NEXT15

Final Results

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NEXT FIFTEEN COMMUNICATIONS GROUP PLC

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2013

Next Fifteen Communications Group plc ('Next 15' or 'the Group'), the worldwide digital communications group, today announces its final unaudited results for the year ended 31 July 2013.

Financial highlights:

- Revenues increased by 5% to £96.1m (2012: £91.6m)
- Adjusted profit before tax of £7.7m (2012: £9.6m) (see note 3)
- Reported profit before tax of £2.1m (2012: £6.0m)
- Diluted adjusted earnings per share of 6.65p (2012: 10.07p) (see note 8)
- Basic earnings per share of 0.56p (2012: 6.85p) (see note 8)
- Final dividend of 1.925p per share (2012: 1.735p), raising the total dividend by 11% to 2.55p (2012: 2.30p)
- Net debt[1] decreased by £0.8m year on year to £1.8m, despite spending of £3.0m on acquisition related payments[2]
- Net cash generated from operations up 11% to £11.2m from £10.1m last year

Operational highlights:

- Acquired 80% of the issued share capital of US based Connections Media, a digital public affairs agency
- Acquisition of Content & Motion in August 2012, providing Beyond with a talented social media team creating programmes that drive engagement through blogger and media outreach and clients' owned social media presences
- Launch of Agent3, a new agency that sells technology platforms and data-based marketing services
- Total investment in the digital transition of £1m as per guidance at the interim stage

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

"While this has been a tough year, it remains a year of progress in many ways. Record revenues and the steady transition of the business will underpin the future growth of the company. Indeed, the Group has made a good start to the current financial year and has already added work from clients such as Sainsbury's and HBO."

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Attached:

Chairman's statement

Consolidated income statement (unaudited)

Consolidated statement of comprehensive income (unaudited)

Consolidated balance sheet (unaudited)

Consolidated statement of changes in equity (unaudited)

Consolidated statement of cash flow (unaudited)

Notes to the final results announcement (unaudited)

CHAIRMAN'S STATEMENT

for the year ended 31 July 2013

The headline financial results for 2013 mask two very different outcomes for the brands in the Next 15 Group.

Text 100, OutCast, M Booth and the Blueshirt Group each achieved their highest ever revenues, driving record revenues of £96.1m for the Group as a whole. The US businesses in total delivered 10% organic growth, providing reassurance around the fundamental business model and strategic direction of the Group in what remains its key market by scale.

On the other hand, Bite has had a difficult year compounded by accounting issues in two of its twelve offices. The resulting one off charges have damaged the Group's overall profitability this year.

In summary, the Group has reported:-

- Revenue up 5% to £96.1m from £91.6m last year.
- Adjusted profits before tax of £7.7m compared with £9.6m last year.
- Diluted adjusted earnings per share of 6.65p compared with 10.07p last year.
- Profit before tax and charges for goodwill impairment of £4.0m compared with £6.0m last year
- Reported profit before tax of £2.1m compared with £6.0m last year.
- Net cash generated from operations up 11% to £11.2m from £10.1m last year.
- Net debt[1] down 31% to £1.8m despite making £3.0m of acquisition related payments

Revenue grew by 5% across the Group to £96.1m compared with £91.6m last time. The Group saw an improvement in organic growth from 1% at the interim stage to 2% for the full year, following gains made in H2, led by our North American businesses. During the second half the US grew at an impressive 17% on an organic basis and now accounts for 55% of group revenues. Using the new divisional splits introduced at the interim stage, Integrated agencies (84% of group revenues) grew by a total of 3% and Specialist agencies grew by 15%. For the full year, the UK saw its revenues decline by 3% primarily due to net client losses at the end of the prior year, EMEA remained flat and APAC declined by 2% given local currency movements. At the same time, the US grew revenues by 10%.

The board of directors ('Board') is satisfied that the adverse impact on this year's earnings has resulted from issues that have been identified and are being managed. The agency portfolio is strong and our strategy is delivering organic growth, particularly in our largest market. Accordingly, the Board is recommending a final dividend of 1.925p per share, which increases the dividend for the year by 11% to 2.55p (2012: 2.30p).

The marketing sector is being radically changed by the way people discover, consume and distribute content. Thanks to the social and increasingly mobile web, consumers share their experiences of products and services in real time, in ways that greatly influence buying behaviour. Marketing can no longer be a brand's clothing; it must be its skin. Advancing into today's new marketing techniques is a natural step for this Group as these entail the joining of conversations and engaging people in fascinating content, skills which are an extension of Next 15's PR heritage.

