17 September 2024

Next 15 Group plc

("Next 15" or the "Group")

Interim results for the six months ended 31 July 2024

Revenues flat with margins impacted by continued weakness from Tech customers

Next 15 Group plc (AIM:NFG), the tech and data-driven growth consultancy, today announces its interim results for the six months ended 31 July 2024.

Financial results for the six months to 31 July 2024 (unaudited)

	Six months ended 31 July 2024 £m	Six months ended 31 July 2023 £m	% change year on year
Adjusted results[1]			
Net revenue	**286.8**	**286.4**	**0.1%**
Adjusted operating profit	**48.1**	**57.0**	**(15.6)%**
Adjusted operating profit margin	**16.8%**	**19.9%**	
Adjusted profit before tax	**45.7**	**55.6**	**(17.8)%**
Adjusted diluted earnings per share (p)	**30.3p**	**37.9p**	**(20.1)%**
Statutory results			
Net cash inflow from operating activities	**4.6**	**11.0**	**(58.2)%**
Revenue	**364.1**	**364.9**	**(0.2)%**
Profit before tax	**33.4**	**24.3**	**37.4%**
Diluted earnings per share (p)	**21.1p**	**13.6p**	**55.1%**

[1]Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the Group by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within the appendix.

Financial and operational highlights

- Group net revenue and statutory revenue flat year on year at £286.8m and £364.1m respectively
- Adjusted operating profit of £48.1m, down 15.6% year on year, due to underperformance at some of our higher margin businesses
- Statutory profit before tax up 37.4% to £33.4m
- Adjusted diluted earnings per share of 30.3p and statutory diluted earnings per share of 21.1p
- Interim dividend held flat year on year at 4.75p per share
- Net cash inflow from operating activities down to £4.6m, with net debt £74.8m as at 31 July 2024
- Significant new wins and expanded assignments with Ericsson, PEGA, P&G and Johnson & Johnson, driving a strong performance from several businesses across the Group, particularly in Engage and Delivery
- Completed bolt-on acquisitions including Studio La Plage and TUVA, with the acquisition of Cadence Innova post the period end
- Returned a further £5.3m to shareholders in the period via the share buyback programme

Trading

Next 15 has seen a mixed performance during the period. This is largely driven by a continued weakness in spend from our technology customers which was down 13% year on year and UK government departments which was down 28% driven in part from the earlier than expected general election. Our insights business, Savanta, also suffered from weakness in its marketplace. Beyond these areas, we have experienced robust performances in other segments, most notably consumer packaged goods and retail.

While overall revenues in H1 are flat, we have seen strong performances from many businesses in the consumer and health sectors, most notably SMG, M Booth and M Booth Health which have all delivered good organic growth and margins. Brandwidth, MHP and Agent3 have also made important contributions, with Agent3 notably bucking the decline in tech spend. Adjusted operating profit margin was down to 16.8% due to underperformance of some of our higher margin businesses. However, a material cost reduction programme commenced in the first half of the year to improve margins going forward.

The disappointing loss of the large contract in Mach49 announced earlier in September, which will now end in its current form on 31 December of this year, will have an impact on this year's financial performance although it will have a greater impact for FY26 and FY27, as the contract had been expected to contribute just over £80m of revenue in FY26 and FY27. Whilst the contract ending is disappointing, Mach49 continues to be well positioned to capture opportunities relating to growth and innovation consulting and despite a slower start to the year, we anticipate a recovery in trading during the second half of the year from the rest of its customer base.

We acquired Mach49 in September 2020 when it was generating approximately \$14m annualised revenue at a 10% margin. At the time we made an initial acquisition payment of \$4.7m. By the end of this financial year, we anticipate the business will have generated approximately \$124m in after tax profits for the Group and that we will have paid out \$127.4m in total consideration payments. Going forward we expect Mach49 to deliver at least \$30m in annual revenue at a 30% margin and the remaining earnout obligation is approximately \$105.4m to be paid over the next three years, resulting in a total estimated consideration of \$232.8m. Assuming an average annual growth rate of 10% and taking account of tax credits resulting from the acquisition of Mach49, we expect a payback within the next 8 years.

Strategy going forward and outlook

Earlier this year the Group embarked on an initiative to explore how we could better deliver our long-term growth ambitions and achieve enhanced returns for shareholders. The key findings of the review were a need to make our Group simpler in structure, whilst maintaining our decentralised heritage so that we can generate a series of more integrated solutions for customers and a more efficient operating model. The work to deliver on this will continue through the coming year, with further cost reduction measures resulting in a material level of restructuring charges. However, we expect this to deliver long term margin improvement and increased client revenue opportunities.

Capital allocation remains a key area of focus for the Board but guided by an overarching principal of maintaining a strong balance sheet.

The primary focus of capital allocation is to continue to prioritise investment in internal capabilities. This includes Generative AI, which remains a key investment area for the Group and an area where we have made significant progress. Our newly formed Next 15 AI Labs unit has already started to generate new ideas and opened client conversations which in turn are driving AI led product development within the portfolio companies. We are now tracking more than 130 separate AI product and innovation projects across the Group.

We anticipate a continuation of our disciplined approach of selective bolt-on M&A, with businesses that align with our culture and values. Our M&A strategy is focused on strengthening our successful core businesses. We continue to return cash to shareholders through a regular dividend and anticipate we will return excess cash via share buybacks where this provides the best financial return to shareholders. The further amount to be spent on share buybacks will clearly depend on both the share price and alternative use of funds in line with our capital allocation framework.

With regards to the second half of this year and into FY26, we are not, at this stage, factoring in a recovery in spending from our technology customers. However, with the recent change in government alleviating political uncertainty in the UK, we do anticipate that government spend will recover in early FY26. Consistent with the Group's performance in prior years, we expect revenues to be modestly second-half weighted. However, the businesses that have seen the toughest trading conditions in the first half of FY25 have reacted by taking significant action on their cost base which will positively impact their profitability in the second half of FY25 and beyond. Accordingly, we expect the Group's profitability to be more second-half weighted than normal in FY25.

