan 4, 111 24 Stockholm
Text 100 BV	Netherlands		100	Herengracht 478, 1017 CB Amsterdam
Text 100 Communications Pty Ltd	Australia		100	Level 6, 77 Berry Street, North Sydney NSW 2060
Text 100 Corporation	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801
Text 100 GmbH	Germany	✓	100	Nymphenburger Straße 168, 80634 München
Text 100 Holding GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Text 100 International Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Text 100 Italy Srl	Italy		100	Piazzale Principessa Clotilde, 8 20121 Milano
Text 100 Limited	England		100	6th floor, 110 High Holborn, London WC1V 6JS
Text 100 Malaysia Sdn Bhd	Malaysia		100	Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 KL, Malaysia
Text 100 Pte Limited	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
Text 100 Pty Limited	Australia		100	Level 17,383 Kent Street, Sydney NSW 2000
Text 100 SARL	France		100	17 rue de la Banque, 75002 Paris
Text 100 SL	Spain		100	c/ Prim, 19 5ª Planta, Madrid 28004
Text Hundred India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Twogether Creative Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Twogether Creative LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Vox Public Relations India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Vrge Strategies LLC	USA		100	The Corporation Trust Company, 1209 Orange Street - Corporation Trust Center, New Castle County, Wilmington, DE 19801

27 Subsidiaries continued

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 communications consultancy specialising predominantly in the technology sector, except for The Lexis Agency Limited, ODD and M Booth LLC. (which work for clients predominantly in consumer sectors), MIG Global Limited and HPI Research Limited (which are market research companies), The Blueshirt Group LLC (which is an investor and media relations agency) and Connections Media LLC, BYND Limited and BYND LLC (which are digital marketing consultancies).

All subsidiary undertakings operate in the country in which they have been incorporated. All subsidiary undertakings listed are included in the consolidated results. None of the Group's subsidiaries have a non-controlling interest that is individually material to the Group. As a result the disclosure requirements for subsidiaries with a material non-controlling interest under IFRS 12 are not considered necessary.

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in 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 2017 there were the following related-party transactions:

Brand	Services	Related party	**Income/(expense) impact 2017 £'000**	**Asset/(liability) at year end 2017 £'000**	Income/(expense) impact 2016 £'000	Asset/(liability) at year end 2016 £'000
Vrge	Consultancy	Digital Citizens Advisory Alliance – A director of Vrge has an interest in this company	**–**	**–**	(614)	(216)
Blueshirt	Consultancy	Blueshirt Capital Advisors is an Associate of Next 15	**(35)**	**121**	(1)	(1)
Text Hong Kong	Received video editing and shooting services	Merz Productions Ltd – one Director has an interest through their spouse	**–**	**–**	(7)	(1)
Agent3	Received research and analysis services	TATA Communications Ltd – wife of a Director has an interest in this company	**–**	**–**	(1)	–
Story Worldwide	Tax	Story paid for a Director's tax and other personal charges	**–**	**–**	(6)	(1)
Bite DA	Consultancy	Animl was an associate of Next 15 for part of the year	**4**	**–**	–	–

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 £228,510, £1,906 and £8,910 respectively. Key management personnel compensation is disclosed in note 3.

During the year, Beyond performed consumer experience work for Moneysupermarket.com, for which Genevieve Shore has a non-executive directorship. The total value of the transaction during FY17 was £1,095,000 (2016: £79,000) and the amount outstanding at the year end is £236,000 (2016: £79,000).

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:

	2017 £'000	2016 £'000
In respect of operating leases which will be receivable in the period		
Within one year	**27**	86
In two to five years	**–**	21
In greater than five years	**–**	–
	27	107

Company balance sheet
as at 31 January 2017 and 31 January 2016

	Note	**2017 £'000**	**2017 £'000**	2016 £'000	2016 £'000
Non-current assets					
Intangible assets	2	**905**		837	
Tangible assets	3	**1,327**		1,177	
Investments in subsidiaries	4	**114,117**		91,430	
Investments in associates		**–**		462	
Trade investments		**665**		–	
Deferred tax assets	9	**17**		78	
			117,031		93,984
Current assets					
Trade and other receivables	5	**15,554**		15,097	
Current tax asset		**96**		–	
			15,650		15,097
Current liabilities					
Trade and other payables	6	**16,860**		19,055	
Provisions	8	**1,812**		–	
Contingent consideration		**3,047**		–	
Current tax liability		**–**		35	
			(21,719)		(19,090)
Net current liabilities			**(6,069)**		(3,993)
Total assets less current liabilities			**110,962**		89,991
Non-current liabilities					
Borrowings	7	**31,869**		20,633	
Other financial liabilities	7	**10,994**		8,266	
			(42,863)		(28,899)
Net assets			**68,099**		61,092
Equity					
Share capital	10	**1,834**		1,763	
Share premium account		**25,681**		21,523	
Merger reserve		**3,075**		3,075	
Share-based payment reserve		**5,174**		4,571	
ESOP reserve		**–**		–	
Other reserve		**26,381**		27,759	
Retained earnings		**5,954**		2,401	
Equity attributable to owners of the Company			**68,099**		61,092