Next 15 is now essentially helping clients to become publishers and broadcasters, like Virgin whose new site, virgin.com, was designed and built by Beyond. A sophisticated content engine underpins this new site, creating reasons for Virgin customers to return with greater frequency and hold conversations with others while they are visiting. Symptomatic of the Group's digital transition, Beyond's work included sophisticated analytics that enable the content on the site to adapt to people's interests.

The re engineering of the Next 15 Group for this new marketing context started several years ago and excellent progress has been made. Assignments for major brands such as American Express, Virgin, IBM, Cisco, Google and Facebook are no longer simple media relations work. In some cases, this has enabled the Group to expand its relationship with key clients (Google and American Express). In all cases, sophisticated social and digital programs tie into the media relations content generated by these businesses. In 2013, I am pleased to report, Next 15 has made real strides towards becoming an integrated social and digital communications group.

The Group has had to deal with growing pains as it makes this transition. The challenges at Bite and the accounting issues that were unearthed in this year's audit have certainly impacted reported profits but they are not evidence of a flawed business model. Importantly, they are issues that can be contained and solved. Mistakes were certainly made, especially where systems did not keep up with change but management has moved quickly to adapt and the business will emerge stronger as a result.

Following David Dewhurst's agreement to step down as finance director, the Board is focused on bringing in an experienced leader for the finance function to further develop the finance and accounting infrastructure within the brands, and reporting lines to Group, such that there is full financial transparency but without impeding the entrepreneurial nature of the brands. This will build on the actions already taken during the year which included the appointment of head of internal audit, recruitment of lead internal auditors in US and UK, an overhaul of treasury controls and the roll out of a 2 – 3 year cyclical review plan.

Looking ahead, the Group has a sound balance sheet with low net debt[1] at £1.8m, giving it the opportunity to add further agencies such as Connections Media which became part of Next 15 six months ago, adding depth to the portfolio of client services. This Washington DC-based digital agency provides specialist digital services in the public affairs arena, a reflection that every area of marketing is being reinvented in the digital revolution.

The Group is also keen to continue to participate in the creation and development of new businesses. In the last year it invested in the start-up of Agent 3, a digital marketing agency founded by three employees. The agency sells technology platforms and data-based marketing services that help companies connect their CRM systems to their marketing activities. This type of organic investment is an important part of the long term growth of the Group. Overall, during the year, the Group has invested an additional £1m in its digital transition, in line with guidance given at the interims.

While this has been a tough year, it remains a year of progress in many ways. Record revenues and the steady transition of the business will underpin the future growth of the company. Indeed, the Group has made a good start to the current financial year and has already added work from clients such as Sainsbury's and HBO.

On behalf of the Board, I would like to thank our staff, in 11 agencies and 19 countries for their hard work, creativity and ingenuity this year.

Richard Eyre
Chairman

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 31 July 2013

	Note	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Billings			**113,360**		108,453
Revenue	2		**96,069**		91,583
Staff costs		**68,261**		62,767	
Depreciation		**1,540**		1,328	
Amortisation		**1,589**		1,483	
Impairment	3	**1,950**		–	
Charge for misappropriation of assets	3	**526**		1,778	
Other operating charges		**19,198**		17,589	
Total operating charges			**(93,064)**		(84,945)
Operating profit	2		**3,005**		6,638
Finance expense	6		**(3,331)**		(2,170)
Finance income	7		**2,490**		1,477
Net finance expense			**(841)**		(693)
Share of (losses)/profits of associate			**(79)**		14
Profit before income tax	2,3		**2,085**		5,959
Income tax expense	4		**(1,364)**		(1,652)
Profit for the year			**721**		4,307
Attributable to:					
Owners of the parent			**328**		3,906
Non-controlling interests			**393**		401
			721		4,307
Earnings per share	8				
Basic (pence)			**0.56**		6.85
Diluted (pence)			**0.49**		6.04

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2013

	2013 £'000	2012 £'000
Profit for the year	**721**	4,307
Other comprehensive income:		
Exchange differences on translating foreign operations	**951**	229
Translation differences on long-term foreign currency intercompany loans	**(118)**	(80)
Net investment hedge	**(229)**	(235)
Other comprehensive income for the year	**604**	(86)

Total comprehensive income for the year	**1,325**	4,221
Total comprehensive income attributable to:		
Owners of the parent	**932**	3,820
Non-controlling interests	**393**	401
	1,325	4,221