Looking ahead, we are confident of meeting the recently revised market expectations which followed the disappointing news about the large contract in Mach49 ending earlier than anticipated, as announced earlier in September. The Group remains well positioned to capitalise on the underlying structural megatrends occurring in its key markets, with the ongoing simplification and optimisation work best positioning the Group for future growth going forward.

Commenting on the results, Tim Dyson, CEO of Next 15 said:

"These results mask some strong performances by a number of the Group's businesses which need to be recognised. Most notably, performances by Agent3, Brandwidth, M Booth, M Booth Health, MHP and SMG. They also mask strong progress on embedding AI into our systems and in the development of new customer-facing AI-based products and services. While trading conditions in tech continue to create headwinds for many businesses, especially in our Delivery and Engage segments, conditions in other sectors remain favourable."

Webcast for analysts and investors

Next 15 will host an analyst and investor webcast at 9:00am today (UK time), Tuesday 17 September 2024.

To access the webinar, please contact next15@mhpgroup.com

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Notes:

Net revenue
Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

Organic net revenue growth
Organic net revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions and disposals in the last 12 months. For acquisitions made in the prior year, only the corresponding months of ownership are included in the calculation of growth. Net revenue is reconciled to statutory revenue within the appendix and a reconciliation of the movement in the year is included in the net revenue bridge on page 5.

Adjusted operating profit margin
Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue. Adjusted operating profit is reconciled to statutory results within the appendix.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation.

About Next 15

Next 15 (AIM:NFG) is an AIM-listed tech and data-driven growth consultancy with operations in Europe, North America and across Asia Pacific. The Group has a strong track record of creating and acquiring high-performance businesses. For acquired businesses it offers an opportunity to take advantage of the Group's global operational infrastructure and centralised resources to accelerate their growth. The Group has long-term customer relationships with many of the world's leading companies including Google, Amazon, Boots, Dow, Microsoft, Dell, American Express and Procter & Gamble.

The business operates across four segments, each of which describes how we help customers grow in different ways: Customer Insight helps them understand their opportunities and challenges; Customer Engagement optimises their reputation and digital assets; Customer Delivery helps them connect with customers to drive sales; and Business Transformation helps maximise long-term value through corporate positioning, business design and the development of new ventures.

At Next 15, success is underpinned by a people-led approach. Our purpose is to make our customers and our people the best versions of themselves, and our culture is empowering and respectful.

Chairman and Chief Executive's Statement

Review of six months ended 31 July 2024

The Group has delivered a resilient performance in challenging circumstances with our technology client and government revenue continuing to decline whilst we have had a more encouraging performance from our B2C clients. The Group's net revenue was flat at £286.8m whilst adjusted profits were down by 15.6% to £48.1m due to underperformance of some of our higher margin businesses. Adjusted diluted earnings per share declined by 20.1% to 30.3p from 37.9p in the prior year, reflecting the reduction in adjusted profit before tax and also the higher effective tax rate, due principally to the increase in the UK corporation tax rate.

The statutory profit before tax was £33.4m (2023: £24.3m) and diluted earnings per share was 21.1p, compared with diluted earnings per share of 13.6p in the previous year.

Returns to shareholders

The Group maintains a disciplined approach to capital allocation and our philosophy guides our view of returns to shareholders and allocation of capital. The first priority remains investment into the business, and we will continue to invest in a targeted manner to support long-term growth of the Group. The Board will continue to prioritise organic investment in the business, alongside selective M&A with a focus on bolt-on acquisitions to enhance the key business areas. Beyond this, our priority is to return excess cash to shareholders, through a regular dividend and, when possible, further returns via other strategic options including a share buyback.

We are pleased to announce that the Directors recommend an interim dividend of 4.75p which will be paid to shareholders on 22 November 2024 who hold shares on 18 October 2024. This is in line with the interim dividend payment for the prior period.

In the prior year, the Group announced a share buyback programme to a maximum of £30m, allowing us to return excess cash to shareholders. At the previous reporting period on 31 January 2024, we had, to that date, invested £4.5m buying back shares. We also announced we would acquire up to a further £10m worth of shares by the end of July 2024, of which we spent £5.3m in the period.

Review of adjusted results to 31 July 2024

In order to assist shareholders' understanding of the performance of the business, the following commentary is focused on the adjusted performance for the six months to 31 July 2024, compared with the 6 months to 31 July 2023. The Directors consider these adjusted measures to be highly relevant as they reflect the trading performance of the business. They also give shareholders more information to allow for understandable like-for-like year on year comparisons and more closely correlate with the cash and working capital position of the Group.

Net revenue bridge

	Net Revenue (£m)	Movement (% of prior year net revenue)
6 months to 31 July 2023	**286.4**	
Organic decline	(6.3)	(2.2)%
Contribution from acquisitions	10.0	3.5%
Impact of FX	(3.3)	(1.2)%
6 months to 31 July 2024	**286.8**	

The Group has delivered a resilient performance over the last six months despite macro-economic headwinds. Revenue from our tech clients declined by 13% compared with the first six months of last year and Government revenues also declined by 28%, due to disruption from the July election and strong prior year comparators. Our revenues from our B2C clients grew by 16% with very strong performances from SMG and the M Booth group. We saw good growth from the delivery segment driven by strong trading from SMG, whilst the other three segments saw modest organic revenue declines in part due to delays in some clients spending.

Consistent with performance in prior years, we expect revenues to be modestly second half weighted. A number of our brands have reacted to the tough trading conditions by taking significant action on their cost base in the first half which will positively impact their profitability in the second half. Accordingly, we expect the Group's profitability to be more second half weighted than normal. As recently announced, the contract with Mach49's largest customer will now end on 31 December 2024.

Our effective tax rate on adjusted profit marginally increased to 27.2% (31 July 2023: 27.0%) due to the increased proportion of our profits coming from our higher taxed overseas operations. The increase in profits attributable to non-controlling interests and the higher bank interest charge contributed to our adjusted diluted EPS declining by 20.1% to 30.3p (31 July 2023: 37.9p). The Group reported a statutory profit before tax of £33.4m compared with a profit before tax of £24.3m in the prior period, while reported diluted earnings per share was 21.1p compared with diluted earnings per share of 13.6p in the prior period. The reduction in the Mach49 earnout value estimate resulted in a significant credit within finance income in the period, which contributed to the increase in the statutory profit before tax.