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

The Company reported a profit for the financial year ended 31 January 2017 of £6,817,000 (2016: £7,158,000).

These financial statements were approved and authorised for issue by the Board on 3 April 2017.

Peter Harris
Chief Financial Officer

Company number 01579589

Company statement of changes in equity
for the year ended 31 January 2017 and 31 January 2016

	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 2015		1,545	8,272	3,075	3,941	–	28,417	(2,316)	42,934
Profit for the period		–	–	–	–	–	–	7,158	7,158
Dividends	10	–	–	–	–	–	–	(2,441)	(2,441)
Shares issued in satisfaction of vested share options and performance shares		38	–	–	–	–	–	–	38
Shares issued on acquisition		19	1,331	–	–	–	–	–	1,350
Shares issued on placing		161	11,920	–	–	–	–	–	12,081
Movement in hedging reserve		–	–	–	–	–	(658)	–	(658)
Movement in relation to share-based payments		–	–	–	630	–	–	–	630
Movement due to ESOP share purchases		–	–	–	–	38	–	–	38
Movement due to ESOP share option exercises		–	–	–	–	(38)	–	–	(38)
At 31 January 2016		1,763	21,523	3,075	4,571	–	27,759	2,401	61,092
Profit for the period		–	–	–	–	–	–	6,817	6,817
Dividends	10	–	–	–	–	–	–	(3,264)	(3,264)
Shares issued in satisfaction of vested share options and performance shares		27	–	–	(248)	–	–	–	(221)
Shares issued on acquisition		44	4,158	–	–	–	–	–	4,202
Movement in hedging reserve		–	–	–	–	–	(1,378)	–	(1,378)
Movement in relation to share-based payments		–	–	–	851	–	–	–	851
Movement due to ESOP share purchases		–	–	–	–	(25)	–	–	(25)
Movement due to ESOP share option exercises		–	–	–	–	25	–	–	25
At 31 January 2017		**1,834**	**25,681**	**3,075**	**5,174**	**–**	**26,381**	**5,954**	**68,099**

The following notes are an integral part of this 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 page 89. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 15. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. In the prior year the Company adopted FRS 101 as 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. This transition is not considered to have had a material effect on the financial statements.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments measured at fair value at the end of each reporting period, and are in accordance with applicable accounting standards in the United Kingdom. The 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 s408 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.

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.

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

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 £114m.

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 2016	2,789
Additions	249
Disposals	–
At 31 January 2017	**3,038**
Accumulated depreciation	
At 1 February 2016	1,952
Charge for the year	181
Disposals	–
At 31 January 2017	**2,133**
Net book value	
At 31 January 2017	**905**
At 31 January 2016	837

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2016	773	721	1,494
Additions	296	92	388
Transfers	326	(326)	–
At 31 January 2017	**1,395**	**487**	**1,882**
Accumulated depreciation			
At 1 February 2016	145	172	317
Charge for the year	138	100	238
Transfers	6	(6)	–
At 31 January 2017	**289**	**266**	**555**
Net book value			
At 31 January 2017	**1,106**	**221**	**1,327**
At 31 January 2016	628	549	1,177

4 Investments

	Total £'000
Cost	
At 1 January 2016	91,430
Acquisitions[1]	22,082
Additional investment in subsidiary[2]	605
At 31 January 2017	**114,117**

1 On 25 February 2016 the Company purchase the non-controlling interest of 25% of MIG Global Limited (formerly Morar Consulting Limited). On 10 March 2016 the Company purchased 100% of the issued share capital of Publitek Limited. On 31 March 2016, the Company purchased 100% of the issued share capital of Twogether Creative Limited. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

2 The additional investment in a subsidiary follows the issue of additional shares by two of the Company's 100% subsidiaries, Bite Consulting GmbH and Text 100 Malaysia Sdn Bhd . The additional shares were acquired in Bite Consulting GmbH in order to settle amounts owed to Group undertakings whilst the additional shares were acquired in Text 100 Malaysia Sdn Bhd in order to meet the minimum share capital requirement for trading under foreign ownership.