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 31 July 2013

	Note	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Assets					
Property, plant and equipment		**3,165**		2,721	
Intangible assets		**41,369**		41,019	
Investment in equity accounted associate		**1**		80	
Trade investment		**219**		212	
Deferred tax assets		**3,662**		3,320	
Other receivables		**1,041**		875	
Total non-current assets			**49,457**		48,227
Trade and other receivables		**26,646**		24,661	
Cash and cash equivalents	9	**8,064**		8,436	
Corporation tax asset		**2,883**		240	
Total current assets			**37,593**		33,337
Total assets			**87,050**		81,564
Liabilities					
Loans and borrowings	9	**9,131**		10,750	
Deferred tax liabilities		**1,388**		245	
Other payables		**26**		6	
Provisions		**407**		129	
Deferred consideration	9	**1,319**		–	
Contingent consideration	9	**2,945**		4,987	
Share purchase obligation	9	**3,251**		3,989	
Total non-current liabilities			**(18,467)**		(20,106)
Loans and borrowings	9	**591**		259	
Trade and other payables		**24,280**		19,605	
Corporation tax liability		**1,811**		1,101	
Derivative financial liabilities		**206**		320	
Share purchase obligation	9	**295**			
Contingent consideration	9	**3,207**		2,945	
Total current liabilities			**(30,390)**		(24,230)
Total liabilities			**(48,857)**		(44,336)
Total net assets			**38,193**		37,228
Equity					
Share capital		**1,494**		1,454	
Share premium reserve		**7,557**		6,935	
Merger reserve		**3,075**		3,075	
Share purchase reserve		**(2,673)**		(2,673)	

Foreign currency translation reserve		**3,184**	2,351	
Other reserves		**(583)**	(133)	
Retained earnings		**23,954**	24,100	
Total equity attributable to owners of the parent			**36,008**	35,109
Non-controlling interests			**2,185**	2,119
Total equity	9		**38,193**	37,228

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2013

	Share capital £'000	**Share premium reserve £'000**	**Merger reserve £'000**	**Share purchase reserve £'000**	**Foreign currency translation reserve £'000**	**Other reserves[1] £'000**	**Retained earnings £'000**	**Equity attributable to owners of the parent £'000**	**Non-controlling interests £'000**	**Total equity £'000**
At 31 July 2012	1,454	6,935	3,075	(2,673)	2,351	(133)	24,100	35,109	2,119	37,228
Profit for the year	–	–	–	–	–	–	328	328	393	**721**
Other comprehensive income for the year	–	–	–	–	833	(229)	–	604	–	**604**
Total comprehensive income for the year	–	–	–	–	833	(229)	328	932	393	**1,325**
Shares issued in satisfaction of vested share options	25	72	–	–	–	–	–	97	–	**97**
Shares issued on acquisitions	15	550	–	–	–	–	–	565	–	**565**
Movement due to ESOP share purchases	–	–	–	–	–	(245)	–	(245)	–	**(245)**
Movement due to ESOP share option exercises	–	–	–	–	–	24	–	24	–	**24**
Movement in relation to share-based payments	–	–	–	–	–	–	569	569	–	**569**
Deferred tax on share-based payments	–	–	–	–	–	–	(84)	(84)	–	**(84)**
Share based payment charge for disposal of equity in a subsidiary to employees	–	–	–	–	–	–	450	450	–	**450**
Dividends to Owners of the parent	–	–	–	–	–	–	(1,409)	(1,409)	–	**(1,409)**
Non-controlling interest arising on acquisition	–	–	–	–	–	–	–	–	176	**176**
Non-controlling interest dividend	–	–	–	–	–	–	–	–	(503)	**(503)**
At 31 July 2013	**1,494**	**7,557**	**3,075**	**(2,673)**	**3,184**	**(583)**	**23,954**	**36,008**	**2,185**	**38,193**

[1] Other reserves include ESOP reserve, treasury reserve and hedging reserve

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2012

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 July 2011	1,416	5,996	3,075	(4,261)	2,202	(525)	21,137	29,040	3,293	32,333
Profit for the year	–	–	–	–	–	–	3,906	3,906	401	4,307
Other comprehensive income for the year	–	–	–	–	149	(235)	–	(86)	–	(86)
Total comprehensive income for the year	–	–	–	–	149	(235)	3,906	3,820	401	4,221