The Group's balance sheet remains healthy, and we expect to be significantly cash generative in the second half of the year. Our net debt excluding lease liabilities was £74.8m as at 31 July 2024, which is after the cash payments of £61.9m for acquisition related liabilities in the first half. This is also after £4.2m restructuring costs in the period our normal first half working capital outflow, albeit the decline in tech revenues and growth in B2C clients, who typically have longer payment terms has adversely impact this year's working capital performance.

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000
Net revenue	**286,783**	**286,411**
Total operating charges	(230,777)	(221,892)
Depreciation and amortisation	(7,439)	(6,982)
Operating profit	**48,567**	**57,537**
Interest on finance lease liabilities	(477)	(572)
Operating profit after interest on finance lease liabilities	**48,090**	**56,965**
Operating profit margin	*16.8%*	*19.9%*
Net finance expense excluding interest on finance lease liabilities	(2,346)	(1,347)
Profit before income tax	**45,744**	**55,618**
Tax	(12,430)	(15,013)
Profit after tax	**33,314**	**40,605**
Non-controlling interests	(1,477)	(957)
Earnings attributable to ordinary shareholders	**31,837**	**39,648**
Weighted average number of ordinary shares	99,847,610	98,849,157
Diluted weighted average number of ordinary shares	105,039,882	104,647,230
Adjusted earnings per share	31.9p	40.1p
Adjusted diluted earnings per share	30.3p	37.9p
Cash inflow from operating activities before working capital changes	49,819	48,386
Cash outflow on acquisition related payments	(61,896)	(52,618)
Net debt	(74,769)	(21,642)
Dividend (per share)	4.75p	4.75p

Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within the Appendix. Per the detail in the Appendix (A2), charges for one-off employee incentive schemes, employment linked acquisition payments, restructuring costs and deal costs are adjusted for in calculating the adjusted operating charges and amortisation of acquired intangibles is adjusted for in calculating the adjusted depreciation and amortisation. Interest on lease liabilities and unwinding of discount and change in estimate of future contingent consideration and share purchase obligation payables are adjusted for in calculating net finance expense. These measures are not considered to be adjusted performance measures for the Group.

Reconciliation between statutory and adjusted profit

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000
Profit before income tax	**33,392**	**24,262**
Unwinding of discount on contingent consideration and share purchase obligation payable (note 6)	10,133	13,101
Change in estimate of future contingent consideration and share purchase obligation payable (note 5)	(14,788)	(2,411)
One-off charge for employee incentive schemes	-	5,159
Employment linked acquisition payments	2,399	2,857
Restructuring costs	4,195	1,407
Deal costs	170	216
Amortisation of acquired intangibles	10,243	11,027
Adjusted profit before income tax	**45,744**	**55,618**

Adjusted financial measures are presented to provide additional information that may be useful to shareholders through facilitating comparability with industry peers and to best represent the underlying performance of the business. Adjusted results are explained and reconciled to statutory results within the Appendix.

We had an overall net credit of £4.7m in relation to our estimate of future contingent consideration. This is due to the reduction of management's estimate of future amounts payable of £14.8m, principally in relation to Mach49, for which total estimated consideration reduced from $250m as at 31 January 2024 to $233m as at 31 July 2024. This was offset by a credit in relation to the unwinding of the discount on contingent consideration of £10.1m.

We incurred £4.2m of restructuring costs in the period as we pro-actively reduced our cost base to take account of the weakness in demand from tech clients and anticipated efficiencies arising out of the increased adoption of AI. The restructuring will continue into H2 with full year costs likely to be in the £8m to £10m range with an expected payback period of less than 6 months.

As a Group, we have moved towards the inclusion of employment conditions for certain acquisition-related payments. As a result, we are required to build up a provision relating to these payments over time and therefore this has led to an accounting charge of £2.4m (2023: £2.9m). In the prior period, we also incurred a one-off £5.2m charge related to new incentive schemes principally for the ex-Engine brands which we acquired in March 2022.

We incurred £0.2m of deal costs, and the amortisation of acquired intangibles was £10.2m in the period compared with £11.0m in the prior period.

Segment adjusted performance

	Customer Engage £'000	**Customer Delivery £'000**	**Customer Insight £'000**	**Business Transformation £'000**	**Head Office £'000**	**Total £'000**
6 months ended 31 July 2024						
Net revenue	**134,368**	**54,966**	**27,892**	**69,557**	**-**	**286,783**
Adjusted operating profit/(loss)	**26,636**	**11,998**	**3,081**	**16,507**	**(10,132)**	**48,090**
Adjusted operating profit margin[1]	**19.8%**	**21.8%**	**11.0%**	**23.7%**	**-**	**16.8%**
Organic net revenue (decline)/growth	**(1.0)%**	**6.9%**	**(6.8)%**	**(8.9)%**	**-**	**(2.2)%**
6 months ended 31 July 2023						
Net revenue	131,081	51,805	27,336	76,189	-	286,411
Adjusted operating profit/(loss)	26,481	14,131	4,710	22,627	(10,984)	56,965
Adjusted operating profit margin[1]	20.2%	27.3%	17.2%	29.7%	-	19.9%
Organic net revenue (decline)/growth	(6.4)%	2.4%	2.4%	5.8%	-	(1.0)%

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

The **Customer Engage** segment includes M Booth, M Booth Health, Outcast, Archetype, Brandwidth, along with MHP and House 337. M Booth, M Booth Health, MHP and Brandwidth performed well on the back of growing relationships with a broad cross-section of clients including P&G, Google, Astra-Zeneca and Dow Chemicals. House 337 and Beyond were impacted by client losses and delays in decision making and took action to reduce their headcount and cost base during the period. The segment produced an encouraging performance overall given the macro-economic environment with net revenue increasing by 2.5% to £134.4m, with an organic revenue decline of 1.0%, and delivered an adjusted operating profit of £26.6m at an adjusted operating profit margin of 19.8%.