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.

5 Trade and other receivables

	Company 2017 £'000	Company 2016 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**13,617**	14,305
Other debtors	**1,610**	446
Prepayments and accrued income	**317**	343
Other taxation	**10**	3
Total trade and other receivables	**15,554**	15,097

6 Trade and other payables

	Company 2017 £'000	Company 2016 £'000
Overdraft	**3,351**	2,236
Trade creditors	**139**	–
Amounts owed to subsidiary undertakings	**11,630**	15,438
Other taxation and social security	**78**	61
Other creditors	**11**	637
Accruals and deferred income	**1,651**	683
Total	**16,860**	19,055

7 Non-current liabilities

	Company 2017 £'000	Company 2016 £'000
Bank loan[1]	**31,869**	20,633
Between one and two years	**–**	–
Between two and five years	**31,869**	20,633
After five years	**–**	–
Contingent consideration	**9,160**	5,788
Between one and two years	**3,668**	780
Between two and five years	**5,492**	4,478
After five years	**–**	530
Share purchase obligation	**1,834**	2,478
Between one and two years	**–**	1,509
Between two and five years	**1,834**	969
After five years	**–**	–
Total	**42,863**	28,899

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

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2017.

The Company has no fair value Level 1 or 2 instruments (2016: none). All 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.

8 Provisions

	Employment dependent acquisition payments £'000	Total £'000
At 31 January 2016	–	–
Additions	2,089	2,089
Used during the year	(277)	(277)
At 31 January 2017	**1,812**	**1,812**
Current	**1,812**	**1,812**
Non-current	**–**	**–**

9 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 January 2015	77	319	4	400
Charge to income	(107)	(211)	(4)	(322)
At 31 January 2016	(30)	108	–	78
(Charge)/credit to income	(22)	(41)	2	(61)
At 31 January 2017	**(52)**	**67**	**2**	**17**

10 Share capital and reserves

	2017 £'000	2016 £'000
Allocated, called up and fully paid		
73,352,214 Ordinary Shares of 2.5p each	**1,834**	1,763

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.

11 Operating leases

As at 31 January 2017, the Company's total future minimum lease rentals are as follows:

	2017		2016	
	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	**757**	**–**	169	–
In two to five years	**3,737**	**–**	846	–
After five years	**1,877**	**–**	338	–
	6,371	**–**	1,353	–

12 Related-party transactions

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

	Intercompany interest		Recharges	
	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000	**Year ended 31 January 2017 £'000**	Year ended 31 January 2016 £'000
Agent3 Limited	**–**	4	**642**	119
Blueshirt Group LLC	**–**	–	**218**	171
Connections Media LLC	**–**	–	**104**	64
Encore Digital Media Limited	**–**	–	**478**	35
HPI Research Limited	**–**	–	**–**	–
MIG Global Limited	**–**	–	**1,154**	116
BYND Limited	**–**	–	**886**	736

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

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Agent3 Limited	**1,688**	1,182
Blueshirt Group LLC	**(71)**	48
Connections Media LLC	**(34)**	21
Encore Digital Media Limited	**82**	30
HPI Research Limited	**–**	–
MIG Global Limited	**1,273**	186
BYND Limited	**81**	146