Shares issued in satisfaction of vested share options	11	82	–	–	–	595	(595)	93	–	93
Shares issued on acquisitions	27	857	–	–	–	–	–	884	–	884
Share purchase obligation settled on acquisition of non-controlling interest	–	–	–	1,588	–	–	538	2,126	(1,549)	577
Movement due to ESOP share option exercises	–	–	–	–	–	32	(30)	2	–	2
Movement in relation to share-based payments	–	–	–	–	–	–	312	312	–	312
Deferred tax on share-based payments	–	–	–	–	–	–	40	40	–	40
Dividends to Owners of the parent	–	–	–	–	–	–	(1,208)	(1,208)	–	(1,208)
Non-controlling interest arising on acquisition	–	–	–	–	–	–	–	–	254	254
Non-controlling interest dividend	–	–	–	–	–	–	–	–	(280)	(280)
At 31 July 2012	1,454	6,935	3,075	(2,673)	2,351	(133)	24,100	35,109	2,119	37,228

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 July 2013

	Note	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Cash flows from operating activities					
Profit for the year		**721**		4,307	
Adjustments for:					
Depreciation		**1,540**		1,328	
Amortisation		**1,589**		1,483	
Impairment		**1,950**		–	
Finance expense	6	**3,331**		2,170	
Finance income	7	**(2,490)**		(1,477)	
Share of loss/(profit) from equity-accounted associate		**79**		(14)	
Loss on sale of property, plant and equipment		**82**		11	
Income tax expense		**1,364**		1,652	
Share-based payment charge		**1,019**		312	
Movement in fair value of forward foreign exchange contracts	3	**-**		13	
Net cash inflow from operating activities before changes in working capital			**9,185**		9,785
Change in trade and other receivables		**(1,178)**		3,229	
Change in trade and other payables		**2,911**		(2,960)	
Increase/(decrease) in provisions		**269**		(2)	
Change in working capital			**2,002**		267
Net cash generated from operations			**11,187**		10,052
Income taxes paid			**(2,686)**		(2,520)
Net cash from operating activities			**8,501**		7,532
Cash flows from investing activities					
Acquisition of subsidiaries and trade and assets, net of cash acquired		**(962)**		(1,101)	
Payment of contingent consideration		**(2,058)**		(4,563)	
Acquisition of property, plant and equipment		**(1,786)**		(835)	
Proceeds on disposal of property, plant and equipment		**-**		3	
Acquisition of intangible assets		**(161)**		(90)	
Net movement in long-term cash deposits		**(166)**		(35)	
Interest received	7	**48**		51	

Net cash outflow from investing activities	**(5,085)**	(6,570)
Net cash from operating and investing activities	**3,416**	962

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW CONTINUED

for the year ended 31 July 2013

	Note	**2013 £'000**	**2013 £'000**	2012 £'000	2012 £'000
Net cash from operating and investing activities			**3,416**		962
Cash flows from financing activities					
Proceeds from sale of own shares		**95**		96	
Issue costs on issue of ordinary shares		**(5)**		(8)	
Purchase of own shares		**(221)**		–	
Capital element of finance lease rental repayment		**(59)**		(72)	
Net cash movement in bank borrowings		**(1,286)**		983	
Interest paid	6	**(483)**		(521)	
Dividend and profit share paid to non-controlling interest partners		**(503)**		(280)	
Dividend paid to shareholders of the parent		**(1,409)**		(1,208)	
Net cash outflow from financing activities			**(3,871)**		(1,010)
Net decrease in cash and cash equivalents			**(455)**		(48)
Cash and cash equivalents at beginning of the year			**8,436**		8,517
Exchange gains/(losses) on cash held			**83**		(33)
Cash and cash equivalents at end of the year	9		**8,064**		8,436

NOTES TO THE FINAL RESULTS ANNOUNCEMENT

for the year ended 31 July 2013

1 Basis of preparation

The financial information set out within the final results announcement does not constitute the company's statutory accounts for 2013 or 2012 . Statutory accounts for the year ended 31 July 2012 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2012 was unmodified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The results for 2013 are unaudited. Statutory accounts for the year ended 31 July 2013 will be finalised based on the information presented in this announcement. The independent Auditors' Report will be based on those statutory accounts once they are complete.

The financial information for the year ended 31 July 2013 has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs).

Accounting policies

The accounting policies applied are consistent with those of the audited statutory financial statements for the year ended 31 July 2012, as described in those financial statements.

Statutory accounts for the year ended 31 July 2012 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 July 2013, prepared under IFRS, will be delivered to the Registrar in due course.