The **Customer Delivery** segment includes SMG, Activate, Agent3 and Twogether. SMG had a very positive first half following the ASDA win announced at the end of last year. The US remains the biggest opportunity for SMG and it has recently won a couple of signature clients in that market, positioning them up for an even stronger second half. Activate had a mixed performance, winning a significant number of smaller customers which didn't compensate for a couple of its larger clients cutting spend materially in the first half. Indications are that they will increase spend to former levels in the second half. Agent3 had an encouraging first half whilst Twogether suffered from client cancellations and delays. Overall, the segment delivered net revenue growth of 6.1% to £55.0m with organic revenue growth of 6.9%. The adjusted operating profit declined to £12.0m at an adjusted operating profit margin of 21.8%.

The **Customer Insights** segment includes Savanta and Plinc. Savanta had a disappointing six months as a number of its clients reduced spend and some Government work was delayed into the second half due to the election campaign. Plinc had an encouraging first half and continued to build its retail client base and invested in a suite of products which should accelerate its growth over the next couple of years. Total net revenue increased by 2.0% to £27.9m with an organic decline of 6.8%, whilst the adjusted operating profit declined to £3.1m at an adjusted operating profit margin of 11.0%.

The **Business Transformation** segment includes Mach49, Blueshirt, Palladium, and Transform. Mach49 saw expected revenue growth from its biggest client, whilst the rest of their business suffered from client delays and cancellations in the first half. However an improved performance in the second half is expected, partly due to action taken on their cost base. Transform had a quieter first half as some Government work was delayed due to the election compared an exceptional first half last year on the back of its relationship with the Department of Education. Blueshirt continued to suffer from the lack of Tech IPOs. Overall, the segment delivered a net revenue decline of 8.7% to £69.6m with an organic revenue decline of 8.9%. The adjusted operating profit declined to £16.5m at an adjusted operating profit margin of 23.7%.

Balance Sheet

The Group's balance sheet remains strong with net assets of £169.9m (£117.1m at 31 July 2023 and £156.2m at 31 January 2024). Since the previous year end, non-current assets have reduced primarily due to the amortisation of acquired intangible assets during the period. Net debt increased to £74.8m as at 31 July 2024 compared with £1.4m at the previous year end, primarily due to £61.9m cash settlement of acquisition related liabilities as well as staff bonuses paid during the period.

The Group has a £150m revolving credit facility ("RCF") with a consortium of HSBC, Bank of Ireland, NatWest Bank, Citibank and CIC. The facility is available until December 2027 with an option to extend for a further year. As part of the arrangement, the Group has a £50m accordion option to facilitate future acquisitions.

Contingent consideration outstanding as at 31 July also saw a significant decrease because of the settlement of acquisition related liabilities which was offset by the unwinding of discount. The estimates around the contingent consideration are considered by management to be an area of significant judgement, which could result in a material adjustment to the value of these liabilities in the future years (refer to note 9).

Cashflow

Cash inflows from operating activities before working capital changes increased to £49.8m for the 6 months to 31 July 2024 when compared to £48.4m for the 6 months to 31 July 2023. Despite a flat revenue performance in the period and customers continuing to pay within credit terms, our overall working capital position has been negatively impacted in the period by a combination of growth in B2C clients, who typically demand longer payment terms, together with the payment of annual staff bonuses in the first half.

Outlook

With regards to the second half of this year and into FY26, we are not, at this stage, factoring in a recovery in spending from our technology customers. However, with the recent change in government alleviating political uncertainty in the UK, we do anticipate that government spend will recover in early FY26. Consistent with the Group's performance in prior years, we expect revenues to be modestly second-half weighted. However, the businesses that have seen the toughest trading conditions in the first half of FY25 have reacted by taking significant action on their cost base which will positively impact their profitability in the second half of FY25 and beyond. Accordingly, we expect the Group's profitability to be more second-half weighted than normal in FY25.

Looking ahead, we are confident of meeting the recently revised market expectations which followed the disappointing news about the large contract in Mach49 ending earlier than anticipated, as announced earlier in September. The Group remains well positioned to capitalise on the underlying structural megatrends occurring in its key markets, with the ongoing simplification and optimisation work best positioning the Group for future growth going forward.

NEXT 15 GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED 31 July 2024

	Note	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	12 months ended 31 January 2024 (Audited) £'000
Revenue		364,080	364,917	734,673
Direct costs		(77,297)	(78,506)	(156,834)
Net revenue	2	**286,783**	**286,411**	**577,839**
Staff costs		(206,886)	(204,250)	(407,445)
Depreciation		(6,191)	(5,923)	(12,263)
Amortisation		(11,491)	(12,086)	(24,360)
Other operating charges		(30,655)	(27,281)	(56,652)
Total operating charges		(255,223)	(249,540)	(500,720)
Operating profit		**31,560**	**36,871**	**77,119**
Finance expense	5	(13,593)	(16,281)	(31,393)
Finance income	6	15,425	3,672	34,622
Profit before income tax		**33,392**	**24,262**	**80,348**
Income tax expense	3	(9,779)	(9,042)	(26,403)
Profit for the period		**23,613**	**15,220**	**53,945**
Attributable to:				
Owners of the parent		22,136	14,263	52,907
Non-controlling interests		1,477	957	1,038
		23,613	**15,220**	**53,945**
Earnings per share				
Basic (pence)	7	22.2	14.4	53.3
Diluted (pence)	7	21.1	13.6	50.3

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 July 2024

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	12 months ended 31 January 2024 (Audited) £'000
Profit for the period	**23,613**	**15,220**	**53,945**
Other comprehensive (expense)/income:			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	(720)	(176)	(576)
	(720)	(176)	(576)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of investments	125	(27)	(6)
Total other comprehensive expense for the period	(595)	(203)	(582)
Total comprehensive income for the period	**23,018**	**15,017**	**53,363**
Attributable to:			
Owners of the parent	21,541	14,060	52,325
Non-controlling interests	1,477	957	1,038
	23,018	**15,017**	**53,363**