Five-year financial information

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

	Year ended 2017 IFRS £'000	Year ended 2016 IFRS £'000	Year ended 2015 IFRS £'000	Year ended 2014 IFRS £'000	Year ended 2013 IFRS £'000
Profit and loss					
Billings	**200,745**	151,658	126,159	118,278	109,427
Revenue	**171,013**	129,757	109,194	98,749	92,890
Staff costs	**126,756**	92,721	77,108	68,988	64,705
Operating profit	**7,914**	8,429	(555)	4,705	5,381
Net finance expense	**(4,742)**	(2,846)	(2,577)	(1,382)	(60)
Profit before income tax	**2,900**	5,578	(2,864)	3,313	5,332
Income tax expense	**(1,232)**	(1,116)	1,486	(1,802)	(1,384)
Profit for the year	**1,668**	4,462	(1,378)	1,511	3,948
Non-controlling interests	**530**	470	589	475	485
Profit attributable to owners of the Parent	**1,138**	3,992	(1,967)	1,036	3,463
Balance sheet					
Non-current assets	**107,410**	71,430	57,458	49,868	48,124
Net current assets	**15,243**	16,159	8,893	(1,920)	9,903
Non-current liabilities	**(54,156)**	(34,798)	(29,149)	(8,048)	(18,714)
Total equity attributable to owners of the Parent	**67,571**	52,048	37,974	37,060	37,070
Non-controlling interests	**926**	743	(773)	2,840	2,243
Total equity	**68,497**	52,791	37,202	39,900	39,313
Cash flow					
Profit for the year	**1,668**	4,462	(1,378)	1,511	3,948
Non-cash adjustments and working capital movements	**31,176**	11,826	5,600	(1,493)	(600)
Net cash generated from operations	**32,844**	16,288	17,960	8,976	8,639
Income tax paid	**(1,978)**	(2,954)	(2,316)	(1,461)	(2,968)
Net cash from operating activities	**30,866**	13,334	15,644	7,515	5,671
Acquisition of subsidiaries net of cash acquired	**(14,546)**	(4,190)	(5,544)	(616)	(705)
Acquisition of property, plant and equipment	**(8,284)**	(6,411)	(3,225)	(1,052)	(1,736)
Net cash outflow from investing activities	**(30,592)**	(20,158)	(14,842)	(4,522)	(4,473)
Net cash movement in bank borrowings	**11,589**	2,871	6,300	(586)	(763)
Dividends paid to owners of the Parent	**(3,264)**	(2,441)	(3,006)	(1,409)	(1,208)
Net cash inflow/(outflow) from financing activities	**6,500**	11,459	2,042	(3,156)	(2,609)
Increase/(decrease) in cash for the year	**6,774**	4,635	2,844	(163)	(1,411)
Dividend per share (p)	**5.25**	4.2	3.50	2.63	2.36
Basic earnings per share (p)	**1.6**	6.0	(3.23)	1.73	5.99
Diluted earnings per share (p)	**1.5**	5.6	(2.91)	1.55	11.09
Key performance indicator and other non-statutory measures					
Headline staff costs as a % of revenue[1]	**67.6**	69.3	68.9	69.7	69.1
Headline EBITDA[2]	**28,964**	19,176	14,609	10,556	11,806
Headline profit before income tax[3]	**24,200**	16,092	12,535	8,271	5,066
Diluted headline earnings per share (p)[4]	**23.4**	16.9	13.2	7.4	9.8
Net debt[5]	**(11,412)**	(6,618)	(8,567)	(5,367)	(5,200)

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

2 Operating profit before depreciation, amortisation, acquisition related consideration movements, the impact of fraudulent activity and other non-recurring 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.

Final dividend	
Ex-dividend date	29 June 2017
Record date	30 June 2017
Annual General Meeting	21 June 2017
Payment of 2017 final dividend	4 August 2017

Interim dividend	
Interim results announcement	September 2017
Ex-dividend date	October 2017
Record date	October 2017
Payment of 2018 interim dividend	November 2017

Preliminary results	
2018 full-year results announcement	April 2018

These dates are provisional and may be subject to change.

Annual General Meeting

The venue and timing of the Company's AGM is detailed in the notice convening the AGM, which will be available from the Company's website at www.next15.com.

Managing your shares and shareholder communications

The Company's shareholder register is maintained by its registrar, Capita Asset Services. Information on how to manage your shareholdings can be found at www.capitashareportal.com. Shareholders can contact Capita 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.capitashareportal.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 Capita Asset Services.

Registrars

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

Telephone from the UK: 0871 664 0300

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

Telephone from overseas: +44 371 664 0300

E-mail: shareholderenquiries@capita.co.uk

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 Capita Asset Services or at www.capitashareportal.com.

If you are a UK taxpayer, please note that the government has announced that from 6 April 2016 the Dividend Tax Credit has been replaced by a tax-free Dividend Allowance of £5,000. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax free. Further information can be found at www.gov.uk/tax-on-dividends. From 6 April, the 'Dividend Tax Voucher' has been replaced by a 'Dividend Confirmation'.

Capita 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 Capita Asset Services or at www.international.capitaregistrars.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 Capita Asset Services. If shareholders would like their final 2017 and future dividends to qualify for the DRIP, completed application forms must be returned to the registrar by Monday 10 July 2017.

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 Capita Asset Services immediately.

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

Advisers

Nominated adviser and brokers

Investec Bank
2 Gresham Street
London EC2V 2QP

Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registered office

Next Fifteen Communications Group plc
75 Bermondsey Street
London SE1 3XF
T: +44 (0)20 7908 6444

Company number

01579589

Investor relations contact

Peter Harris
Chief Financial Officer
T: +44 (0)20 7908 6444

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Next Fifteen Communications Group plc
75 Bermondsey Street
London SE1 3XF

T: +44 (0)20 7908 6444

www.next15.com