2 Segment information

Reportable segments

The Board of Directors has identified the operating segments based on the reports it reviews as the chief operating decision maker to make strategic decisions, assess performance and allocate resources. The Group's business is separated into a number of brands which are considered to be the underlying operating segments. These brands are organised into two reportable segments, being those providing Integrated Communications and those considered to be Specialist Agencies. Integrated Communications incorporates the two segments reported in the prior year as public relations services in the technology and consumer markets. Specialist Agencies incorporate results of the digital and research consultancy, and corporate communications consultancy reported separately in the prior year. Within these two reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

Measurement of operating segment profit

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

2 Segment information

Measurement of operating segment profit

	Integrated Communications £'000	Specialist Agencies £'000	Head Office £'000	Total £'000
Year ended 31 July 2013				
Revenue	**80,570**	**15,499**	**–**	**96,069**
Segment adjusted operating profit	**10,170**	**2,828**	**(4,778)**	**8,220**
Year ended 31 July 2012				
Revenue	78,100	13,483	–	91,583
Segment adjusted operating profit	11,934	2,299	(4,186)	10,047

Voluntary information on geographical results

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 July 2013						
Revenue	**19,119**	**10,504**	**52,468**	**13,978**	**–**	**96,069**
Segment adjusted operating profit	**1,146**	**(217)**	**11,804**	**265**	**(4,778)**	**8,220**
Year ended 31 July 2012						
Revenue	19,744	10,470	47,113	14,256	–	91,583
Segment adjusted operating profit	3,345	907	9,312	669	(4,186)	10,047

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

	2013 £'000	2012 £'000
Segment adjusted operating profit	**8,220**	10,047
Amortisation of acquired intangibles	**(1,378)**	(1,181)
Impairment of Goodwill (note 3)	**(1,950)**	–
Reorganisation costs (note 3)	**(779)**	(437)
Charges associated with equity transactions accounted for as share based payments	**(581)**	–
Charge for misappropriation of assets (note 3)	**(265)**	(1,778)
Cost associated with investigation and response to fraudulent activity	**(579)**	–
Recovery of misappropriated assets	**317**	–
Movement in fair value of forward foreign exchange contracts	**–**	(13)
Total operating profit	**3,005**	6,638
Unwinding of discount on contingent consideration	**(797)**	(968)
Unwinding of discount on share purchase obligation	**(370)**	(453)
Change in estimate of future contingent consideration payable	**(254)**	532

Change in estimate of future share purchase obligation	**901**	584
Movement in fair value of interest rate cap-and-collar contract	**114**	84
Share of profits of associate	**(79)**	14
Other finance expense	**(483)**	(523)
Other finance income	**48**	51
Profit before income tax	**2,085**	5,959

3 Reconciliation of pro forma financial measures

	2013 £'000	2012 £'000
Profit before income tax	**2,085**	5,959
Movement in fair value of interest rate cap-and-collar contract	**(114)**	(84)
Movement in fair value of forward foreign exchange contracts	**–**	13
Unwinding of discount on contingent and deferred consideration	**797**	968
Unwinding of discount on share purchase obligation	**370**	453
Charge for misappropriation of assets [1]	**265**	1,778
Cost associated with investigation and response to fraudulent activity	**579**	–
Income from recovery and sale of misappropriated assets	**(318)**	–
Change in estimate of future contingent consideration payable	**254**	(532)
Change in estimate of future share purchase obligation	**(901)**	(584)
Charges associated with equity transactions accounted for as share based payments	**581**	–
Restructuring and reorganisation costs associated with digital transitions within brands [2]	**779**	437
Amortisation of acquired intangibles	**1,378**	1,181
Impairment of goodwill[3]	**1,950**	–
Adjusted profit before income tax	**7,705**	9,589

Adjusted profit before income tax has been presented to provide additional information which will be useful to the reader to gain a better understanding of the underlying performance of the Group. The adjusted measure is also used for the performance calculation of the adjusted earnings per share used for the vesting of employee share options and performance shares.

[1] The charge for misappropriation of assets relates to the prior year's fraud whereby cash was extracted from the business by a long-serving employee in a trusted position and hidden through recognition of fictitious assets and understated liabilities across two of the Group's North American Bite subsidiaries. The overstated assets have been written off and liabilities re-instated. The cost in the current year relates to the element of that same fraud which fell into the current financial year prior to identification.

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

[3] The impairment for goodwill relates to Bite Germany. Following management restructure, accounting errors and provisions recognised in the current year, the value associated with the acquired business has been re-assessed. Revised expectations of discounted future cashflows over the 5 year projection period have led to a full impairment of the acquired goodwill.