NEXT 15 GROUP PLC
CONSOLIDATED BALANCE SHEET AS AT 31 July 2024

	Note	31 July 2024 (Unaudited) £'000	31 July 2023 (Unaudited) £'000	31 January 2024 (Audited) £'000
Assets				
Property, plant and equipment		9,108	9,947	10,099
Right-of-use assets		21,030	25,740	24,686
Intangible assets		275,880	260,963	279,342
Investments in financial assets		706	560	581
Deferred tax asset		57,628	65,917	62,087
Other receivables		1,012	779	1,040
Total non-current assets		365,364	363,906	377,835
Trade and other receivables		193,001	173,016	170,003
Cash and cash equivalents	8	30,020	18,983	42,871
Corporation tax asset		1,176	1,225	911
Total current assets		224,197	193,224	213,785
Total assets		**589,561**	**557,130**	**591,620**
Liabilities				
Loans and borrowings	8	104,789	40,625	44,227
Deferred tax liabilities		13,145	14,952	15,939
Lease liabilities		18,516	25,875	23,313
Other payables		208	232	110
Provisions		15,896	12,360	19,591
Contingent consideration	9	38,641	86,863	84,693
Additional contingent incentive	9	127	1,453	1,847
Share purchase obligation	9	8,138	6,995	7,277
Total non-current liabilities		199,460	189,355	196,997
Trade and other payables		155,549	154,790	151,510
Lease liabilities		9,953	10,910	10,115
Provisions		6,254	4,508	3,066
Corporation tax liability		4,096	8,032	6,843
Additional contingent incentive	9	1,983	2,543	2,483
Contingent consideration	9	40,496	67,626	62,059
Share purchase obligation	9	1,856	2,301	2,326
Total current liabilities		220,187	250,710	238,402
Total liabilities		**419,647**	**440,065**	**435,399**
TOTAL NET ASSETS		**169,914**	**117,065**	**156,221**
Equity				
Share capital		2,520	2,484	2,486
Share premium reserve		191,867	170,924	175,144
Foreign currency translation reserve		2,584	3,704	3,304
Other reserves		(2,035)	(2,065)	(2,050)
Retained earnings		(26,275)	(58,485)	(22,904)
Total equity attributable to owners of the parent		**168,661**	**116,562**	**155,980**
Non-controlling interests		1,253	503	241
TOTAL EQUITY		**169,914**	**117,065**	**156,221**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 July 2024

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2023 (audited)	**2,462**	**166,174**	**3,880**	**(2,065)**	**(56,503)**	**113,948**	**452**	**114,400**
Profit for the period	-	-	-	-	14,263	14,263	957	15,220
Other comprehensive expense for the period	-	-	(176)	-	(27)	(203)	-	(203)
Total comprehensive (expense) / income for the period	-	-	(176)	-	14,236	14,060	957	15,017
Shares issued on satisfaction of vested performance shares	14	2,248	-	-	(4,859)	(2,597)	-	(2,597)
Shares issued on acquisitions	8	2,502	-	-	-	2,510	-	2,510
Movement in relation to share-based payments net of tax	-	-	-	-	3,824	3,824	-	3,824
Dividends to owners of the parent	-	-	-	-	(10,028)	(10,028)	-	(10,028)
Movement on reserves for non-controlling interests	-	-	-	-	(348)	(348)	348	-
Non-controlling interest purchased in the period	-	-	-	-	(4,807)	(4,807)	(201)	(5,008)
Non-controlling interest reversed in the period	-	-	-	-	-	-	29	29
Non-controlling interest dividend	-	-	-	-	-	-	(1,082)	(1,082)
At 31 July 2023 (unaudited)	**2,484**	**170,924**	**3,704**	**(2,065)**	**(58,485)**	**116,562**	**503**	**117,065**
Profit for the period	-	-	-	-	38,644	38,644	81	38,725
Other comprehensive (expense) / income for the period	-	-	(400)	-	21	(379)	-	(379)
Total comprehensive (expense) / income for the period	-	-	(400)	-	38,665	38,265	81	38,346
Shares issued on satisfaction of vested performance shares	8	1,776	-	-	(1,784)	-	-	-
Shares issued on acquisitions	9	2,444	-	-	-	2,453	-	2,453
Acquisition of own shares	(15)	-	-	15	(4,475)	(4,475)	-	(4,475)
Movement in relation to share-based payments net of tax	-	-	-	-	6,668	6,668	-	6,668
Dividends to owners of the parent	-	-	-	-	(4,734)	(4,734)	-	(4,734)
Movement due to ESOP share purchases	-	-	-	(7)	-	(7)	-	(7)
Movement due to ESOP share option exercises	-	-	-	7	-	7	-	7
Movement on reserves for non-controlling interests	-	-	-	-	132	132	(132)	-
Non-controlling interest purchased in the period	-	-	-	-	1,109	1,109	(3)	1,106
Non-controlling interest dividend	-	-	-	-	-	-	(208)	(208)
At 31 January 2024 (audited)	**2,486**	**175,144**	**3,304**	**(2,050)**	**(22,904)**	**155,980**	**241**	**156,221**
Profit for the period	-	-	-	-	22,136	22,136	1,477	23,613
Other comprehensive (expense) / income for the period	-	-	(720)	-	125	(595)	-	(595)
Total comprehensive (expense) / income for the period	-	-	(720)	-	22,261	21,541	1,477	23,018
Shares issued on satisfaction of vested performance shares	25	7,215	-	-	(9,818)	(2,578)	-	(2,578)
Shares issued on acquisitions	24	9,508	-	-	-	9,532	-	9,532
Acquisition of own shares	(15)	-	-	15	(5,344)	(5,344)		(5,344)
Movement in relation to share-based payments net of tax	-	-	-	-	425	425	-	425
Dividends to owners of the parent	-	-	-	-	(10,664)	(10,664)	-	(10,664)
Movement on reserves for non-controlling interests	-	-	-	-	(231)	(231)	231	-
Non-controlling interest dividend	-	-	-	-	-	-	(696)	(696)
At 31 July 2024 (unaudited)	**2,520**	**191,867**	**2,584**	**(2,035)**	**(26,275)**	**168,661**	**1,253**	**169,914**

[1] Other reserves include ESOP reserve, hedging reserve, share purchase reserve and merger reserve.

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 July 2024

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Cash flows from operating activities			
Profit for the period	23,613	15,220	53,945
Adjustments for:			
Depreciation	6,191	5,923	12,263
Amortisation	11,491	12,086	24,360
Finance expense	13,593	16,281	31,393
Finance income	(15,425)	(3,672)	(34,622)
Loss on sale of property, plant and equipment	45	12	125
Gain on exit of finance lease	-	(1,385)	(1,313)
Income tax expense	9,779	9,042	26,403
Employment linked acquisition provision charge	2,399	2,857	10,006
Settlement of employment linked acquisition payments	(1,475)	(13,216)	(15,713)
Share-based payment charges	1,291	7,835	11,476
Settlement of share-based payment in cash	(1,683)	(2,597)	(2,597)
Net cash inflow from operating activities before changes in working capital	**49,819**	**48,386**	**115,726**
Change in trade and other receivables	(22,493)	(10,540)	837
Change in trade and other payables	(9,273)	(13,002)	(12,343)
Change in other liabilities	(161)	(75)	821
	(31,927)	(23,617)	(10,685)
Net cash generated from operations before tax and interest outflows	**17,892**	**24,769**	**105,041**
Income taxes paid	(13,336)	(13,784)	(25,408)
Net cash inflow from operating activities	**4,556**	**10,985**	**79,633**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(5,031)	(605)	(13,006)
Acquisition of property, plant and equipment	(1,350)	(1,402)	(3,711)
Proceeds on disposal of property, plant and equipment	5	3	8
Acquisition of intangible assets	(2,078)	(1,572)	(3,436)
Net movement in long-term cash deposits	114	(96)	(179)
Income from finance lease receivables	519	958	1,388
Interest received	208	459	1,051
Net cash outflow from investing activities	**(7,613)**	**(2,255)**	**(17,885)**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 July 2024

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Cash flows from financing activities			
Payment of contingent consideration	(55,390)	(38,797)	(42,146)
Purchase of non-controlling interest in subsidiary	-	(5,008)	(5,059)
Proceeds on sale of non-controlling interest in subsidiary	-	29	29
Acquisition of own shares	(5,344)	-	(4,475)
Capital element of finance lease rental payment	(5,622)	(7,306)	(14,175)
Increase in bank borrowings and overdrafts	116,293	68,545	195,564
Repayment of bank borrowings and overdrafts	(55,793)	(49,612)	(171,891)
Banking arrangement fees	-	-	(1,905)
Interest paid	(2,599)	(1,836)	(4,268)
Dividend and profit share paid to non-controlling interest partners	(696)	(1,082)	(1,290)
Dividends paid to shareholders of the parent	-	-	(14,762)
Net cash outflow from financing activities	**(9,151)**	**(35,067)**	**(64,378)**
Net decrease in cash and cash equivalents	**(12,208)**	**(26,337)**	**(2,630)**
Cash and cash equivalents at beginning of the period	42,871	47,320	47,320
Exchange loss on cash held	(643)	(2,000)	(1,819)
Cash and cash equivalents at end of the period	**30,020**	**18,983**	**42,871**

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 July 2024

1) BASIS OF PREPARATION

The unaudited consolidated interim financial statements represent a condensed set of financial information and have been prepared using the recognition and measurement principles of International Accounting Standards, and in accordance with IAS 34, Interim Financial Reporting. The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2024.

The comparative financial information for the year ended 31 January 2024 has been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain acquisition-related costs 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.

	Customer Engage £'000	**Customer Delivery £'000**	**Customer Insight £'000**	**Business Transformation £'000**	**Head Office £'000**	**Total £'000**
6 months ended 31 July 2024 (Unaudited)						
Net revenue	**134,368**	**54,966**	**27,892**	**69,557**	**-**	**286,783**
Adjusted operating profit/(loss)	**26,636**	**11,998**	**3,081**	**16,507**	**(10,132)**	**48,090**
Adjusted operating profit margin[1]	**19.8%**	**21.8%**	**11.0%**	**23.7%**	**-**	**16.8%**
Organic net revenue (decline)/growth	**(1.0)%**	**6.9%**	**(6.8)%**	**(8.9)%**	**-**	**(2.2)%**
6 months ended 31 July 2023 (Unaudited)						
Net revenue	131,081	51,805	27,336	76,189	-	286,411
Adjusted operating profit/(loss)	26,481	14,131	4,710	22,627	(10,984)	56,965
Adjusted operating profit margin[1]	20.2%	27.3%	17.2%	29.7%	-	19.9%
Organic net revenue (decline)/growth	(6.4)%	2.4%	2.4%	5.8%	-	(1.0)%
Year ended 31 January 2024 (Audited)						
Net revenue	263,120	107,653	57,476	149,590	-	577,839
Adjusted operating profit/(loss)	53,178	29,117	10,358	48,253	(19,825)	121,081
Adjusted operating profit margin[1]	20.2%	27.0%	18.0%	32.3%	-	21.0%
Organic net revenue (decline)/growth	(6.3%)	5.1%	4.3%	8.7%	-	0.3%

[1] Adjusted operating profit margin is calculated based on the operating profit as a percentage of net revenue.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2024

2) SEGMENT INFORMATION (continued)

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Six months ended 31 July 2024 (Unaudited)						
Net revenue	125,898	5,835	146,884	8,166	-	286,783
Adjusted operating profit/(loss)	20,617	1,231	35,418	956	(10,132)	48,090
Adjusted operating profit margin[1]	16.4%	21.1%	24.1%	11.7%	-	16.8%
Organic revenue (decline)/growth	(5.3)%	(3.4)%	0.4%	(0.1)%	-	(2.2)%
Six months ended 31 July 2023 (Unaudited)						
Net revenue	127,685	6,190	144,540	7,996	-	286,411
Adjusted operating profit/(loss)	22,373	1,427	43,461	688	(10,984)	56,965
Adjusted operating profit margin[1]	17.5%	23.1%	30.1%	8.6%	-	19.9%
Organic revenue growth/(decline)	1.1%	7.9%	(2.8)%	(6.1)%	-	(1.0)%
Twelve months ended 31 January 2024 (Audited)						
Net revenue	254,281	12,399	294,054	17,105	-	577,839
Adjusted operating profit/(loss)	45,731	2,345	91,139	1,691	(19,825)	121,081
Adjusted operating profit margin[1]	18.0%	18.9%	31.0%	9.9%	-	21.0%
Organic net revenue (decline)/growth	(0.4%)	6.1%	0.9%	(3.6%)	-	0.3%

[1] Adjusted operating profit margin is calculated based on the operating profit as a percentage of net revenue.