4 Income tax expense

The total tax charge for the year is £1.4m (2012: £1.7m) on consolidated profit before tax of £2.1m (2012: £6.0m). Certain important factors are having a significant effect on the tax rate in FY13 as follows: (i) There were losses in certain territories (£0.7m negative rate impact), notably the UK (£0.3m), Germany (£0.3m) and other territories (£0.1m), where it would not be prudent to recognize deferred tax assets; (ii) Charges made in the income statement associated with adjustments to acquisition accounting for subsidiaries that are not taxable (£0.7m negative tax rate impact); (iii) Higher rates of tax for overseas subsidiaries (£0.9m negative rate impact); (iv) The rate benefited from deductions taken for overseas taxes (£0.9m) and by the adjustment to the prior year tax liability of £0.4m following management revision of estimates for future tax exposures.

5 Dividend

A final dividend of 1.925p per share (2012: 1.735p) has been proposed. This has not been accrued. The interim dividend was 0.625p per share (2012: 0.565p), making a total for the year of 2.55p per share (2012: 2.30p). The final dividend, if approved at the AGM on the 21 January 2014, will be paid on 7 February 2014 to all shareholders on the Register of Members as at 10 January 2014. The ex-dividend date for the shares is 8 January 2014.

6 Finance expense

	2013 £'000	2012 £'000

Financial liabilities at amortised cost		
Bank interest payable	**464**	513
Financial liabilities at fair value through profit and loss		
Unwinding of discount on contingent consideration	**797**	968
Unwinding of discount on share purchase obligation	**370**	453
Change in estimate of future contingent consideration payable	**1,536**	118
Change in estimate of future share purchase obligation	**145**	108
Other		
Finance lease interest	**8**	2
Other interest payable	**11**	8
Finance expense	**3,331**	2,170

7 Finance income

	2013 £'000	2012 £'000
Financial assets at amortised cost		
Bank interest receivable	**41**	50
Financial assets at fair value through profit and loss		
Movement in fair value of interest rate cap-and-collar contract	**114**	84
Change in estimate of future contingent consideration payable	**1,282**	650
Change in estimate on future share purchase obligation	**1,046**	692
Other		
Other interest receivable	**7**	1
Finance income	**2,490**	1,477

8 Earnings per share

	2013 £'000	2012 £'000
Earnings attributable to ordinary shareholders	**328**	3,906
Movement in fair value of interest rate cap-and-collar contract	**(87)**	(65)
Movement in fair value of forward foreign exchange contracts	**-**	10
Unwinding of discount on contingent consideration	**797**	968
Unwinding of discount on share purchase obligation	**370**	453
Charge for misappropriation of assets	**323**	1,225
Change in estimate of future contingent consideration payable	**(360)**	(534)
Change in estimate of share purchase obligation	**(953)**	(589)
Charges associated with equity transactions accounted for as share based payments	**550**	–
Reorganisation costs	**569**	336
Amortisation of acquired intangibles	**940**	803
Impairment of intangibles (note 3)	**1,950**	–
Adjusted earnings attributable to ordinary shareholders	**4,427**	6,513

8 Earnings per share (continued)

	Number	Number
Weighted average number of Ordinary Shares	**59,068,925**	57,036,925
Dilutive share options/performance shares outstanding	**5,641,070**	5,008,853
Other potentially issuable shares	**1,863,899**	2,645,103

Diluted weighted average number of Ordinary Shares	**66,573,894**	64,690,881
Basic earnings per share	**0.56p**	6.85p
Diluted earnings per share	**0.49p**	6.04p
Adjusted earnings per share	**7.49p**	11.42p
Diluted adjusted earnings per share	**6.65p**	10.07p

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

9 Analysis of 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 2012 to 2018.

	2013 £'000	2012 £'000
Total loans and borrowings	**9,722**	11,009
Obligations under finance leases	**151**	31
Less: cash and cash equivalents	**(8,064)**	(8,436)
Net debt	**1,809**	2,604
Total equity	**38,193**	37,228
Total capital	**40,002**	39,832

	2013 £'000	2012 £'000
Net debt	**1,809**	2,604
Share purchase obligation	**3,546**	3,989
Contingent consideration	**6,152**	7,932
Deferred consideration	**1,319**	–
	12,826	14,525

[1]Net debt excludes contingent consideration and share purchase obligations. See note 9 to the final results announcement.