3) TAXATION

The tax charge on adjusted profit for the six months ended 31 July 2024 is £12,430,000 (six months ended 31 July 2023 of £15,013,000), equating to an adjusted effective tax rate of 27.2%, compared to 27.0% in the prior period.

The statutory tax charge for the six months ended 31 July 2024 is £9,779,000 (six months ended 31 July 2023 of £9,042,000), equating to an effective tax rate of 29.3%, compared to 37.3% in the prior period.

The Group's adjusted corporation tax rate is expected to remain higher than the standard UK rate (25% effective 1 April 2023) due to differing rates of tax suffered on overseas profits. The Group does not currently anticipate any material changes to its adjusted effective tax rate for the year ending 31 January 2025. The Group's future adjusted tax rate is inherently subject to a degree of uncertainty. This is due to the Groups geographical split of profit across the globe paired with ever changing international tax policy.

4) DIVIDENDS

An interim dividend of 4.75p (six months ended 31 July 2023: 4.75p) per ordinary share will be paid on 22 November 2024 to shareholders listed on the register of members on 18 October 2024. Shares will go ex-dividend on 17 October 2024. The last date for DRIP elections to be returned to the registrar is 1 November 2024.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2024

5) FINANCE EXPENSE

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	2,336	1,828	4,242
Interest on lease liabilities[1]	477	572	1,104
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future contingent consideration and share purchase obligation payable[1]	10,133	13,101	24,871
Change in estimate of future contingent consideration and share purchase obligation payable[1]	384	772	1,150
Other			
Other interest payable	263	8	26
Finance expense	**13,593**	**16,281**	**31,393**

[1]These items are adjusted for in calculating the adjusted net finance expense.

6) FINANCE INCOME

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	199	450	1,039
Finance lease interest receivable	45	30	81
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable[1]	15,172	3,183	33,490
Other interest receivable	9	9	12
Finance income	**15,425**	**3,672**	**34,622**

[1]These items are adjusted for in calculating the adjusted net finance expense. £15.2m less £0.4m is shown as a net £14.8m on the reconciliation set out on page 9.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2024

7) EARNINGS PER SHARE

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Profit attributable to ordinary shareholders	**22,136**	**14,263**	**52,907**
	Number	**Number**	**Number**
Weighted average number of ordinary shares	99,847,610	98,849,157	99,247,832
Dilutive LTIP & Options shares	1,728,473	1,148,021	1,848,787
Dilutive Growth Deal shares	2,404,317	3,937,041	3,345,900
Other potentially issuable shares	1,059,482	713,011	775,582
Diluted weighted average number of ordinary shares	**105,039,882**	**104,647,230**	**105,218,101**
Basic earnings per share	22.2p	14.4p	53.3p
Diluted earnings per share	21.1p	13.6p	50.3p

8) NET DEBT

The Group has a £150m revolving credit facility ("RCF") with a consortium of HSBC, Bank of Ireland, NatWest Bank, Citibank and CIC. The facility is available until December 2027 with an option to extend for a further year. As part of the arrangement, the Group has a £50m accordion option to facilitate future acquisitions.

The RCF facility is available for permitted acquisitions and working capital requirements. It 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. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2023: $7m) which is available for property rental guarantees and US-based working capital needs.

	31 July 2024 (Unaudited) £'000	31 July 2023 (Unaudited) £'000	31 January 2024 (Audited) £'000
Total loans and borrowings	104,789	40,625	44,227
Less: cash and cash equivalents	(30,020)	(18,983)	(42,871)
Net debt excluding lease liabilities	**74,769**	**21,642**	**1,356**
Share purchase obligation	9,994	9,296	9,603
Contingent consideration	79,137	154,489	146,752
Additional contingent incentive	2,110	3,996	4,330
Net debt and acquisition related liabilities	**166,010**	**189,423**	**162,041**

9) OTHER FINANCIAL LIABILITIES

	Contingent consideration £'000	Additional contingent incentive £'000	Share purchase obligation £'000	Total £'000
At 31 January 2023 (Audited)	189,406	6,309	8,984	204,699
Arising during the period	44	-	-	44
Change in estimate	(2,890)	688	(209)	(2,411)
Exchange differences	(8,446)	(307)	(102)	(8,855)
Utilised	(35,757)	(3,040)	-	(38,797)
Unwinding of discount	12,132	346	623	13,101
At 31 July 2023 (Unaudited)	154,489	3,996	9,296	167,781
Arising during the period	12,033	-	-	12,033
Change in estimate	(29,655)	70	(344)	(29,929)
Exchange difference	2,286	69	24	2,379
Utilised	(3,318)	(31)	-	(3,349)
Unwinding of discount	10,917	226	627	11,770
At 31 January 2024 (Audited)	**146,752**	**4,330**	**9,603**	**160,685**
Change in estimate	(14,524)	(24)	(240)	(14,788)
Exchange differences	(1,307)	(41)	(14)	(1,362)
Utilised	(61,053)	(2,374)	-	(63,427)
Unwinding of discount	9,269	219	645	10,133
At 31 July 2024 (Unaudited)	**79,137**	**2,110**	**9,994**	**91,241**
Current	**40,496**	**1,983**	**1,856**	**44,335**
Non-current	**38,641**	**127**	**8,138**	**46,906**

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. During the first half of the year, earn-out liabilities decreased by a net £69.4m, primarily driven by the amounts settled within the period, the change in estimate and exchange differences offset against the unwinding of the discount rate used.

Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. If the judgements around future revenue growth, profit margins and discount rates change, this could result in a material adjustment to the value of these liabilities within the next financial year. An increase in the liability would result in an increase in finance expense, while a decrease would result in a further gain.

For the most significant individual earn-out sensitive to change in the assumed inputs, a 15% reduction in the assumed future net revenue growth rate would lead to a decrease of £3.1m in the value of the associated liability. Whereas a 10% reduction in the assumed future profit margin for the most significant individual earn-out would lead to a decrease of £6.5m in the value of the liability.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2024

9) OTHER FINANCIAL LIABILITIES *(Continued)*

Litigation

In 2022, a former minority shareholder and employee of the Group's largest US business filed a legal claim against the founding shareholders of the subsidiary and the Group amongst others, relating to their historic entitlement to a share in the business. On 9 September 2024, all parties filed with the court a "Notice of Settlement of Entire Case," which indicates that the parties expect all remaining claims to be dismissed in their entirety.

The Group does not expect any outflow from any company in the Group in relation to the claim. The Group has incurred legal fees in relation to this claim and has recognised a corresponding asset representing the amount recoverable under the indemnity given at the time of the acquisition.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES

FOR THE SIX MONTHS ENDED 31 JULY 2024

Introduction

In the reporting of financial information, the Directors have adopted various alternative performance measures ('APMs'). The Group includes these non-GAAP measures as they consider these measures to be both useful and necessary to the readers of the financial statements to help understand the performance of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies and therefore should be considered in addition to IFRS measures.

Purpose

The Director's believe that these APMs are highly relevant as they reflect how the Board measures the performance of the business and align with how shareholders value the business. They also allow understandable like-for-like, year on year comparisons and more closely correlate with the cash inflows from operations and working capital position of the Group.

They are used by the Group for internal performance analyses and the presentation of these measures facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors which materially affect IFRS measures.

A1: RECONCILIATION OF STATUTORY OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

A reconciliation of statutory operating profit to adjusted operating profit is provided as follows:

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Statutory operating profit	**31,560**	**36,871**	**77,119**
Interest on finance lease liabilities	(477)	(572)	(1,104)
Statutory operating profit after interest on finance lease liabilities	**31,083**	**36,299**	**76,015**
Charge for one-off employee incentive schemes (A2)	-	5,159	6,605
Employment linked acquisition payments (A2)	2,399	2,857	10,006
Costs associated with restructuring (A2)	4,195	1,407	5,152
Deal costs (A2)	170	216	671
RCF fees write off	-	-	601
Amortisation of acquired intangibles (A2)	10,243	11,027	22,031
Adjusted operating profit	**48,090**	**56,965**	**121,081**

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2024

A2: RECONCILIATION OF STATUTORY PROFIT BEFORE TAX TO ADJUSTED PROFIT BEFORE TAX

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Statutory profit before income tax	**33,392**	**24,262**	**80,348**
Unwinding of discount on contingent consideration and share purchase obligation payable[1]	10,133	13,101	24,871
Change in estimate of future contingent consideration and share purchase obligation payable[1]	(14,788)	(2,411)	(32,340)
Charge for one-off employee incentive scheme [2]	-	5,159	6,605
Employment linked acquisition payments [3]	2,399	2,857	10,006
Restructuring costs[4]	4,195	1,407	5,152
Deal costs[5]	170	216	671
RCF fees write off[6]	-	-	601
Amortisation of acquired intangibles[7]	10,243	11,027	22,031
Adjusted profit before income tax	**45,744**	**55,618**	**117,945**

[1] The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations. The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

[2] The charge in the prior year relates to transactions whereby a restricted grant of brand equity was given to key management in MHP Group Limited, House 337 Limited and Transform UK Consulting Limited at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off charge in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands.

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

[4] In the current year the Group has incurred restructuring costs all relating to staff redundancies as we are pro-actively reducing our cost base to take account of the weakness in demand from tech clients and anticipated efficiencies. Only costs that relate to roles permanently being eliminated from the business with no intention to replace are adjusted for. The costs do not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year.

[5] These costs are directly attributable to business combinations and acquisitions made during the period.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2024

A2: RECONCILIATION OF ADJUSTED RESULTS *(Continued)*

[6] In the prior year the Group refinanced its banking facilities and agreed to a new £150m revolving credit facility ("RCF") with a consortium of five banks. The refinance occurred before the old facility agreement ended and therefore there was £0.6m of capitalised fees remaining on the balance sheet in relation to the previous facility agreement that had yet to be amortised. As a result of the new agreement, the old RCF fees were written off as a one-off charge to the income statement. The Group adjusted for this significant cost as the charge is non-recurring and therefore added back to aid comparability of the Group's profitability year on year.
[7] In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles been added back to aid comparability.

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

A3: RECONCILIATION OF ADJUSTED TAX EXPENSE

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000
Income tax expense reported in the Consolidated Income Statement	9,779	9,042
Add back tax on adjusting items:		
Costs associated with the current period restructure	1,045	333
Unwinding of discount and change in estimates of contingent consideration	(966)	2,706
Amortisation of acquired intangibles	2,572	2,932
Adjusted tax expense	**12,430**	**15,013**
Adjusted profit before income tax	45,744	55,618
Adjusted effective tax rate	**27.2%**	**27.0%**

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2024

A4: RECONCILIATION OF ADJUSTED EARNINGS PER SHARE

	Six months ended 31 July 2024 (Unaudited) £'000	Six months ended 31 July 2023 (Unaudited) £'000	Twelve months ended 31 January 2024 (Audited) £'000
Profit attributable to ordinary shareholders	**22,136**	**14,263**	**52,907**
Unwinding of discount on future contingent consideration and share purchase obligation payable	10,133	13,101	24,871
Change in estimate of future contingent consideration and share purchase obligation payable	(14,788)	(2,411)	(32,340)
Charge for one-off employee incentive scheme	-	5,159	6,605
Restructuring costs	4,195	1,407	5,152
RCF fees write off	-	-	601
Amortisation of acquired intangibles	10,243	11,027	22,031
Employment linked acquisition payments	2,399	2,857	10,006
Deal costs	170	216	671
Tax effect of adjusting items above	(2,651)	(5,971)	(4,670)
Adjusted earnings attributable to ordinary shareholders	**31,837**	**39,648**	**85,834**
	Number	**Number**	**Number**
Weighted average number of ordinary shares	99,847,610	98,849,157	99,247,832
Dilutive LTIP & Options shares	1,728,473	1,148,021	1,848,787
Dilutive Growth Deal shares	2,404,317	3,937,041	3,345,900
Other potentially issuable shares	1,059,482	713,011	775,582
Diluted weighted average number of ordinary shares	**105,039,882**	**104,647,230**	**105,218,101**
Adjusted earnings per share	31.9p	40.1p	86.5p
Diluted adjusted earnings per share	30.3p	37.9p	81.6p

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares.