



# ENABLING THE DISRUPTERS

**NEXT 15**

Next Fifteen Communications Group plc

Annual Report

**2015**

This Annual Report covers the statutory reporting period, which is the 18 months to 31 January 2015 ('the reporting period'). The Annual Report for the previous statutory reporting period covered the financial year ended 31 July 2013. The change in the Group's financial year end from 31 July to 31 January was made to better align with our clients' budgeting cycle, the majority of which have December year ends. In order to aid understanding of the underlying performance of the business, commentary in the Chairman's letter, CEO's message and Financial Review focuses on the headline results being the adjusted unaudited performance for the 12 months to 31 January 2015 compared with the 12-month unaudited period to 31 January 2014. Items that are excluded from headline results are detailed within pages 96 to 101. These figures are reconciled to the audited statutory numbers in the appendices on pages 96 to 101.

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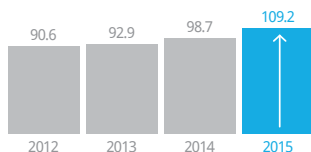
This Annual Report, together with trading statements, news releases, presentations and previous Annual Reports, is available online at [www.next15.com](http://www.next15.com).

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

Headline revenue (£m)

**£109.2m**

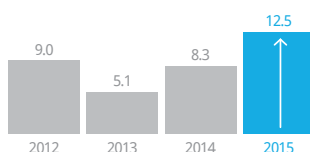
+11%



Headline profit before tax (£m)

**£12.5m**

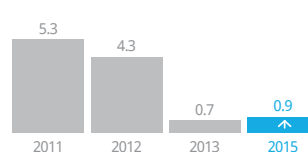
+51%



Statutory retained profit (£m)

**£0.9m**

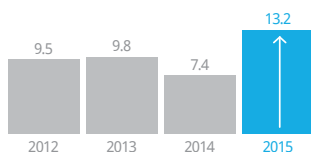
+29%



Headline diluted adjusted earnings per share (pence)

**13.2p**

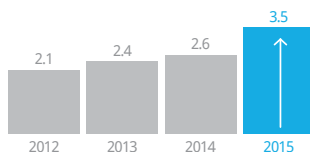
+79%



Dividend per share (pence)

**3.5p**

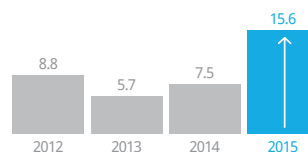
+33%



Headline net cash from operating activities (£m)

**£15.6m**

+108%



- Headline revenues increased by 10.6% to £109.2m from £98.7m last year; revenue for the 18 months statutory period was £158.5m
- Statutory retained profit has remained relatively flat at £0.9m (2013: £0.7m) following a period of significant restructure
- Organic growth of 6.1% with double digit growth of 11.3% in the US
- Net debt of £8.6m after £11.0m of acquisition-related payments in the 12-month period
- Appointment of a new Chief Financial Officer
- Simplification of operations in EMEA and APAC
- Co-location of San Francisco offices
- Acquisition of a 75% stake in Encore, a programmatic advertising technology business
- Within the statutory reporting period the Group acquired:
  - 51% of Republic Publishing Limited, a content marketing business
  - a majority shareholding (54%) in Agent3 Ltd, a provider of technology platforms and marketing services
  - the trade and certain assets of Story Worldwide LLC, a content advertising agency
  - a 75% stake in Morar, an international market research consultancy which measures and advises on brand performance

Unless otherwise stated, figures are for the headline results to 31 January. Headline results represent the unaudited performance for the 12 months to 31 January 2015 adjusted to exclude amortisation, impairments, restructuring charges and certain other non-recurring items. These are reconciled to the audited statutory numbers in the appendices on pages 96 to 101.

## ABOUT US

### OUR COMPANY

Next 15 is a communications business which employs 1,248 people across 35 offices in 18 countries. The Group comprises 16 subsidiary agencies, spanning digital content, marketing, PR, consumer, technology, marketing software, market research, public affairs and policy communications.

**1,248**  
People

**35**  
Offices

**18**  
Countries

**16**  
Subsidiary Agencies

#### OUR SECTORS



DIGITAL



DIGITAL CONTENT



POLICY COMMUNICATIONS



INVESTOR RELATIONS



MARKETING SOFTWARE



MARKET RESEARCH



CONSUMER



TECHNOLOGY

#### OUR BRANDS

**M BOOTH**



TheBlueshirtGroup



**bite**

**agent**



**TEXT100**



The OutCast Agency

**beyond**



**bDA**

## OUR CLIENTS

Next 15 represents many of the world's most interesting and important companies. It is also working with what it hopes will become the next generation of Fortune 500 companies. Making brands famous is in our DNA and is behind our name, the origin of which was explained by Tim Dyson: "Everyone will be famous for 15 minutes, but we care about what happens next."



### How we create value for our clients and generate revenue

In today's world we create value by influencing the way brands are regarded by their customers. We do this using a wide range of digital tools and communities such as Facebook, Twitter, Pinterest, YouTube and LinkedIn.

### Adapting our model to a digital future

Next 15 has taken a 'ground up' approach to digital. This means we have challenged all of our businesses to evaluate the way they do business so that they can take advantage of the opportunities that digital creates for

them and their customers. We have also invested in creating and acquiring specialised digital agencies and technologies such as Beyond and Agent3 that open up new market opportunities for the Group.

## WHAT MAKES US DIFFERENT

### CALIFORNIA PRESENCE

Having a strong presence in Silicon Valley gives us real-time access to the way the technology industry is changing. Furthermore, working directly with the likes of Facebook, Google and Twitter has given us a great insight into how marketing will evolve as these channels become a critical means by which brands interact with their customers.

### CORPORATE CULTURE

Next 15 encourages an entrepreneurial and meritocratic culture so that we can attract and retain the best and the brightest. In many ways our culture is more like a fast-paced tech company than a traditional agency. In a business where your people are your most important asset, we look to create a culture that is differentiated from

the norm and encourages people to stay with the Group long term. We believe our culture drives excellence but also encourages people to think in the manner of a start-up rather than a corporate monolith.

## A LETTER FROM OUR CHAIRMAN

“The Group has remained focused on its strategy to create a new type of integrated marketing group centred on the technology of marketing: data, insight, analytics, apps, content platforms and, of course, content itself.”



### Dear Shareholder,

In my last letter to you I applauded the performance of Next 15's US business but acknowledged that some other parts of the business had struggled to deliver the desired results. At that time the Board took a series of steps to improve the performance of the whole Group. These included the hiring of a new Chief Financial Officer in Peter Harris, who has already made a significant impact; greater focus on the UK business and the simplification of operations in EMEA and Asia Pacific. I'm pleased to report that these steps are proving successful. When combined with continued strong performance by the US businesses, they have resulted in solid growth and another set of record results for the Group.

Revenue for the 18 months to 31 January 2015 was £158.5m, headline revenues in the 12 months to 31 January 2015 have increased by 10.6%, from £98.7m to £109.2m, while headline profit before tax increased 51% to £12.5m from £8.3m in 2014. Headline EBITDA, which the Board believes is a good measure of the Group's performance, increased 38.4% to £14.6m from £10.6m. Meanwhile the Group's balance sheet remained in good health with net debt of £8.6m.

Profit before tax for the period was relatively flat on the prior year at £0.9m (2013: £0.7m).

The progress outside the US has been impressive on a number of fronts. The UK business saw strong topline growth on headline numbers of 27.3% and a significant improvement in its headline operating margins from 4% to 11%. This was the result of improved performances from both Bite and Lexis and the success of investments and acquisitions that included Agent3, Morar and Republic Publishing.

The simplification of the business in Asia and EMEA has delivered the expected improvements, with headline operating margins increasing from 1.9% to 8.0% in APAC and -8.1% to 9.2% in EMEA, resulting in a business that is more able to compete in its various markets.

Alongside such operational changes the Group has remained focused on its strategy to create a new type of integrated marketing group centred on the technology of marketing: data, insight, analytics, apps, content platforms and of course content itself. The success of relationships with businesses such as Facebook, Google and Amazon testify to the Group's substantial progress in this.

In previous letters, I have observed that the historic separation of PR and advertising is diminishing, not least because of the growing importance of social media to brand marketers. The Group's early embrace of digital techniques and its core skills of brand storytelling have positioned it well to benefit from this market movement. The acquisition of Story Worldwide in the US is a natural development of this strategy. Story, as the name suggests, is a content-driven advertising business which is focused on creating authentic narratives for brands that can be executed using both digital and traditional channels. Story's clients include Unilever, SEI, Beech-Nut and Lexus.

The recent placing of 3m shares which raised £4.3m net of costs is being put to work on investments in two UK businesses; first, the acquisition of a 30% stake in Animi, a specialist digital marketing consultancy that works with Unilever, and the second is the acquisition of Encore, a programmatic advertising technology business. While these are small companies, they are set to play important roles as we continue to modernise our business.

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Looking ahead, the Group has made an encouraging start to the new financial year with trading patterns in all markets continuing as in the second half of our last fiscal year. Accordingly, the Board is recommending the payment of a final dividend for the 18 months to 31 January 2015 of 2.5p per share which would represent a pro forma total dividend of at least 3.5p for the year to 31 January 2015.

These are exciting times at Next 15. I welcome Genevieve Shore to the Board as a non-executive Director; she brings highly relevant skills at this time. I also wish to register our thanks to Margit Wennmachers who has served as a very effective non-executive Director. I am delighted that we will continue to enjoy the benefit of her experience as an advisor to the Board. On behalf of the Board, I thank the management team and staff for their hard work and creativity and I look forward to another year of strong growth and further progress.



**RICHARD EYRE CBE**  
CHAIRMAN  
27 April 2015

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## A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

“Today’s definition of marketing communications isn’t what it was five years ago. Today we need to be more data driven, focused on how a corporate narrative is being received in real time by communities and accepting that controlling the message is no longer the way to succeed.”



### Dear Shareholder,

The 12 months to 31 January 2015 have been very good for Next 15. The Group has surpassed £100m in headline revenue (£109.2m to be precise), delivered record headline operating profits of £12.7m and has seen a series of important investments and acquisitions including Story Worldwide and Morar. Some of this success comes from specific actions taken in the last 12 months but much of it comes from basic good management by the various parts of the Group.

### Don't simply focus on growth

Indeed if you look at our growth in the last year, much of it stems from an approach that, ironically, doesn't focus on growth. Instead, agencies such as Beyond, which grew its revenues by 19%, focused on having great people doing work that really mattered for customers that used digital marketing as a strategic asset. The focus on people, work and customers rather than growth per se may seem strange as a public company but we believe that growth and sound profitability will only be delivered if we have the best people doing the best work for the best companies. Indeed, our experience has

shown that whenever our standards slip on these fronts we see a dip in performance.

This doesn't mean that we don't measure growth or track our progress (far from it) but growth is often a lagging indicator. Growth in our business comes from having good foundations and from investment in the business before challenges emerge, rather than afterwards.

### Don't keep making the same sweater

Next 15, like many good companies, is always looking to ensure that it is not straying from its core competence. Management gurus refer to this as 'sticking to your knitting'. We love this mantra and we've seen, through agencies such as OutCast and M Booth, how it can enable you to attract the very best customers. Indeed, between them, these businesses work with Google, American Express, Unilever, GE, Amazon and Facebook. But doing what you do well has to evolve with the customer. Today's definition of marketing communications isn't what it was five years ago. Today we need to be more data driven, focused on how a corporate narrative is being received in real time by communities and

accepting that controlling the message is no longer the way to succeed.

Instead we must stay on top of the ways customers want to interact with each other and with brands. This means we have to be willing to adapt the way we do our work, sometimes on a daily basis. Put another way, we need to stick to our knitting but not keep making the same sweater. This is far easier said than done.

### Hold the peanut butter

A few years ago we learned the hard way that we couldn't do everything well. We learned that with too many priorities it is easy for mistakes to happen or for mediocrity to seep into the business. We refer to this as 'peanut butter management' where people are simply spread very thinly and don't get the opportunity to do anything really well. In the last year we have made a concerted effort to ensure that all of our businesses focus on doing a few things really well. This focus has paid off and has been behind not only our ability to deliver better work for our customers, but also better platforms upon which to invest for the future.

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### Take the steps in Asia Pacific

Previously, the Group had two parallel operations in the region; this looked good on a map but what it meant in practice was that we had two relatively small businesses each starved of resource. Following the merger of these two operations, we have a stronger business with critical mass and a platform where investment can deliver results. Previously any investment was diluted and far more difficult to justify. Through this simplification, the Asia Pacific business is delivering a better product and, guess what, better profitability. As I said at the start, when you focus on the fundamentals, the finances have a habit of taking care of themselves.

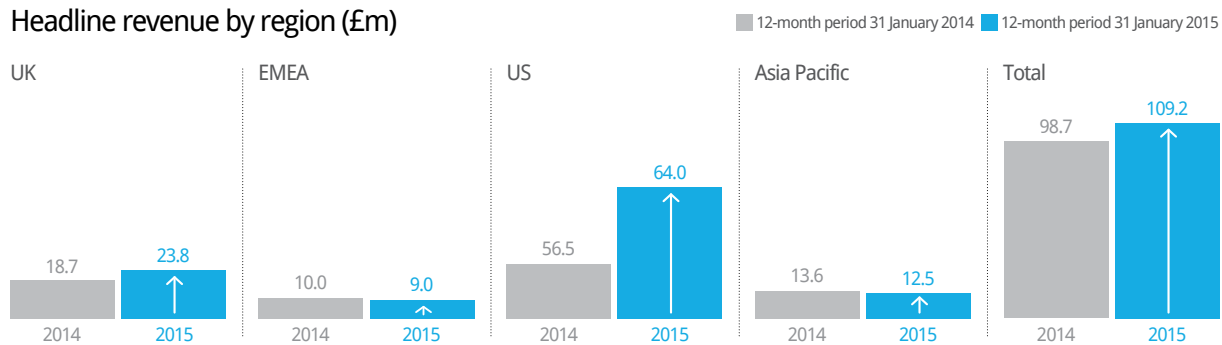
At a Group level the focus remains on three areas for investment going forward: content, insight and technologies that enable these. The last of these areas creates an interesting challenge for the Group. People remain our greatest assets but as technology becomes an increasing part of the way we drive revenues, there is increasingly a need for us to operate more like a technology company than a marketing organisation. Fortunately, we have amongst our clients some very successful technology companies from which to learn.

I ended my letter to shareholders in the last annual report by saying that if we stick to doing a few things well; this letter would be very easy to write. I'm pleased to say that putting pen to paper (or finger to keyboard) has been very straightforward. Record headline revenues, profits and a positive outlook speak volumes for the way that we have stayed focused. For that, I have all the people at Next 15 to thank. It's their hard work and their focus that have delivered these results and put us in this enviable position. So then, a huge thank you and more of the same please!



**TIM DYSON**  
CHIEF EXECUTIVE OFFICER  
27 April 2015

### Headline revenue by region (£m)



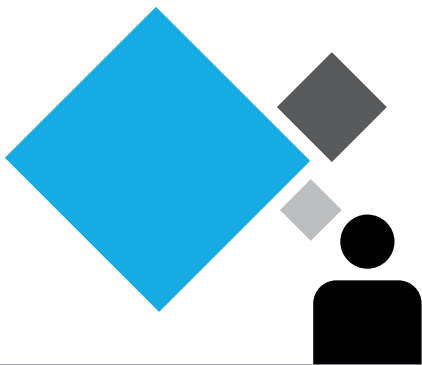
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## OUR MISSION AND STRATEGY

### OUR MISSION

The Group's mission is to create a new type of integrated marketing group, which rotates around the technology of marketing: data, insight, analytics, apps, content platforms and, of course, content itself. Accordingly, the Group has augmented its core business by investing in companies with products/services in the content marketing arena, the delivery of marketing insights and, where appropriate, the technology to enable these. We believe that by focusing on these areas, we are creating a strong alternative to the major advertising groups whose business models still rely heavily on traditional advertising revenues.

#### INSIGHT AND ANALYTICS



**Our progress so far:** Next 15 has three established research businesses: Beyond Analytics (embedded into our Beyond agency), Morar (a technology-driven research and analytics firm), and Redshift Research. M Booth and Story Worldwide also have strong internal capabilities that leverage these resources with their customers.

**How we will achieve success:** We will continue to invest in building insight and analytics capabilities in all of our agencies, and expand the capabilities of Morar, Beyond and Redshift, enabling the Group to offer a richer set of digital services.

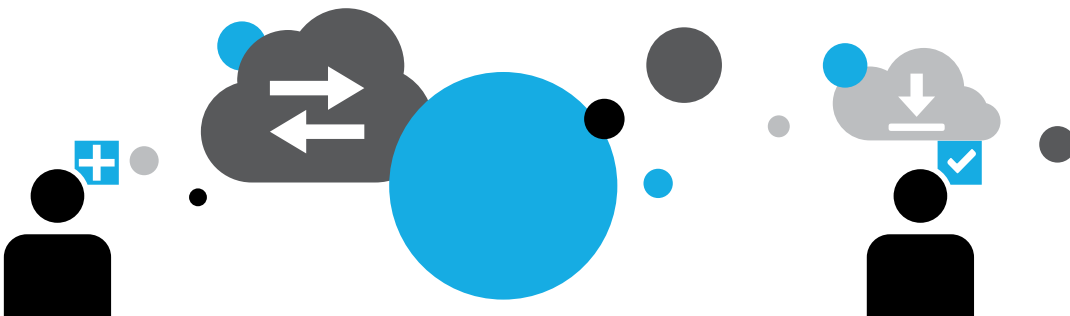
#### CONTENT



**Our progress so far:** The concept of brand narratives is part of our public relations heritage. However, our acquisitions of Republic Publishing and Story Worldwide strengthen our ability to deliver content-driven programmes to clients.

**How we will achieve success:** We will continue to invest in new ways of creating and delivering content, especially to online communities. As brands become publishers in their own right we can help them to ensure their communities get relevant content that drives high levels of engagement.

#### TECHNOLOGY



**Our progress so far:** Technology has disrupted the marketing process in recent years, due to sites such as Facebook, YouTube and Twitter. Consequently, brands are realising that technology creates channels to better understand and interact with their customers. We are investing in technology to help our customers with this, most notably in Agent3.

**How we will achieve success:** We look to invest in technologies that our customers need to achieve their marketing objectives; this may be small stakes in a broad range of technologies as we develop this area of our business, becoming a more significant area of investment as marketing spend shifts in this direction.

# KEY PERFORMANCE INDICATORS

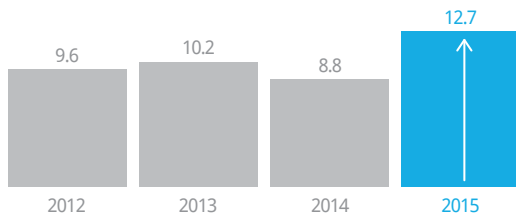
We have defined our Key Performance Indicators ('KPIs') which, taken together, measure the progress we have made in meeting our strategic objectives.

Commentary on the actual performance of the Group against each of these KPIs is set out in the Chairman's letter, CEO's report and Financial Review.

Headline operating profit (£m)

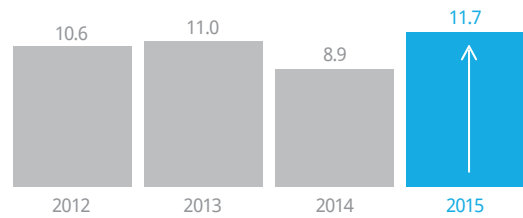
## £12.7m

+44%



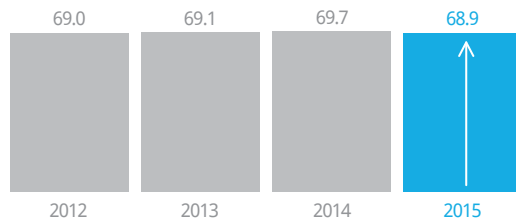
Headline operating profit margin (%)

## 11.7%



Headline staff cost to revenue (%)

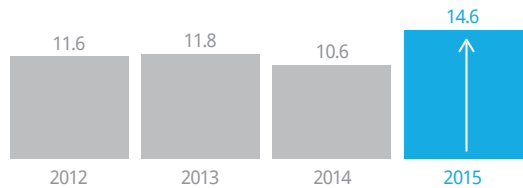
## 68.9%



Headline earnings before interest, tax, depreciation and amortisation (£m)

## 14.6m

+38%



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## FINANCIAL REVIEW

### Overview

In April 2014 the Group announced its intention to change its accounting reference date and financial year end from 31 July to 31 January to better align with the client budgeting cycle, the majority of which have December year ends. This has given the Group's agencies greater visibility of client spend during our fiscal year, when building their internal budgets and has led to a better Group budgeting process. Accordingly, the statutory accounts cover the 18 months to 31 January 2015 compared with the previous audited 12-month period to 31 July 2013.

In order to better aid shareholders' understanding of the underlying performance of the business, reflecting the change in financial year end I have focused my comments on the headline performance of the business for the 12 months to 31 January 2015 compared with the 12 months to 31 January 2014. The commentary refers to financial measures which have been adjusted to take account of amortisation, impairments, restructuring charges and certain other non-recurring items. A reconciliation between the 18 months and 12 months is included in the appendices on pages 96 to 101.

### Statutory accounts for 18-months to 31 January 2015

Revenue for the period was £158.5m, operating profit was £3.6m and the profit before income tax was £405k. This compares with revenue of £96.1m, operating profit of £3.0m and profit before income tax of £2.1m for the year ended 31 July 2013.

### Review of Headline results to 31 January 2015

#### Group profit and loss account

The last 12 months have been a period of significant growth and improvement across the Group. The focus has been on continuing to grow the revenues at our US businesses at a double -digit rate whilst achieving an operating margin in excess of 20%.

In addition we have undertaken a series of initiatives to improve significantly the margins of our non-US operations. We have restructured two of our UK agencies and merged the European and Asian operations of Bite and Text, under the Text brand which now represents our only global brand.

In total for the 12 months to January 2015 the Group delivered revenue of £109.2m, headline operating profit of £12.7m, headline profit before income tax of £12.5m and headline diluted earnings per share of 13.2p. This compares with revenue of £98.7m, headline operating profit of £8.8m, headline profit before income tax of £8.3m and headline diluted earnings per share of 7.4p for the 12 months to 31 January 2014.

The Group headline operating margin increased to 11.7% from 8.9% in the prior period.

	31 January 2015	Year to 31 January 2014	Growth (%)
<b>Headline results</b>			
Revenue	109.2	98.7	10.6
EBITDA	14.6	10.6	37.7
Operating profit	12.7	8.8	44.3
Operating profit margin	11.7%	8.9%	
Net finance cost	(0.5)	(0.4)	
Share of profits of associate	0.3	(0.1)	
Profit before income tax	12.5	8.3	50.6
Tax rate on adjusted profit	23.9%	34.5%	
Diluted earnings per share	13.2p	7.4p	79.0
	31 January 2015 18 months	Year to 31 July 2013	
<b>Statutory results</b>			
Revenue	158.5	96.1	
Retained profit	0.9	0.7	
Diluted earnings per share	(0.2)p	0.5p	

Adjusting items consist of earnout-related accounting charges and exceptional restructuring costs.

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## Taxation

The tax rate on the Group's headline profit for the year to January 2015 was at a rate of 23.9%, compared to the statutory period of 24.9%. This was lower than the rate achieved in previous periods of approximately 30% as we benefited from a higher proportion of our profit coming from lower tax regimes such as the UK, the reduction in the rate of corporation tax in the UK towards 20% and a successful resolution of a number of historic tax queries. The geographical spread of the Group's trading activities makes forecasting the tax rate going forward a bit challenging but I would anticipate the tax rate on adjusted profits remaining at approximately 25% for the foreseeable future.

## Earnings

Diluted headline earnings per share have increased by 79% to 13.2p for the year to January 2015 compared with 7.4p achieved in the prior period, as a result of improved profits and lower tax rates.

## Segmental review

### US

Our US businesses have continued to perform strongly led by our Outcast, M Booth, Text and Blueshirt agencies and our recent acquisition of the content advertising agency Story Worldwide. In the year to 31 January 2015 revenues grew by 13% to £64.0m from £56.5m which equated to an organic growth rate of 11.3% taking account of movements in exchange rates and acquisitions over the last two years. Margins have remained consistently strong at above 20% but were impacted marginally by the acquisition of Story Worldwide which has historically achieved margins in low double digits. The headline operating profit was £14.1m compared with £13.7m in the previous 12 months to 31 January 2014.

### UK

The UK businesses have showed a much improved performance with revenue increasing by 27% to £23.8m from £18.7m in the prior period. Headline operating profit increased to £2.5m from £0.8m in the prior year with the headline operating margin increasing to 11% from 4% in the prior period.

Two of our agencies, Lexis and Bite UK, have undergone significant operational restructurings with a focus on profitable clients and have emerged in a much stronger position. Our recent acquisitions of Republic, Agent3 and Morar have each made a positive contribution since acquisition and contributed to a much improved operating margin in the last six months of the financial year.

### EMEA

We took the decision to combine our Text and Bite businesses in EMEA as part of the Group simplification initiative. We have focused on profitable clients and rationalised the back-office and support infrastructure. As a result revenue from EMEA has reduced to £9.0m in the 12-month period to 31 January 2015 from £10.0m in the previous 12-month period but the operating performance has improved from a headline operating loss of £811k to a headline operating profit of £822k in the 12 months to 31 January 2015. This excludes one-off operating costs of £716k incurred during the period, mostly on redundancies and property rationalisation costs.

## Segmental information

	UK	EMEA	USA	APAC	Head Office	Total
<b>31 January 2015</b>						
Headline revenue	23,754	8,970	63,966	12,504	–	109,194
Headline operating profit	2,526	822	14,074	998	(5,694)	12,726
Headline operating margin	10.6%	9.2%	22.0%	8.0%	–	11.7%
<b>31 January 2014</b>						
Headline revenue	18,656	9,957	56,528	13,608	–	98,749
Headline operating profit	757	(811)	13,667	257	(5,116)	8,754
Headline operating margin	4.1%	(8.1%)	24.2%	1.9%	–	8.9%

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## FINANCIAL REVIEW CONTINUED

### Cash flow

Headline cash flow KPIs	Year to 31 January 2015 (£m)	Year to 31 January 2014 (£m)
Net cash inflow from operating activities	12.4	10.5
Working capital movement	5.6	(1.5)
Net cash generated from operations	18.0	9.0
Income tax paid	2.3	1.5
Investing activities	14.8	4.5
Dividend paid to shareholders	3.0	1.4

### APAC

We embarked on a similar initiative in combining our Text and Bite businesses in APAC in order to build a better more efficient business. We have seen some client fallout but a significant improvement in the operational margin with revenue falling by 8% to £12.5m for the year to 31 January 2015 from £13.6m in the prior period, but headline operating profit increasing to almost £1m from £257k in the prior period. The headline operating margin has improved from 2% to 8%. The Group incurred an one-off restructuring cost of £650k in the period.

### Headline cash flow

The net cash inflow from operating activities for the year to 31 January 2015 increased by 18% to £12.4m from £10.5m in the prior period. We improved our management of working capital by £5.6m in the year to 31 January 2015 which compared with a working capital outflow of £1.5m. This resulted in an almost doubling of our headline net cash generated from operations before tax from £9.0m to £18.0m. Income taxes paid increased to £2.3m from £1.5m in the prior period reflecting the higher level of profitability.

We have increased our investment in acquisitions and capital expenditure from £4.5m to £14.8m reflecting the acquisitions of shareholdings in Republic, Agent3, Morar and Story Worldwide as well as satisfying earnout obligations on Blueshirt, BDA and M Booth.

Dividends paid to Next 15 shareholders increased to £3m from £1.4m in the prior period, partly reflecting the impact of the change in the Group's financial year end. Interest paid to the Group's banks increased marginally to just over £500k.

### Statutory cash flow

The Statutory net cash flow from operating activities was £16.2m compared with £8.5m in 2013.

### Balance sheet

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2015 of £8.6m before the benefit of the fundraising completed on 3 February, which raised a net £4.3m for acquisitions.

The Board decided to write down the carrying value of the Goodwill in its UK operations by £7m reflecting difficult trading from one of its group of London based agencies.

### Treasury and funding

On 29 October 2014 the Group entered into a four-year £20m revolving credit facility with HSBC who had previously taken on the Group's bank clearing activities in the US. The facility is primarily used for acquisitions and is due to be repaid out of the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin ranging from 1.60% to 2.20% dependent upon the level of gearing in the business. The Group also has a UK based overdraft of £2m and a US facility of \$4m which is available for property rental guarantees and US based working capital needs.

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



**PETER HARRIS**  
CHIEF FINANCIAL OFFICER  
27 April 2015

Unless otherwise stated, figures are for the headline results to 31 January. Headline results represent the unaudited performance for the 12 months to 31 January 2015 adjusted to exclude amortisation, impairments, restructuring charges and certain other non-recurring items. These are reconciled to the audited statutory numbers in the appendices on pages 96 to 101.

# HOW WE MANAGE OUR RISKS

## Risk management and internal control

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

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place for the period ended 31 January 2015 and up to the date of signing the Annual Report and Accounts to safeguard the Group's assets and enhance over time the value of the shareholders' investment. The Board also regularly reviews the effectiveness of the Group's system of internal control in accordance with revised guidance on internal control published by the Financial Reporting Council.

## Internal controls review

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

## Business risk reviews

Business risk evaluation takes place at operating company and Board level. Having identified risks, operating

companies regularly monitor, review and update the risks, assessing the extent and likelihood of each risk. The principal risks of the Group are subject to review by the Board, which produces a significant risks review for the Group.

## Internal Audit

The Group formed an Internal Audit function in the previous financial year to provide assurance over the Group's control environment. It appointed a Head of Internal Audit and lead Internal Auditors in the US and the UK. As part of the approved audit plan, a risk-based approach is used to prioritise the focus of Internal Audit. During the reporting period, the function has obtained a detailed understanding of the processes and controls in place around the Group and highlighted control recommendations to management. This has also been supported by a monthly self-certification checklist submitted by local finance teams to confirm that controls identified are continuing to operate. The next phase of the controls' work, to commence in the next financial period, will be to test the operating effectiveness of the controls identified on a periodic and rotational basis.

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

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

- the annual audit plan is presented to the Audit Committee for approval each year. That plan provides an assessment of the current control

environment, consideration of the key risks faced by the business and the timetable for on-site work;

- significant findings from Internal Audit engagements are reported to management, the executive Directors and the Audit Committee. Reporting covers significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board;
- Depending on the risk associated with any weaknesses noted, recommendations made are followed up and reported on routinely;
- Internal Audit independently reviews the risk identification procedures and control processes implemented by management and advises on policy and procedure changes.

Internal Audit presents findings of reports to the Audit Committee at each Audit Committee meeting. The Head of Internal Audit has direct access to the Audit Committee Chair.

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

## Whistle blowing and UK Bribery Act 2010

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

## PRINCIPAL RISKS AND UNCERTAINTIES

The system of risk management used to identify the principal risks facing the Group is described on page 13. Risk identification and evaluation, including the nature, likelihood and materiality of the risks affecting each Group business, is owned and assessed by management and reviewed periodically. The Board and Audit Committee review risks and assess and monitor actions to mitigate them.

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

Key risks	Description	Mitigation strategy
<b>Operational risk</b>		
Reliance on key customers	Losing a major client unexpectedly can have a significant impact on the resourcing, revenue and profit of an individual business. The impact of this will depend on the business.	<p>The Group's strategy is to build a portfolio of brands which is diversified across different communications markets and geographic regions. Regular client feedback is sought (for instance, via client surveys) and appropriate steps are taken to retain existing clients.</p> <p>The Board regularly reviews the Group's reliance on key customers through top 10 client analysis and reviews of customers with revenues greater than \$1m per annum. The Group is not deemed to be overly reliant on any one customer.</p>
Staff retention and recruitment	The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. The market for these employees is competitive.	<p>The Remuneration Committee considers the retention and incentive mechanisms in place for key personnel at both brand and Group level, and reviews remuneration trends across the Group.</p> <p>The Group's Human Resources teams seek to recruit skilled employees and to offer exciting and challenging career opportunities with competitive remuneration and benefits. Policies are regularly reviewed to ensure high levels of staff motivation and development.</p> <p>Where possible the businesses ensure that client relationships are maintained as a team rather than by an individual.</p>
Technology/ I.T. infrastructure risk	<p>The risks associated with the I.T. environment include failure to deliver projects on time and on budget, inadequate controls and security, and lack of management information.</p> <p>The Group has grown, both organically and by acquiring new businesses, which has resulted in the use within the Group of a number of legacy accounting and operating systems.</p>	<p>Access controls, firewalls and virus checkers are in place and a review of the current I.T. infrastructure is underway which will be used to inform future upgrade programmes.</p> <p>The Group is engaged in the implementation of a common finance I.T. platform which will give the Group greater visibility over the effectiveness and appropriateness of local controls. The implementation is supported by consultants and, where possible, by using internal teams to reduce the risk of relying on third parties.</p> <p>The Group ensures that there are appropriate business continuity plans in place and Internal Audit assesses the appropriateness of these plans. In addition, the Group has insurance cover in place to mitigate against business disruption.</p>

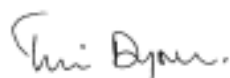


Key risks	Description	Mitigation strategy
Speed of change in the digital marketing space	As the marketing and communications landscape evolves through the opportunities provided by digital channels, there is a risk that some businesses lack the resource to transition effectively.	The Group follows a strategy of focusing on digital and content offerings and providing an integrated communications service (content, digital and traditional PR), underpinned by building appropriate skill sets within the businesses. The Group's recently-appointed non-executive Director, Genevieve Shore, has extensive digital, technology and commercial experience in the media and technology sectors.
Acquisitions	The Group pursues acquisitions as part of its overall growth strategy. Such acquisitions may not realise expected benefits. Integration of acquired businesses can be challenging and time-consuming.	Robust due diligence is performed prior to all acquisitions, with representations, warranties and indemnities being obtained from vendors where possible. The consideration paid for a business typically includes a significant element of deferred consideration, contingent upon future performance. Vendors are encouraged to retain a minority equity stake to ensure their retention within the Group. The Internal Audit function works with newly-acquired businesses to ensure that they are assimilated into the Group's control environment.
Misappropriation of assets	Particularly in smaller brands with fewer opportunities to segregate duties, there is a risk that, without appropriate oversight and review, there could be fraudulent activity or misreporting of financial information.	Overseen by the Audit Committee, the Internal Audit function provides assurance of the Group's control environment, with particular focus given to segregation of duties.  The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances.
Earn outs	The Group operates a number of earn out mechanisms and incentive schemes. This gives rise to a local risk of management override and financial misreporting.  In addition, the accounting for the obligations at Group level involves the use of judgments which are deemed to be significant.	The Audit Committee reviews accounting for earn outs and the significant judgments used in the preparation of earnout liabilities. Internal audits are performed on any local accounts involved in the determination of earn out or incentive scheme obligations.

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Key risks	Description	Mitigation strategy
<b>Financial risk</b>		
Liquidity risk	<p>Cash outflows related to significant acquisition-related obligations are unevenly spread throughout the year.</p> <p>There would be a risk to the business if working capital was not appropriately managed to maximise the growth of the business.</p> <p>There is an undiversified risk around going concern if there is a breach of covenants.</p>	<p>The Board has always maintained a prudent approach to taking on debt and the Group manages its risk of a shortage of funds with a mixture of long- and short-term committed facilities. In 2014 the Group agreed a £20m revolving loan credit facility with HSBC Bank available in multiple currencies, replacing the previous £16m Barclays facility. The US has the largest working capital requirements due to the size of operations. All US cash is swept each night which allows the working capital to be monitored centrally and used to maximum benefit.</p> <p>In addition global and local short-term cash flow forecasts are monitored on a daily basis and a 4-year long-term cash flow model is monitored quarterly.</p> <p>Covenants are monitored regularly; they are forecast to have significant headroom within the foreseeable future.</p>
Currency risk	<p>As a result of global operations the Group's results can be affected by movements in foreign exchange rates against sterling.</p> <p>The Group has transactional currency exposure in the US, EMEA and APAC, including foreign currency bank accounts.</p>	<p>The Board and Group treasury function consider the use of currency derivatives to protect significant US dollar and Euro currency exposures against changes in exchange rates.</p> <p>Net investment hedges are used where appropriate for significant foreign currency investments.</p> <p>The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments.</p>
Compliance with laws and regulations	<p>The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations. Any failure to respond quickly to legislative requirements could result in civil or criminal liabilities, leading to fines, penalties or restrictions being placed upon the Group's ability to trade resulting in reduced sales and profitability and reputational damage.</p>	<p>The Group has maintained an in-house legal function over the whole of its life as a public company and also uses external legal counsel to advise on local legal and regulatory requirements. The Group has an in-house tax function to ensure compliance with tax legislation globally, which consults with external advisors.</p>

The Strategic Report as set out on pages 1 to 16 was approved by the Board on 27 April 2015 and signed on its behalf by:



**TIM DYSON**  
CHIEF EXECUTIVE OFFICER

## BOARD OF DIRECTORS



**Richard Eyre CBE**

**Chairman** (Age 60)

**Chair of the Nomination and member of the Audit and Remuneration Committees**

Richard Eyre was appointed in May 2011 as non-executive Chairman of the Group, Chairman of the Nomination Committee and member of the Audit and Remuneration Committees.

His appointment was instrumental in moving Next 15 further into the digital marketing arena. Richard is Chairman of the UK Internet Advertising Bureau and he holds non-executive roles at GrantThornton LLP, and Results International Group LLP.

Richard has 39 years' experience across the media and marketing industries, including time as CEO of ITV Network LTD, Capital Radio plc and Content and Strategy Director of RTL Group plc. He has also served as Chairman of RDF Media plc, GCap plc, mobile games publisher I Play, mobile tech company Rapid Mobile and The Eden Project. He was also a Director of the Guardian Media Group plc.

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



**Tim Dyson**

**Chief Executive Officer** (Age 54)

**Member of the Nomination Committee**

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

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



**Peter Harris**

**Chief Financial Officer** (Age 53)

Peter joined Next 15 as its Chief Financial Officer in November 2013 and was appointed as executive Director in March 2014. He is also currently a non-executive Director of Communis plc and Chairman of its Audit Committee, following appointment in July 2013.

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

## BOARD OF DIRECTORS CONTINUED



### Alicja Lesniak, FCA

**Senior Independent non-executive Director (Age 63)**

#### **Chair of the Audit Committee and member of the Remuneration and Nomination Committees**

Alicja joined the Board in July 2011 as non-executive Director and Senior Independent Director. She started her career as a Chartered Accountant at Arthur Andersen but rapidly moved into the financial, commercial and operational management of professional service businesses. Since 1987 Alicja has worked in the marketing services sector with global companies such as WPP Group plc, J Walter Thompson Group Ltd, Ogilvy & Mather Worldwide Inc, BBDO Worldwide Inc and Aegis Group plc, where she was Chief Financial Officer. She has extensive experience of working internationally, including roles based in New York and Paris. Alicja is currently a non-executive Director at Channel 4 Television Corporation, where she is a pension fund trustee and chairs the Audit Committee. Alicja is also a Board Adviser to the British Standards Institution.



### Genevieve Shore

**Non-executive Director (Age 45)**

#### **Chair of the Remuneration Committee and Member of the Audit and Nomination Committees**

Genevieve Shore joined Next 15 in February 2015 as non-executive Director. Genevieve chairs the Remuneration Committee and is a member of the Nomination and Audit Committees. Her other current positions are non-executive Director of Moneysupermarket.com Group PLC; non-executive Director and Remuneration Committee Chair at STV Group plc; and member of the advisory board of Great Fridays, a product and service design company.

Previously Genevieve has held senior leadership roles at Pearson PLC including chief information officer, chief product officer and chief digital officer. Since 1995 she has worked in the publishing sector with Penguin and Random House. Genevieve has an extensive digital, technology and commercial background in the media and technology sectors, and strong experience of working in the USA and Asia.



### Mark Sanford

**Company Secretary**

Mark qualified as a solicitor in 1997, having trained with Eversheds in Leeds. After qualification he stayed with Eversheds for two years in its corporate and commercial departments.

He was Company Lawyer with Premier Farnell plc from 1999 to 2003 and joined the Group as General Counsel and Company Secretary. In 2009 he set up Baker Sanford LLP, a boutique solicitors' firm, and continues to provide a legal service to Next 15 and is the Group's Company Secretary.

# CORPORATE GOVERNANCE REPORT

## Chairman's introduction

The Board is committed to maintaining appropriate standards of corporate governance to support Next 15's strategy, and to managing the Group in a flexible and effective manner for the benefit of its shareholders, while fostering a corporate culture that encourages growth. This Corporate Governance Report sets out our approach to governance, provides further information on the operation of the Board and its Committees, and explains how the Group seeks to comply with the Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies 2013 (the 'QCA Code'). As an AIM-listed company, the Company is not required to comply with the UK Corporate Governance Code ('UK Code') however the Board supports the UK Code and seeks to apply this when appropriate for the Company's size and complexity.

During the 18-month period to 31 January 2015, some of the key actions taken have included:

- continuing our active dialogue with our principal investors to ensure that we understand their views;
- conducting a Board evaluation, which highlighted areas on which the Board will focus during the year and going forward;
- the appointment of Peter Harris as CFO and Genevieve Shore as non-executive Director and Chair of the Remuneration Committee.

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

I look forward to meeting you at our AGM on Tuesday 14 July 2015.

## RICHARD EYRE CBE

CHAIRMAN

27 April 2015

## CORPORATE GOVERNANCE REPORT CONTINUED

### The roles of the Chairman and Chief Executive

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

The Chairman is responsible for leading the Board and ensuring it operates effectively, for setting the agenda for Board meetings and ensuring that Board and shareholder meetings are properly conducted.

The Chief Executive Officer, Tim Dyson, oversees the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer has day-to-day responsibility for all businesses of the Group and for implementing the agreed strategy and policies of the Board.

### Senior Independent Non-Executive Director

Alicja Lesniak holds the position of Senior Independent Non-Executive Director of the Company. Any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the Senior Independent Non-Executive Director. Alicja Lesniak is considered to be independent as defined by the QCA Code.

### The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. As at 31 January 2015 the Board comprised two executive Directors, a non-executive Chairman and two non-executive Directors. Peter Harris was appointed as the Group's Chief Financial Officer on 18 November 2013 and as executive Director on 25 March 2014, following David Dewhurst's agreement to stand down as Finance Director on 29 October 2013. On 2 February 2015, Genevieve Shore joined the Board as non-executive Director and Margit Wennmachers stepped down as non-executive Director on the same date. The Directors' biographies, including the Committees on which they serve and chair, are shown on pages 17 to 18.

The Board considers that the current Board structure is appropriate in that it encourages independent challenge to the executive Directors and senior management, and that it complies with the QCA Code. We believe that the Board retains a range of financial, commercial and entrepreneurial experience, and that there is a good balance of skills, independence, diversity and knowledge of both the Company and the sector in which it operates. The non-executive Directors have been appointed on merit and for their specific areas of expertise and knowledge. This enables them to bring independent judgement on issues of strategy and performance and to debate matters constructively. No single Director is dominant in the decision-making process.

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

### The Board's responsibilities and processes

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

- the Group's strategy, budget and financial resources
- the Group's performance and outlook
- the capital structure of the Group
- opportunities for the Group to expand by acquisition
- communication of our financial results for the interim and year end
- evaluation of the Board's performance
- matters reserved for the Board and terms of reference for each of the Committees of the Board
- review of the the Group's risk management and internal controls
- major capital projects and material contracts
- Board appointments and remuneration and corporate governance matters.

There is a schedule of matters specifically reserved for decision by the Board which has been reviewed during the period and is displayed on the Group's website at [www.next15.com](http://www.next15.com).

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

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations. The appointment or removal of the Company Secretary would be a matter for the Board. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

The Board appreciates the importance of the continued professional development of the Directors. Appropriate training for new and existing Directors is provided where required.

### Board evaluation

The Board has established an evaluation process in line with the governance requirements of the QCA Code. During the period the Board reviewed its own performance, including assessment of the functioning of the Board as a whole, the evaluation of individual Directors and a review of the effectiveness of the Board committees. This exercise was carried out in December 2014 and the results were presented to the Board for a detailed discussion. The evaluation did not identify any significant areas for concern and the Board is satisfied with its performance and that of its members. Certain points raised during this exercise will be addressed during the year and going forward.

### Appointment, election and re-election of Directors

Appointments to the Board are the responsibility of the Board as a whole, upon the recommendation of the Nomination Committee.

The Company's current Articles of Association provide that a Director appointed by the Board shall retire at the Annual General Meeting following his appointment and that, at each Annual General Meeting of the Company, one-third of the Directors must retire by rotation. At the forthcoming Annual General Meeting, Tim Dyson will retire and, being eligible, will offer himself for re-election by the shareholders. Peter Harris and Genevieve Shore, having been appointed since the last AGM, will also stand for election by shareholders.

In relation to the Directors who are standing for re-election, the Chairman is satisfied that, following formal performance evaluation, each of the other Directors continues to be effective and demonstrates commitment to their role, including the required commitment of time for Board and committee meetings as well as any other duties that may be undertaken by them from time to time.

The Directors' service agreements, the terms and conditions of appointment of non-executive Directors and Directors' deeds of indemnity, are available for inspection at the Company's registered office during normal business hours.

### Succession planning and diversity

The Board has agreed that its succession planning framework should ensure that Board appointments provide an appropriate mix of skills and experience and a level of independence which will support the Group's objectives for business growth and its key strategic goals. When planning succession, consideration is given to medium- and long-term succession and to emergency cover.

The Board believes in the importance of diverse Board membership. Women comprise 40% of the Board, meeting the goal set out by Lord Davies on diversity for a minimum of 25% female representation (applicable to FTSE 100 boards) by 2015.

### Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the Directors to authorise conflicts of interest and the Board has adopted a policy for managing and, where appropriate, approving potential conflicts of interest. In accordance with best practice, a review of Directors' conflicts of interest is conducted annually.

### Committees of the Board

The Board is supported in its decisions by three Committees. The reports of the Audit, Nomination and Remuneration Committees can be found on pages 23 to 30 respectively.

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

The Board appoints the Committee members. The Audit Committee comprises three non-executive Directors: Alicja Lesniak (Committee Chair), Richard Eyre and Genevieve Shore (appointed on 2 February 2015). The Remuneration Committee comprises three non-executive Directors: Genevieve Shore (Committee Chair, appointed 2 February 2015),

## CORPORATE GOVERNANCE REPORT CONTINUED

Alicja Lesniak and Richard Eyre. The Nomination Committee comprises Richard Eyre (Committee Chair), Alicja Lesniak, Genevieve Shore (appointed 2 February 2015) and Tim Dyson. Attendance records of Committee meetings can be found below.

### Relations with shareholders

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

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

The Board as a whole is kept informed of the views and concerns of the major shareholders. When requested to do so, the non-executive Directors will attend meetings with major

shareholders and are prepared to contact individual shareholders should any specific area of concern or enquiry be raised.

Copies of presentations given at investor and analysts' meetings, together with financial press releases, annual and interim reports, regulatory news announcements and short videos explaining the interim and full-year results are available on the Group's website at [www.next15.com](http://www.next15.com).

### Financial reporting and going concern statement

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

The Directors have made this assessment in light of reviewing the Group's budget and cash requirements for the year ending 26 April 2016 and considered outline plans for the Group thereafter.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 01 to 16. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 to 12.

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

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 34.

### Whistle blowing and Bribery Act 2010

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

### Environment

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

### Board and Committee attendance for the 18-month period to 31 January 2015

	Board	Audit	Remuneration	Nomination
Richard Eyre	15 of 16	6 of 6	6 of 6	1 of 1
Tim Dyson	16 of 16	–	–	1 of 1
Peter Harris <sup>1</sup>	8 of 8	–	–	–
Alicja Lesniak	16 of 16	6 of 6	6 of 6	1 of 1
Margit Wennmachers <sup>2</sup>	10 of 16	–	–	1 of 1
David Dewhurst <sup>3</sup>	2 of 2	–	–	–

<sup>1</sup> Peter Harris was appointed as executive Director on 25 March 2014.

<sup>2</sup> Margit Wennmachers stepped down as non-executive Director on 2 February 2015.

<sup>3</sup> David Dewhurst agreed to step down as Finance Director on 29 October 2013.



# AUDIT COMMITTEE REPORT

## Dear Shareholder,

I am pleased to present the report of the Audit Committee ('Committee') for the 18-month period to 31 January 2015. This report details the Committee's ongoing responsibilities and key activities over the period.

The principal aims of the Committee are to review and report to the Board on the Group's financial reporting, to ensure the integrity of the financial information provided to our shareholders, and to support the development and maintenance of the Group's risk management and internal control environment.

The Committee meets periodically and at least three times a year, with the external auditors, other Directors and management attending by invitation. Attendance records of meetings held during the 18-month period can be found on page 22. Subsequent to the period end, one further meeting has taken place. I am in frequent contact with the Chief Financial Officer, Head of Internal Audit and the external auditor and preparatory meetings are held ahead of each Committee meeting to identify and discuss key areas for consideration by the Committee.

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

The Committee is composed entirely of non-executive Directors who between them possess a range of commercial and financial experience as detailed on pages 17 to 18. The current members of the Committee are Alicja Lesniak (Chair), Richard Eyre and Genevieve Shore (appointed 2 February 2015). The Board is satisfied that the Committee members are sufficiently competent in financial matters and that the Chair has recent and relevant financial experience.

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

**ALICJA LESNIAK**  
AUDIT COMMITTEE CHAIR  
27 April 2015

## Roles, responsibilities and activities during the reporting period

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the Company's financial statements and other announcements relating to its financial performance;
- consideration of the Company's accounting policies and practices, application of accounting standards and significant judgements;
- overseeing the relationship with the Company's external auditors, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and remuneration of the external auditors;
- reviewing the effectiveness of the Group's risk management and internal control systems;
- approving the remit and monitoring the effectiveness of the Company's Internal Audit function; and
- monitoring the Company's whistle blowing arrangements and anti-bribery policies.

## AUDIT COMMITTEE REPORT CONTINUED

During the period the Audit Committee met to discuss a number of items including:

- key accounting matters and judgement areas around adjusting items, tax provisions, goodwill impairment, earnout liabilities, acquisition accounting, segmental reporting, WACC and the Group's change of year end;
- assisting the Board in its assessment of the Group's risk environment, internal controls and risk review process;
- conducting a tender process for external audit services, the outcome of which was the appointment as the Company's external auditor of Deloitte LLP. A resolution to re-appoint Deloitte LLP will be put to shareholders at the 2015 AGM;
- overseeing the development of the Internal Audit function and review of its reports;
- receiving updates on the roll-out of a new IT finance system for the Group;
- regular monitoring for whistle blowing reports and other applicable legal and regulatory requirements.

During the period the Committee performed an assessment of its performance with satisfactory results.

Subsequent to the year end, one further meeting has taken place.

The Committee's terms of reference were reviewed during the period to reflect the latest applicable recommendations and other relevant guidelines. The terms of reference are available on the Company's website at [www.next15.com](http://www.next15.com).

### Auditor independence, objectivity and fees

The independence and objectivity of the auditors is considered regularly by the Committee. The Company has in place a formal policy on the engagement of external auditors for non-audit services. The objective of the policy is to ensure that the provision of non-audit services by the external auditors does not impair, or is not perceived to impair, the external auditors' independence or objectivity. The policy sets out monetary limits and imposes guidance on the areas of work that the external auditors may be asked to undertake and those assignments where the external auditors should not be involved. The policy is reviewed regularly and its application is monitored by the Audit Committee. The split between audit and non-audit work for the period is set out in note 4 to the financial statements. The non-audit fees were in respect of tax services and advice regarding covenants. This work is not considered to affect the independence or objectivity of the auditors.

### Nomination Committee

The Nomination Committee members are Richard Eyre (who also chairs the Committee), Alicja Lesniak, Genevieve Shore (appointed 2 February 2015) and Tim Dyson. Margit Wennmachers served on the Committee during the period, stepping down on 2 February 2015. The Committee meets at least once per year, with other Directors and management attending by invitation. Attendance records of meetings held during the reporting period are set out in the table on page 22.

The Committee's duties include:

- reviewing the structure, size and composition of the Board;
- identifying and nominating candidates to fill Board vacancies as they arise; and
- the consideration of succession planning for Directors.

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

During the reporting period the Committee reviewed the structure, size and composition of the Board (including its skills, knowledge, experience and diversity), the challenges and opportunities facing the Group and the anticipated skills and expertise needed on the Board in the future. The appointment of Peter Harris as Chief Financial Officer in November 2013 and his appointment to the Board in March 2014 were recommended by the Committee following David Dewhurst's agreement to step down as Finance Director. Following a search for candidates facilitated by an external adviser, the Committee recommended the appointment of Genevieve Shore. The Committee agreed that Mr Harris and Ms Shore both possess highly relevant experience and that their appointments would enhance the efficacy of the Board.

The Committee's terms of reference were reviewed during the period. A copy is available on the Company's website at [www.next15.com](http://www.next15.com).

# DIRECTORS' REMUNERATION REPORT

## Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the 18-month period ended 31 January 2015. The Remuneration Committee ('Committee') believes that this policy provides a fair balance between fixed remuneration, short-term cash bonus and long-term incentives. The Committee remains focused upon keeping our remuneration policy under close review, taking into account changes in the regulatory environment, best practice and the competitive landscape.

We believe strongly in aligning our competitive and performance-based policy with shareholder interests. To do this we:

- encourage the holding of Company shares for key executives and business leaders;
- ensure targets are closely calibrated to our objectives for business growth, our key strategic goals and shareholder return;
- align the policy to attract, retain and reward key talent in highly competitive markets.

It has been an extremely busy year for the Committee as the Group continues to push its growth strategy through acquisition, and with the focus upon key clients in our largest markets.

Not only are we continuing to align our policy with shareholder return as described above, but also with our strategic goals of data and insight, digital content and continued investment in world-class technology.

As the Company is AIM listed, the Directors are not required to prepare a Remuneration Report for each financial year, under section 420(1) of the Companies Act 2006. However, this report does take into account the QCA Code and will, as in previous years, be subject to an advisory vote at the AGM.

We thank our investors for their continued support and I look forward to meeting you at the AGM where I will be happy to address any questions you may have.

## GENEVIEVE SHORE

REMUNERATION COMMITTEE CHAIR

27 April 2015

## Composition of the Remuneration Committee

The Board has established a Remuneration Committee which comprises three non-executive Directors: Genevieve Shore (appointed as Committee Chair on 2 February 2015), Alicja Lesniak (who chaired the Committee until 2 February 2015) and Richard Eyre. Meetings are also attended by the Chief Executive Officer and the Chief Financial Officer by invitation. Individual Directors are not involved in decisions concerning their own remuneration. The Committee is authorised to take professional advice as and when it considers this necessary.

## Terms of reference and activities in the year

The Committee is responsible for setting remuneration policy for the executive Directors and for key senior executives. The principal matters considered by the Committee during the period included:

- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- applying formal and transparent procedures regarding executive remuneration and remuneration packages;
- making recommendations concerning the total individual remuneration package of each executive Director;
- reviewing the implementation and operation of the Company's bonus schemes and Long-Term Incentive Plan ('LTIP');
- reviewing remuneration trends across the Group.

## DIRECTORS' REMUNERATION REPORT CONTINUED

The Committee is authorised by the Board to investigate any matters within its terms of reference. It meets as frequently as needed, with at least two meetings per year. A table showing the number of meetings held during the period and the attendance records of individual Directors can be found on page 22. Subsequent to the period end, one further meeting has taken place. The Committee's terms of reference are reviewed regularly to ensure continuing compliance with evolving best practice guidelines. The terms of reference are available on the Company's website at [www.next15.com](http://www.next15.com).

### Remuneration package for executive Directors

The policy for executive Directors' remuneration seeks to ensure that their individual contributions to the Group's performance are fairly rewarded. This is achieved through a combination of a competitive salary and the opportunity to increase remuneration with short-term and long-term incentives. Executive remuneration packages are reviewed annually. The remuneration package for executive Directors consists of a basic salary, benefits, an annual performance-related cash bonus, pension and participation in a long-term equity incentive plan. Details for each Director are set in the table on page 28.

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

### Short-term incentives

Executive Directors' remuneration includes an element of performance-related pay so that awards can be aligned to improvements in shareholder value. The Committee determines the level of any bonuses paid. Bonuses are based on the performance of the Group against market expectations, and the Committee's assessment of the performance of individuals.

### Long-term incentive plan

The current plan in place is the Next Fifteen Communications Group plc Long-Term Incentive Plan ('LTIP'), under which performance shares or share options may be awarded to Directors and senior employees. The LTIP's objectives are to align the long-term interests of shareholders and management, to reward achievement of long-term stretching targets, and to recruit, retain and motivate management of the required calibre.

The LTIP was approved by shareholders in 2005 and is the sole long-term incentive arrangement operated for the executive Directors. The Committee recommends the award of performance shares or share

options under the LTIP to executive Directors, and to senior executives who are not Board members but who have a significant influence over the Group's ability to meet its strategic objectives.

Under the terms of the LTIP, participants are either awarded share options with a grant price equal to the market price on the day before the grant date, or are awarded performance shares in the Company which vest subject to the satisfaction of certain performance conditions and the participant remaining an employee of the Group. During the 18-month period, performance shares were awarded to Directors as detailed in the table on page 26.

The performance conditions for the above awards are based upon an adjusted earnings per share ('EPS') measure. EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. The performance in relation to executive Directors' awards is measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The awards vest when the Company's annual report and accounts for the final financial year of the relevant performance period is published on the Company's website. The level of vesting is determined using the best three of the four years' performance.

### Awards of LTIP performance shares during the 18-month period to 31 January 2015

	Number of shares	Grant date	End of performance period
<b>Executive Directors</b>			
Tim Dyson	125,000	21 January 2014	31 July 2017
	150,000	14 November 2014	31 January 2018
Peter Harris	150,000	16 April 2014	31 July 2017
	150,000	14 November 2014	31 January 2018

For executive Directors, the performance shares awarded under the LTIP are subject to the conditions as set out below:

- for 100% of the award to vest, the EPS growth of the Group must exceed the Consumer Prices Index ('CPI') by an average of 10% or more per annum over the performance period;
- if there is an average of between 3% and 10% EPS growth over CPI per annum over the performance period, between 20% and 100% of the award will vest on a straight-line basis;
- if EPS does not grow at an average of 3% or more over CPI per annum over the performance period, the full award will lapse.

When senior executives are awarded performance shares under the LTIP, the performance conditions are based upon two measures: an adjusted earnings per share ('EPS') measure and a budgeted profit measure.

The conditions are as follows:

- the EPS growth of the Group must exceed the Consumer Prices Index ('CPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest;
- if there is an average of between 3% and 10% EPS growth over CPI per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis;
- if EPS does not grow at an average of 3% or more over CPI per annum over the performance period, the full 50% of the award measured by reference to the EPS measure will lapse;
- the remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit before management charges,

interest and tax targets over the performance period;

- to the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of an award will lapse on a straight-line basis;
- if a business's adjusted profit before management charges, interest and tax is 10% or more below budget over the performance period, the full 50% of the award measured by reference to the budgeted profit measure will lapse.

For senior executives the level of vesting is determined using the best three of the four years' performance for each performance measure. Performance is measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted.

No further awards will be made under the current LTIP after June 2015. A resolution will be put to shareholders at the 2015 Annual General Meeting to approve a new long-term incentive plan, which is intended to replace the current LTIP. Details of the proposed new plan will be circulated to shareholders with the AGM Notice of Meeting.

For more information on performance shares, see notes 21 and 22.

### Equity incentive schemes

The Group has established equity incentive schemes for the senior management teams at a number of its subsidiary brands, to incentivise a change in commercial behaviour and to drive improved revenue growth and margin increase.

Under the schemes, new units were issued to certain members of the brands' senior management, granting rights to a percentage of future equity appreciation for the participant's brand and thereby creating a partnership between the Group and

the individual executives. Additionally, the units hold value based on access to non-cumulative and restricted profit distributions on the business's operating earnings. Equity appreciation is measured based on a multiple of the brand's operating earnings achieved in subsequent years over base line value determined at the date of grant.

At the end of the minimum holding period following an award of equity, the holders of the non-controlling interest have the option to sell a percentage of their units back to Next 15, while the remaining percentage can be sold in subsequent years or held indefinitely. Value is realised on any subsequent sale of the units to the Group, restricted by defined terms around the timing and pricing formula. The purchase of the units will be settled in Next 15 shares, which may be sold immediately upon receipt. If the unit holder leaves the business before the end of the minimum holding period, the Group retains the right to re-purchase the shares under a consistent pricing formula, or require the participant to wait until the minimum holding period has elapsed.

It is anticipated that providing senior management with a direct stake in their brand will help to focus on fostering profitable growth in the business and assist with the long-term retention of key individuals and team members.

Further details of the Group's equity incentive schemes are shown in note 26 to the financial statements.

In 2005 the Company obtained shareholder approval to issue up to 20% of its issued share capital pursuant to employee share schemes.

This authority has been used to issue shares under the LTIP and will be used to issue shares under the equity incentive schemes above. The nature of the equity incentive schemes means that the number of shares to be issued can be difficult

## DIRECTORS' REMUNERATION REPORT CONTINUED

to estimate and contain significant judgements, including forecasting the underlying performance of the business, movement in the Group's share price and foreign currency fluctuations. In the event that the Company is required to issue shares to participants and this is in excess of the authority given by shareholders, the Company's employee trust will purchase shares in the market. In order to ensure sufficient shares are available, the Company regularly reviews the headroom and is creating a buy-back policy whereby the employee trust will purchase shares as and when required to ensure shares are available when needed. As at 31 January 2015 no shares have been purchased to settle future vestings of the equity incentive schemes.

### Directors' service contracts

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

### Non-executive Directors

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

	Date of current letter of contract	Notice period
<b>Executive Directors</b>		
Tim Dyson	1 June 1997	6 months
Peter Harris <sup>1</sup>	25 March 2014	6 months
<b>Non-executive Directors</b>		
Richard Eyre	8 May 2014	3 months
Alicja Lesniak	30 June 2014	3 months
Margit Wennmachers <sup>2</sup>	18 July 2014	3 months

### Directors' remuneration for the 18-month period to 31 January 2015

	Salary and fees 2015 £'000	Performance-related bonus 2015 £'000	Pension contributions 2015 £'000	Other benefits 2015 £'000	<b>Total 2015 £'000</b>	Total 2013 £'000
<b>Executive Directors</b>						
Tim Dyson	666	119	161	16	<b>962</b>	460
Peter Harris <sup>1</sup>	291	42	21	4	<b>358</b>	–
David Dewhurst <sup>3</sup>	92	–	20	1	<b>113</b>	245
<b>Non-executive Directors</b>						
Richard Eyre	149	–	–	–	<b>149</b>	80
Alicja Lesniak	72	–	–	–	<b>72</b>	43
Margit Wennmachers <sup>2</sup>	62	–	–	–	<b>62</b>	36

<sup>1</sup> Peter Harris was appointed as a Director on 25 March 2014.

<sup>2</sup> Margit Wennmachers stepped down as non-executive Director on 2 February 2015.

<sup>3</sup> David Dewhurst agreed to step down as Director on 29 October 2013.

## Directors' interests in share plans for the 18-month period to 31 January 2015

As at 31 January 2015, the following Directors held performance share awards under the LTIP over Ordinary Shares of 2.5p each, as detailed below:

	Number of shares at 1 August 2013 (or date of appointment if later)	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	Number of shares at 31 January 2015 (or date of resignation if earlier)	Grant date	End of performance period	Total gain on vesting (£)
<b>Executive Directors</b>								
Tim Dyson	150,000	-	(150,000)	-	-	09.02.2010	31.07.2013	129,000
	150,000	-	(150,000)	-	-	16.11.2010	31.07.2014	176,115
	150,000	-	-	-	150,000	09.05.2012	31.07.2015	-
	175,000	-	-	-	175,000	07.01.2013	31.07.2016	-
	-	-	-	125,000	125,000	21.01.2014	31.07.2017	-
	-	-	-	150,000	150,000	14.11.2014	31.01.2018	-
Peter Harris <sup>1</sup>	-	-	-	150,000	150,000	16.04.2014	31.07.2017	-
	-	-	-	150,000	150,000	14.11.2014	31.01.2018	-
David Dewhurst <sup>2</sup>	150,000	-	(150,000)	-	-	09.02.2010	31.07.2013	129,000
	150,000	(21,781)	(128,219)	-	-	16.11.2010	31.07.2014	150,542
	150,000	-	-	-	150,000	09.05.2012	31.07.2015	-
	175,000	-	-	-	175,000	07.01.2013	31.07.2016	-

<sup>2</sup> As part of David Dewhurst's settlement agreement, the Remuneration Committee agreed that Mr Dewhurst's LTIP performance shares would not lapse when he ceased to be an eligible employee on his last day of employment but that the vesting of these LTIPs would continue and, in addition to the usual performance condition, vesting would be based on the time elapsing between the grant date and Mr Dewhurst's termination date.

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

The interests of the Directors in the share capital of the Company at 1 August 2013 and 31 January 2015 are as follows:

	Ordinary Shares		LTIP performance shares	
	1 August 2013 (or date of appointment if later)	31 January 2015 (or date of resignation if earlier)	1 August 2013 (or date of appointment if later)	31 January 2015 (or date of resignation if earlier)
<b>Executive Directors</b>				
Tim Dyson	5,000,000	5,077,997	625,000	600,000
Peter Harris <sup>1</sup>	-	42,372	-	300,000
David Dewhurst <sup>2</sup>	320,000	320,000	625,000	325,000
<b>Non-executive Directors</b>				
Richard Eyre	75,129	156,331	-	-
Alicja Lesniak	-	-	-	-
Margit Wennmachers <sup>3</sup>	-	-	-	-

<sup>1</sup> Peter Harris was appointed as a Director on 25 March 2014.

<sup>2</sup> David Dewhurst agreed to step down as Director on 29 October 2013.

<sup>3</sup> Margit Wennmachers stepped down as a Director on 2 February 2015.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Total shareholder return

The Company's total shareholder return performance for the five financial years to 31 January 2015 is shown on the graph below compared with the FTSE Media Index.

### Payments for loss of office

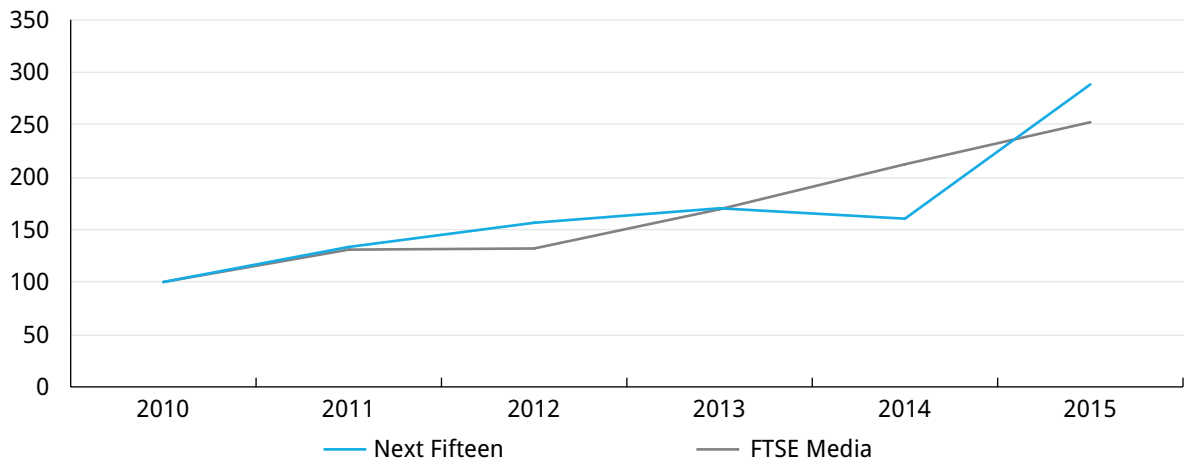
As disclosed in the 2013 Remuneration report, David Dewhurst agreed to step down as a Director on 29 October 2013 and he received £214,140 in payments due under contractual notice provisions and as compensation for loss of office.

### Payments made to past Directors

As disclosed in the 2013 Remuneration report, David Dewhurst agreed to step down as a Director on 29 October 2013 and he received £214,140 in payments due under contractual notice provisions and compensation for loss of office, of which £164,677 was paid following his termination date. As part of the settlement agreement, it was agreed at the Company's discretion that Mr Dewhurst's LTIP performance shares would not lapse when he ceased to be an eligible employee on his last day of employment but that,

in addition to the usual performance condition, the vesting of these LTIPs would continue and would be based on the time elapsing between the grant date and Mr Dewhurst's termination date. Accordingly, Mr Dewhurst's LTIP awards vested on 21 January 2014 and 7 October 2014 and the pre-tax value at the vesting dates was £279,542.

### Total shareholder return



This graph shows the value on 31 January 2015, of £100 invested in the Company on 31 January 2010 compared with £100 invested in the FTSE Media Index.

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



# REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the 18-month period ended 31 January 2015.

The Group has chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Group in the Strategic Report which otherwise would be required to be disclosed in the Director's report.

## Group results and dividends

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 37. The Directors recommend a final dividend of 2.5p per Ordinary Share (2013: 1.925p) on 07 August 2015 for the period ended 31 January 2015 which, when added to the interim dividend of 0.7p (2013: 0.625p) paid on 16 May 2015 and second interim dividend of 2.3p paid on 5 December 2014, gives a total dividend for the period of 5.5p per share (2013: 2.55p).

## Directors

A table showing the Directors who served during the 18-month period can be found on page 22. Biographies for Directors currently in office can be found on pages 17 to 18.

On 25 March 2014 Peter Harris was appointed as executive Director and on 2 February 2015 Genevieve Shore was appointed as non-executive Director; both will seek election as Directors of the Company at the AGM on 14 July 2015. Margit Wennmachers stepped down as a Director on 2 February 2015. David Dewhurst agreed to step down as Finance Director on 29 October 2013.

Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the report of the Remuneration Committee on pages 25 to 30.

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

## Directors' indemnity

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

## Acquisitions

The following is a summary of Group acquisitions made in the 18-month period ended 31 January 2015, more detailed disclosure of which can be found in note 26 to the financial statements.

On 14 January 2015 the Company acquired a 51% interest in Republic Publishing Limited, a content marketing business. The remaining 49% was acquired on 2 April 2015 and the business will be integrated into the Text 100 brand.

On 14 February 2014, Agent3 Ltd acquired 100% of Continuous Insight Limited, a business which provides customer and market insight to large B2B enterprise organisations operating in the IT, Telecommunications and Professional Services sectors. As part of the transaction, Next 15's holding in Agent3 Ltd increased to 54%.

## REPORT OF THE DIRECTORS CONTINUED

On 4 November 2014 the Group acquired the trade and certain assets of Story Worldwide LLC, a content advertising agency, which continued the Group's strategy of investing further in digital content and insight businesses. The Group acquired Story's trade together with certain assets valued at \$1m, which comprise cash, receivables, trade payables and fixed assets. Consideration was \$6.6m payable in cash.

On 4 December 2014 the Company acquired a 75% stake in Morar, an international market research consultancy which measures and advises on brand performance. The initial consideration was £1.35m in cash. The remaining 25% stake in Morar will be acquired by Next 15 in 2020 for a consideration dependent upon the performances of Morar for the financial years to January 2019 and 2020.

### Significant post balance sheet events

Material events since the balance sheet date are described in note 30 and form part of the Directors' report disclosures.

### Future development of the business

The Group's priorities for 2015/16 are disclosed in the Strategic Report on pages 01 to 16.

### Employee involvement

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

### Equal opportunities

The Group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of sex, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation. The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities. Any candidate with a disability will not be excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having taken into account reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of his/her disability. The Group's policies for training, career development and promotion do not disadvantage people with disabilities.

### Health and safety

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

### Political donations

It is the Group's policy not to make donations for political purposes and, accordingly, there were no payments to political organisations during the year (2013: £Nil).

### Acquisition of shares

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

### Financial instruments

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

### Auditor

The Board appointed Deloitte LLP to act as auditors for the 18-month period ended 31 January 2015. A resolution to re-appoint Deloitte LLP as auditors of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM.

## Disclosure of information to the auditor

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

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

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

## Annual General Meeting

The notice convening the Company's 2015 AGM at the Company's offices at The Triangle, 5–17 Hammersmith Grove, London W6 0LG on Tuesday 14 July 2015 at 3.30 p.m. is set out in a separate document and will be mailed separately to shareholders who requested a paper copy. The notice of AGM will also be made available on the Company's website at [www.next15.com](http://www.next15.com).

## Substantial shareholdings

As at 31 January 2015 and 22 April 2015 the Company had received notifications of the following interests in 3% or more of the issued Ordinary Share capital carrying rights to vote in all circumstances) of the Company:

	22 April 2015		31 January 2015	
	Total	%	Total	%
Liontrust Investment Partners LLP	11,486,878	19.22%	11,486,878	19.22%
Octopus Investments	5,847,256	9.79%	5,847,256	9.79%
Herald Investment Management	5,231,796	8.76%	5,231,796	8.76%
Mr Tim Dyson	5,077,997	8.47%	5,077,997	8.47%
Hargreave Hale Limited	3,785,000	6.33%	3,785,000	6.33%
Investec Asset Management	3,250,168	5.01%	–	–
River and Mercantile Asset Management LLP	2,820,549	4.72%	2,820,549	4.72%
Mr Thomas Lewis	2,804,000	4.79%	2,804,000	4.79%
J O Hambro Capital Management Group	1,846,000	3.09%	1,846,000	3.09%
Slater Investments Ltd	2,007,778	3.09%	–	–

The percentage holding is based on the Company's issued share capital at the date of the notification.

Approved by the Board on 27 April 2015 and signed on its behalf by:



**PETER HARRIS**  
DIRECTOR

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

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

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

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

### Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. The maintenance and integrity of the corporate and financial information included on the Company's website is the responsibility of the Directors. Financial statements are published on the Company's website in accordance with legislation

in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 27 April 2015 and is signed on its behalf by:



**PETER HARRIS**  
CHIEF FINANCIAL OFFICER  
27 April 2015

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT FIFTEEN COMMUNICATIONS GROUP PLC

We have audited the financial statements of Next Fifteen Communications Group plc (the 'Company') for the 18-month period ended 31 January 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow, the Company reconciliation of movements in shareholders' funds and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditor

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

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2015 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

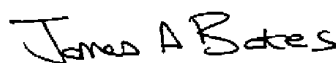
## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

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



## JAMES BATES (SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF  
DELOITTE LLP STATUTORY AUDITOR

London  
United Kingdom

27 April 2015

## CONSOLIDATED INCOME STATEMENT

for the 18-month period ended 31 January 2015 and year ended 31 July 2013

	Note	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2013 £'000
<b>Billings</b>			<b>185,900</b>		113,360
<b>Revenue</b>	2		<b>158,495</b>		96,069
Staff costs	3	<b>110,626</b>		68,261	
Depreciation	4,12	<b>2,332</b>		1,540	
Amortisation	4,11	<b>2,812</b>		1,589	
Impairment	4,11	<b>7,000</b>		1,950	
(Income)/charge for misappropriation of assets	4	<b>(65)</b>		526	
Other operating charges		<b>32,149</b>		19,198	
Total operating charges			<b>(154,854)</b>		(93,064)
<b>Operating profit</b>	2,5		<b>3,641</b>		3,005
Finance expense	6		<b>(4,699)</b>		(3,331)
Finance income	7		<b>1,129</b>		2,490
Net finance expense			<b>(3,570)</b>		(841)
Share of profits/(losses) of associate			<b>334</b>		(79)
<b>Profit before income tax</b>	2,5		<b>405</b>		2,085
Income tax credit/(expense)	8		<b>516</b>		(1,364)
<b>Profit for the period</b>			<b>921</b>		721
Attributable to:					
Owners of the parent			<b>(107)</b>		328
Non-controlling interests			<b>1,028</b>		393
			<b>921</b>		721
(Loss)/earnings per share	10				
Basic (pence)			<b>(0.18)</b>		0.56
Diluted (pence)			<b>(0.16)</b>		0.49

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

All results relate to continuing operations.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 18-month period ended 31 January 2015 and year ended 31 July 2013

	Note	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
<b>Profit for the year</b>		<b>921</b>	721
<b>Other comprehensive (expense)/income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		<b>418</b>	951
Translation differences on long-term foreign currency intercompany loans		<b>(77)</b>	(118)
Loss on net investment hedges	19	<b>(104)</b>	(229)
		<b>237</b>	604
<b>Amounts reclassified and reported in the Income Statement:</b>			
Loss on net investment hedges	19	<b>(44)</b>	-
		<b>(44)</b>	-
Total other comprehensive income for the year		<b>193</b>	604
<b>Total comprehensive income for the year</b>		<b>1,114</b>	1,325
Total comprehensive income attributable to:			
Owners of the parent		<b>86</b>	932
Non-controlling interests		<b>1,028</b>	393
		<b>1,114</b>	1,325

All results relate to continuing operations.

## CONSOLIDATED BALANCE SHEET

as at 31 January 2015 and 31 July 2013

	Note	31 January 2015 £'000	31 January 2015 £'000	31 July 2013 £'000	31 July 2013 £'000
<b>Assets</b>					
Property, plant and equipment	12	5,451		3,165	
Intangible assets	11	44,915		41,369	
Investment in equity accounted associate		294		1	
Trade investment		211		219	
Deferred tax assets	18	6,012		3,662	
Other receivables	13,19	575		1,041	
<b>Total non-current assets</b>			<b>57,458</b>		49,457
Trade and other receivables	13,19	31,254		26,646	
Cash and cash equivalents	19	9,315		8,064	
Corporation tax asset		788		2,883	
<b>Total current assets</b>			<b>41,357</b>		37,593
<b>Total assets</b>			<b>98,815</b>		87,050
<b>Liabilities</b>					
Loans and borrowings	19	17,712		9,131	
Deferred tax liabilities	18	177		1,388	
Other payables	14,19	2,295		88	
Provisions	15,19	642		345	
Deferred consideration	17,19	-		1,319	
Contingent consideration	17,19	3,333		2,945	
Share purchase obligation	17,19	4,990		3,251	
<b>Total non-current liabilities</b>			<b>(29,149)</b>		(18,467)
Loans and borrowings	19	100		591	
Trade and other payables	14,19	25,909		24,218	
Provisions	15,19	926		62	
Corporation tax liability		742		1,811	
Derivative financial liabilities	19	-		206	
Share purchase obligation	17,19	852		295	
Contingent consideration	17,19	3,841		3,207	
Deferred consideration	17,19	94		-	
<b>Total current liabilities</b>			<b>(32,464)</b>		(30,390)
<b>Total liabilities</b>			<b>(61,613)</b>		(48,857)
<b>Total net assets</b>			<b>37,202</b>		38,193
<b>Equity</b>					
Share capital		1,545		1,494	
Share premium reserve		8,272		7,557	
Merger reserve		3,075		3,075	
Share purchase reserve		(2,673)		(2,673)	
Foreign currency translation reserve		3,525		3,184	
Other reserves	24	(510)		(583)	
Retained earnings		24,741		23,954	
<b>Total equity attributable to owners of the parent</b>			<b>37,975</b>		36,008
Non-controlling interests			<b>(773)</b>		2,185
<b>Total equity</b>			<b>37,202</b>		38,193

The accompanying notes are an integral part of this Consolidated Balance Sheet.  
These financial statements were approved and authorised by the Board on 27 April 2015.

### P HARRIS

CHIEF FINANCIAL OFFICER  
Company number 01579589





# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 18-month period ended 31 January 2015 and 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 <sup>1</sup> £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 July 2013	1,494	7,557	3,075	(2,673)	3,184	(583)	23,954	36,008	2,185	38,193
Profit/(loss) for the period	-	-	-	-	-	-	(107)	(107)	1,028	921
Other comprehensive income for the year	-	-	-	-	341	(148)	-	193	-	193
Total comprehensive income for the year	-	-	-	-	341	(148)	(107)	86	1,028	1,114
Shares issued in satisfaction of vested share options	35	82	-	-	-	-	-	117	-	117
Shares issued on acquisitions	16	633	-	-	-	-	-	649	-	649
Movement due to ESOP share purchases	-	-	-	-	-	(35)	-	(35)	-	(35)
Movement due to ESOP share option exercises	-	-	-	-	-	256	-	256	-	256
Movement in relation to share-based payments	-	-	-	-	-	-	580	580	-	580
Deferred tax on share-based payments	-	-	-	-	-	-	208	208	-	208
Share-based payment charge for disposal of equity in a subsidiary to employees	-	-	-	-	-	-	684	684	-	684
Dividends to owners of the parent	-	-	-	-	-	-	(3,006)	(3,006)	-	(3,006)
Movement on reserves for non-controlling interests	-	-	-	-	-	-	1,206	1,206	(1,206)	-
Share options issued on acquisition of subsidiary	-	-	-	-	-	-	1,222	1,222	-	1,222
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	(1,896)	(1,896)
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(884)	(884)
<b>At 31 January 2015</b>	<b>1,545</b>	<b>8,272</b>	<b>3,075</b>	<b>(2,673)</b>	<b>3,525</b>	<b>(510)</b>	<b>24,741</b>	<b>37,975</b>	<b>(773)</b>	<b>37,202</b>

<sup>1</sup> Other reserves include ESOP reserve, treasury reserve and hedging reserve, note 24.

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

for the 18-month period ended 31 January 2015 and 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 <sup>1</sup> £'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	27	72	-	-	-	-	-	99	-	99
Shares issued on acquisitions	13	550	-	-	-	-	-	563	-	563
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

<sup>1</sup> Other reserves include ESOP reserve, treasury reserve and hedging reserve, note 24.

# CONSOLIDATED STATEMENT OF CASH FLOW

for the 18-month period ended 31 January 2015 and year ended 31 July 2013

	Note	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2013 £'000
<b>Cash flows from operating activities</b>					
Profit for the year		921		721	
Adjustments for:					
Depreciation	4,12	2,332		1,540	
Amortisation	4,11	2,812		1,589	
Impairment	4,11	7,000		1,950	
Finance expense	6	4,699		3,331	
Finance income	7	(1,129)		(2,490)	
Share of (profit)/loss from equity-accounted associate		(285)		79	
Loss on sale of property, plant and equipment	4	73		82	
Income tax (credit)/expense	8	(516)		1,364	
Share-based payment charge	4,21	2,486		1,019	
<b>Net cash inflow from operating activities before changes in working capital</b>			<b>18,393</b>		<b>9,185</b>
Change in trade and other receivables		(1,705)		(1,178)	
Change in trade and other payables		2,234		2,910	
Movement in provisions		285		269	
<b>Change in working capital</b>			<b>814</b>		<b>2,001</b>
<b>Net cash generated from operations</b>			<b>19,207</b>		<b>11,186</b>
Income taxes paid			(3,031)		(2,686)
<b>Net cash from operating activities</b>			<b>16,176</b>		<b>8,500</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries and trade and assets, net of cash acquired		(5,597)		(961)	
Payment of contingent consideration		(8,217)		(2,058)	
Acquisition of property, plant and equipment		(3,712)		(1,786)	
Proceeds on disposal of property, plant and equipment		24		-	
Acquisition of intangible assets		(691)		(161)	
Net movement in long-term cash deposits		230		(166)	
Interest received	7	62		48	
<b>Net cash outflow from investing activities</b>			<b>(17,901)</b>		<b>(5,084)</b>
<b>Net cash from operating and investing activities</b>			<b>(1,725)</b>		<b>3,416</b>

## CONSOLIDATED STATEMENT OF CASH FLOW CONTINUED

for the 18-month period ended 31 January 2015 and year ended 31 July 2013

	Note	18-month period ended 31 January 2015 £'000	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000	Year ended 31 July 2013 £'000
<b>Net cash from operating and investing activities</b>			<b>(1,725)</b>		3,416
<b>Cash flows from financing activities</b>					
Proceeds from sale of own shares		90		95	
Issue costs on issue of Ordinary Shares		(5)		(5)	
Purchase of own shares		(34)		(221)	
Capital element of finance lease rental repayment		(103)		(59)	
Net cash movement in bank borrowings and overdrafts		8,090		(1,286)	
Interest paid	6	(743)		(483)	
Dividend and profit share paid to non-controlling interest partners	9	(884)		(503)	
Dividend paid to shareholders of the parent	9	(3,006)		(1,409)	
<b>Net cash inflow/(outflow) from financing activities</b>			<b>3,405</b>		(3,871)
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>1,680</b>		(455)
<b>Cash and cash equivalents at beginning of the year</b>			<b>8,064</b>		8,436
Exchange (losses)/gains on cash held			(429)		83
<b>Cash and cash equivalents at end of the year</b>	19		<b>9,315</b>		8,064

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

# NOTES TO THE ACCOUNTS

## 1 Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### A. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations adopted by the European Union ('Adopted IFRSs') and the parts of the Companies Act 2006 applicable to companies reporting under Adopted IFRSs.

### B. Change in year end

The Group has changed the end of its reporting period to 31 January 2015. The period covered by the financial statements is therefore 1 August 2013 to 31 January 2015. The reason for this was to better align with clients' budgeting cycles, the majority of whom have December year ends. This means that the amounts presented in the financial statements are not directly comparable. An appendix is included in the financial statements in order to present comparative financial information for the 6 and 12 month period.

### C. New and amended standards adopted by the Group

In the current period, the Group has applied a number of amendments to IFRSs and new interpretations that are mandatorily effective for an accounting period that begins on or after 1 January 2013 and have not had a material impact on the Group:

Amendment to IAS 1, 'Financial statement preparation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to the income statement subsequently (reclassification adjustments).

IFRS 13, 'Fair value measurement', aims to improve the consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

### D. Basis of consolidation

The Group's financial statements consolidate the results of Next Fifteen Communications Group plc and all of its subsidiary undertakings using the acquisition method of accounting.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Each of these approaches have been used by the Group. Non-controlling interests are subsequently measured as the amount of those non-controlling interests at the date of the original combination and the non-controlling interest's share of changes in equity since the date of the combination.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associates are accounted for under the equity method of accounting, where the investment in the associate is carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Consolidated Income Statement reflects the share of the results of the operations of the associate after tax.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is re-measured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised

## NOTES TO THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Intercompany transactions, balances and unrealised gains on transactions between Group companies (Next Fifteen Communications Group plc and its subsidiaries) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### E. Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 or equivalent sections of previous Companies Acts are met, shares issued as part of the consideration in a business combination are measured at their fair value in the Consolidated Balance Sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

#### F. Revenue

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

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

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

#### G. Intangible assets

*Goodwill* Goodwill represents the excess of the fair value of consideration payable, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired. The fair value of consideration payable includes assets transferred, liabilities assumed and equity instruments issued. The amount relating to the non-controlling interest is measured on a transaction-by-transaction basis, at either fair value or the non-controlling interest's proportionate share of net assets acquired. Both approaches have been used by the Group. Goodwill is capitalised as an intangible asset, not amortised but reviewed annually for impairment or in any period in which events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in carrying value is charged to the Consolidated Income Statement.

*Software* Licences for software that are not integral to the functioning of a computer are capitalised as intangible assets. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development and employee costs. Amortisation is provided on software at rates calculated to write off the cost of each asset evenly over its expected useful life of between two and seven years. Costs associated with maintaining computer software programmes are recognised as an expense as it is incurred. No amortisation is charged on assets in the course of construction until they are available for operational use in the business.

*Trade names* Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives of 20 years.

## 1 Accounting policies continued

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

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

### H. Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation. Depreciation is provided on all property, plant and equipment at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Short leasehold improvements	– Over the term of the lease.
Office equipment	– 20% to 50% per annum straight-line.
Office furniture	– 20% per annum straight-line.
Motor vehicles	– 25% per annum straight-line.

### I. Impairment

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets (excluding deferred tax) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount, which is measured as the higher of value in use and fair value less costs to sell, the asset is impaired accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, defined as the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill. The cash-generating units represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment charges are included within the amortisation and impairment line of the Consolidated Income Statement unless they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

### J. Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Consolidated Income Statement. In the consolidated financial statements, foreign exchange movements on intercompany loans with indefinite terms, for which there is no expectation of a demand for repayment, are recognised directly in equity within a separate foreign currency translation reserve.

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the accounting period. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rates and the results of overseas operations at average rates are recognised directly in the foreign currency translation reserve within equity. The effective portion arising on the retranslation of foreign currency borrowings which are designated as a qualifying hedge is recognised within equity. See note 19 for more detail on hedging activities.

## NOTES TO THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

On disposal of a foreign operation, the cumulative translation differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are transferred to the Consolidated Income Statement as part of the profit or loss on disposal.

On a reduction of ownership interest in a subsidiary that does not affect control, the cumulative retranslation difference is only allocated to the non-controlling interests (the 'NCI') and not recycled through the Consolidated Income Statement.

### K. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### L. Financial instruments

Financial assets and liabilities are recognised on the Group's Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the asset or liability. The Group's accounting policies for different types of financial asset and liability are described below.

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

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

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

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

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

Where a foreign currency loan is designated as a qualifying hedge of the foreign exchange exposure arising on retranslation of the net assets of a foreign operation, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in a separate hedging reserve included within Other Reserves. This offsets the foreign exchange differences arising on the retranslation of the foreign operation's net assets, which is recognised in the separate foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within finance income/expense.

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



## 1 Accounting policies continued

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

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

*Deal costs* Costs associated with acquisitions are recognised in the Consolidated Income Statement within the 'other operating charges' line in the year in which they are incurred.

*Contingent consideration* On initial recognition, the liability for contingent consideration relating to acquisitions is measured at fair value. The liability is calculated based on the present value of the ultimate expected payment with the corresponding debit included within Goodwill. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement.

*Share purchase obligation* Put-option agreements that allow the non-controlling interest shareholders in the Group's subsidiary undertakings to require the Group to purchase the non-controlling interest are recorded in the Consolidated Balance Sheet as liabilities. On initial recognition, the liability is measured at fair value and is calculated based on the present value of the ultimate expected payment with the corresponding debit included in the share purchase reserve. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement.

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

### M. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material. Provisions are created for vacant or sublet properties when the Group has a legal obligation for future expenditure in relation to onerous leases. The provision is measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

### N. Retirement benefits

Pension costs which relate to payments made by the Group to employees' own defined contribution pension plans are charged to the Consolidated Income Statement as incurred.

### O. Share-based payments

The Group issues equity-settled share-based payments to certain employees via the Group's Long-Term Incentive Plan. The share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period. The cumulative expense is adjusted for failure to achieve non-market performance vesting conditions.

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

The Group grants Brand equity appreciation rights to key individuals in the form of LLC units. The LLC units give the individuals a right to a percentage of the future appreciation in their particular Brand's equity. Appreciation is measured based on a multiple of the Brand operating earnings in subsequent year(s), over the base line value determined at the date of grant. Since any Brand appreciation payments are to be settled in Group equity, they are accounted for as equity-settled share-based payments. The Group fair values the LLC units at the date of grant and expenses them fully at that point.

## NOTES TO THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

#### P. Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the Consolidated Income Statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

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

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

#### Q. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### R. Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated Balance Sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the asset can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Where a temporary difference arises between the tax base of employee share options and their carrying value, a deferred tax asset should arise. To the extent the future tax deduction exceeds the related cumulative IFRS 2 Share-Based Payments ('IFRS 2') expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent the future tax deduction matches the cumulative IFRS 2 expense, the associated deferred tax balance is recognised in the Consolidated Income Statement.

## 1 Accounting policies continued

### S. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

### T. Employee Share Ownership Plan ('ESOP')

As the Group is deemed to have control of its ESOP trust, the trust is treated as a subsidiary and is consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

### U. Treasury shares

When the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of the Group's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

The preparation of the consolidated financial statements requires the Group to make certain estimates and assumptions that have an impact on the application of the policies and amounts reported in the consolidated financial statements. Estimates and judgements are evaluated based on historical experiences and expected outcomes and are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

### V. Significant estimates and judgements

*I. Impairment of goodwill.* In line with IAS 36, Impairment of Assets, the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of the goodwill is determined using value in-use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions around growth rates and discount rates. Further details are contained in note 11.

*II. Contingent consideration, share purchase obligation and valuation of put options.* Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates. Further details are contained in note 17.

### W. New standards and amendments not applied

Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group are as follows:

IFRS 10, 'Consolidated financial statements', effective for periods beginning on or after 1 January 2014, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, Joint Arrangements, which is effective for periods starting on or after 1st January 2014, supersedes IAS 31 Interests in Joint Ventures and provides a greater focus on the rights and obligations of the arrangement, rather than the legal form.

IFRS 12, 'Disclosures of interests in other entities', effective for periods beginning on or after 1 January 2014, includes the disclosure requirements of all forms of interest in other entities.

IFRS 15, Revenue from Contracts with Customers, which is not yet endorsed by the EU, gives a single principles based five-step model to be applied to all contracts with customers.

IAS 32, 'Offsetting financial assets and financial liabilities', effective for periods beginning on or after 1 January 2014, clarifies the requirements relating to offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

## NOTES TO THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

IAS 36, 'Recoverable amount disclosures for non-financial assets', effective for periods beginning on or after 1 January 2014, removes the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated where there has been no impairment or reversal of impairment of the related CGU.

All other standards, interpretations and amendments to existing standards published as mandatory for this accounting period or later accounting periods would not have a material effect.

### 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. This is deemed to be regional segments, historically the Group has provided additional segmental information however it is the opinion of the Board that the additional information did not enhance the understanding of the performance and it is no longer used by the chief operating decision-maker.

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 regional segments, within these reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

#### Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, 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. Inter-segment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
<b>18-month period ended 31 January 2015</b>						
<b>Revenue</b>	<b>33,460</b>	<b>13,778</b>	<b>92,358</b>	<b>18,899</b>	<b>-</b>	<b>158,495</b>
<b>Segment adjusted operating profit</b>	<b>3,299</b>	<b>584</b>	<b>21,018</b>	<b>1,208</b>	<b>(8,150)</b>	<b>17,959</b>
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

## 2 Segment information continued

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

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
<b>Segment adjusted operating profit</b>	<b>17,959</b>	8,220
Amortisation of acquired intangibles	(2,375)	(1,379)
Impairment of goodwill (note 11)	(7,000)	(1,950)
Reorganisation costs (note 4)	-	(779)
Charges associated with equity transactions accounted for as share-based payments (note 4)	(1,222)	(581)
Share-based payment charge for disposal of equity in a subsidiary to employees (note 4)	(684)	-
Charge for misappropriation of assets (note 4)	-	(265)
Income from recovery and subsequent re-sale of assets (note 4)	65	318
Cost associated with investigation and response to fraudulent activity (note 4)	-	(579)
Costs associated with the current period restructure (note 4)	(2,066)	-
Cost associated with San Francisco office moves (note 4)	(1,036)	-
<b>Total operating profit</b>	<b>3,641</b>	3,005
Unwinding of discount on contingent consideration (note 6)	(1,473)	(797)
Unwinding of discount on share purchase obligation (note 6)	(979)	(370)
Change in estimate of future contingent consideration payable (note 17)	(1,253)	(254)
Change in estimate of future share purchase obligation (note 17)	610	901
Movement in fair value of interest rate cap-and-collar contract (note 7)	206	114
Share of (losses)/profits of associate	334	(79)
Other finance expense (note 6)	(743)	(483)
Other finance income (note 7)	62	48
<b>Profit before income tax</b>	<b>405</b>	2,085

## NOTES TO THE ACCOUNTS CONTINUED

## 3 Employee information

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Staff costs for all employees, including Directors, consist of:		
Wages and salaries	98,286	60,850
Social security costs	7,848	4,995
Pension costs	2,006	1,397
Share-based payment charge (note 21)	2,486	1,019
	<b>110,626</b>	68,261

	18-month period ended 31 January 2015 Number	Year ended 31 July 2013 Number
The average number of employees during the period, by geographical location, was as follows:		
UK	260	234
Europe and Africa	114	98
US	514	422
Asia Pacific	337	375
Head Office	23	17
	<b>1,248</b>	1,146

Key management personnel are considered to be the Board of Directors as set out on pages 17 and 18.

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Directors' remuneration consists of:		
Short-term employee benefits	1,231	859
Pension costs	202	64
Share-based payment charge	165	145
	<b>1,598</b>	1,068

The highest paid Director received total emoluments of £962,000 (2013: £477,000).

## 4 Operating profit

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
This is arrived at after charging/(crediting):		
Depreciation of owned property, plant and equipment	2,325	1,460
Depreciation of assets held under finance leases	7	80
Amortisation of intangible assets	2,812	1,589
Impairment of goodwill <sup>1</sup>	7,000	1,950
Loss on sale of property, plant and equipment	73	82
Defined contribution pension cost	2,006	1,397
(Income) / charge for misappropriation of assets <sup>2</sup>	(65)	526
Restructuring and reorganisation costs associated with digital transitions within brands	-	779
Costs associated with the current period restructure <sup>1</sup>	2,066	-
Charge associated with office moves in San Francisco <sup>3</sup>	1,036	-
Share-based payment charge	580	438
Share-based payment charge arising on acquisition of non-controlling interest <sup>4</sup>	1,222	131
Share-based payment charge for disposal of equity in a subsidiary to employees <sup>5</sup>	684	450
Operating lease income	(473)	(225)
Operating lease rentals – property	6,066	4,849
– plant and machinery	186	206
Foreign exchange loss	379	478
Fees payable to Group auditors	405	549

<sup>1</sup> Following the appointment of a new CFO in March 2014, the Group undertook a detailed balance sheet and operational review. Following this the Board is in the process of implementing a number of initiatives to improve the operational performance of the businesses. As a consequence, the Group has incurred a £7m goodwill write-down against its UK businesses, exceptional restructuring costs in the UK of £0.3m, EMEA £0.7m and in APAC £0.6m. This charge also includes £0.4m in relation to the change in Group CFO.

<sup>2</sup> In the current year the charge is income related to the recovery of funds through the sale of assets purchased with the misappropriated cash.

<sup>3</sup> On 27 August 2014, we entered into a nine-year lease at 100 Montgomery Street in San Francisco which will be the new location for all of our businesses in that city. There is a 12-month rent-free period (including construction period) on the new premises but the Group has to account for the rental cost of the building equally over the term of the lease from 1 October 2014. Accordingly the Group has suffered a period of double rent from an accounting perspective. One-off cost associated with the move, such as accelerated depreciation charges for the old offices have also been included within the charge.

<sup>4</sup> This transaction relates to the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration £173,000 (FY13: £131,000) and a transaction whereby a restricted grant of Brand equity was given to key management in Story Worldwide in place of a traditional earnout mechanism £1,049,000.

<sup>5</sup> This transaction relates to a restricted grant of equity given to employees of the MBooth and Bite NA subsidiaries (OutCast subsidiary in FY13) at nil cost which, whilst giving them no access to the value of net assets at inception, does hold value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment expense of £684,000 (FY13 – £450,000) in the current year income statement (note 26).

## NOTES TO THE ACCOUNTS CONTINUED

### 4 Operating profit continued

#### Auditors' remuneration

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

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Fees payable to the Company's auditor for the statutory audit of the Company's and consolidated annual statements <sup>1</sup>	192	85
Other services: <sup>1</sup>		
The auditing of financial statements of the subsidiaries pursuant to legislation	144	397
Tax services <sup>1</sup>	30	24
Other services	39	43
	<b>405</b>	<b>549</b>

<sup>1</sup> Included within the fees are amounts payable to BDO for £24,000 for statutory audits of subsidiaries, £2,000 for tax services and £38,000 for other services.

### 5 Reconciliation of pro forma financial measures

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

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

#### Adjusted profit before income tax

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Profit before income tax	405	2,085
Movement in fair value of interest rate cap-and-collar contract	(206)	(114)
Costs associated with the current period restructure (note 4)	2,066	–
Unwinding of discount on contingent and deferred consideration (note 17)	1,473	797
Unwinding of discount on share purchase obligation (note 17)	979	370
Charge for misappropriation of assets (note 4)	–	265
Income from recovery and sale of misappropriated assets (note 4)	(65)	(318)
Cost associated with investigation and response to fraudulent activity (note 4)	–	579
Change in estimate of future contingent consideration payable (note 17)	1,253	254
Change in estimate of future share purchase obligation (note 17)	(610)	(901)
Charges associated with equity transactions accounted for as share-based payments (note 4)	1,222	131
Share-based payment charge for disposal of equity in a subsidiary to employees (note 4)	684	450
Restructuring and reorganisation costs associated with digital transitions within brands (note 4)	–	779
Charge associated with office moves in San Francisco (note 4)	1,036	–
Amortisation of acquired intangibles	2,375	1,378
Impairment of goodwill (note 4)	7,000	1,950
Adjusted profit before income tax	<b>17,612</b>	<b>7,705</b>



## 5 Reconciliation of pro forma financial measures continued

### Adjusted EBITDA

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Operating profit	3,641	3,005
Depreciation of owned property, plant and equipment (note 12)	2,325	1,460
Depreciation of assets held under finance leases (note 12)	7	80
Amortisation of intangible assets (note 11)	2,812	1,589
Impairment of goodwill	7,000	1,950
Charge for misappropriation of assets (note 4)	-	265
Income from recovery and sale of misappropriated assets (note 4)	(65)	(318)
Cost associated with investigation and response to fraudulent activity (note 4)	-	579
Charges associated with equity transactions accounted for as share-based payments (note 4)	1,222	131
Share-based payment charge for disposal of equity in a subsidiary to employees (note 4)	684	450
Restructuring and reorganisation costs associated with digital transitions within brands (note 4)	-	779
Costs associated with the current period restructure (note 4)	2,066	-
Charge associated with office moves in San Francisco (note 4)	1,036	-
<b>Adjusted EBITDA</b>	<b>20,728</b>	<b>9,970</b>

### Adjusted staff costs

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Staff costs	110,626	68,261
Reorganisation costs	(1,136)	(779)
Charges associated with equity transactions accounted for as share-based payments (note 4)	(1,906)	(581)
<b>Adjusted staff costs</b>	<b>107,584</b>	<b>66,901</b>

## 6 Finance expense

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
<b>Financial liabilities at amortised cost</b>		
Bank interest payable	720	464
<b>Financial liabilities at fair value through profit and loss</b>		
Unwinding of discount on share purchase obligation (note 17)	979	370
Change in estimate of future share purchase obligation (note 17)	135	145
Unwinding of discount on contingent and deferred consideration (note 17)	1,473	797
Change in estimate of future contingent consideration payable (note 17)	1,369	1,536
<b>Other</b>		
Finance lease interest	5	8
Other interest payable	18	11
<b>Finance expense</b>	<b>4,699</b>	<b>3,331</b>

## NOTES TO THE ACCOUNTS CONTINUED

## 7 Finance income

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
<b>Financial assets at amortised cost</b>		
Bank interest receivable	46	41
<b>Financial assets at fair value through profit and loss</b>		
Change in estimate of future share purchase obligation (note 17)	745	1,046
Movement in fair value of interest rate cap-and-collar contract	206	114
Change in estimate of future contingent consideration (note 17)	116	1,282
<b>Other</b>		
Other interest receivable	16	7
<b>Finance income</b>	<b>1,129</b>	<b>2,490</b>

## 8 Taxation

The major components of income tax (credit) / expense for the period ended 31 January 2015 and year ended 31 July 2013 are:

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
<b>Consolidated Income Statement</b>		
<b>Current income tax</b>		
Current income tax expense	3,591	1,148
Adjustments in respect of current income tax in prior years	100	(397)
<b>Deferred income tax</b>		
Relating to the origination and reversal of temporary differences	(1,806)	757
Adjustments in respect of deferred tax for prior years	(2,401)	(144)
<b>Income tax (credit)/expense reported in the Consolidated Income Statement</b>	<b>(516)</b>	<b>1,364</b>
<b>Consolidated Statement of Changes in Equity</b>		
Tax (credit) / debit relating to share-based remuneration	(208)	84
Income tax (benefit)/expense reported in equity	(208)	84
<b>Factors affecting the tax (credit)/charge for the year</b>		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 21.89% (2013: 23.67%). The difference is explained below:		
Profit before income tax	405	2,085
Corporation tax expense at 21.89% (2013: 23.67%)	89	494
Effects of:		
Disallowed expenses	2,482	724
Recognition of previously unrecognised tax losses	(479)	(77)
Non-utilisation of tax losses	51	740
Higher rates of tax on overseas earnings	1,148	897
Deduction for overseas taxes	(1,506)	(986)
Adjustments in respect of prior years	(2,301)	(428)
	<b>(516)</b>	<b>1,364</b>
Reconciliation of tax (credit)/expense in the Consolidated Income Statement to adjusted tax expense		

	18-month period ended 31 January 2015 £'000	Year ended 31 July 2013 £'000
Income tax (credit)/expense reported in the Consolidated Income Statement	<b>(516)</b>	1,364
Add back:		
Tax on adjusting items		
Movement in fair value of interest rate cap-and-collar contract	<b>(41)</b>	(27)
Costs associated with the current period restructure (note 4)	<b>84</b>	210
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	<b>911</b>	–
Cost associated with investigation and response to fraudulent activity (note 4)	<b>–</b>	203
Charges associated with equity transactions accounted for as share-based payments (note 4)	<b>38</b>	31
Share-based payment charge for disposal of equity in a subsidiary to employees (note 4)	<b>693</b>	180
Charge associated with office moves in San Francisco (note 4)	<b>414</b>	–
Amortisation of acquired intangibles	<b>713</b>	438
Impairment of goodwill	<b>–</b>	–
Tax adjustments in respect of prior years relating to intangible fixed assets	<b>2,082</b>	–
Adjusted tax expense	<b>4,378</b>	2,399
Adjusted profit before income tax (note 5)	<b>17,612</b>	7,705
Adjusted effective tax rate	<b>24.85%</b>	31.13%

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

The UK income tax expense is based on a blended rate of the UK statutory rates of corporation tax during the period to 31 January 2015 of 21.89% (2013: 23.67%) and reflects the reduction in the UK corporation tax rate from 23% to 21% from 1 April 2014 and a further reduction to 20% by 1 April 2015.

As a result of the reduction in the UK corporation tax rate to 20% that was substantively enacted in July 2013 and effective from 1 April 2015, the UK deferred tax balances have been remeasured.

## 9 Dividend

	18-month period ended 31 January 2015 £'000	Year ended 2013 £'000
<b>Dividends paid during the period</b>		
Final dividend paid for prior year of 1.925p per Ordinary Share (2013: 1.735p)	<b>1,160</b>	1,036
Interim dividend paid of 0.700p per Ordinary Share (2013: 0.625p)	<b>425</b>	373
Second Interim dividend paid of 2.300p per Ordinary Share (2013: £Nil)	<b>1,421</b>	–
	<b>3,006</b>	1,409
Non-controlling interest dividend <sup>1</sup>	<b>884</b>	503

<sup>1</sup> During the year, a profit share was paid to the holders of the non-controlling interest of 463 Communications of £94,000 (2013: £160,000), The Blueshirt Group LLC of £376,000 (2013: £174,000), Outcast of £251,000 (2013: £31,000) and Bourne of £Nil (2013: £28,000). A dividend was paid to the non-controlling interest of Beyond of £72,000 (2013: £110,000) and Connections Media of £91,000 (2013: £Nil).

## NOTES TO THE ACCOUNTS CONTINUED

### 9 Dividend continued

The ESOP waived its right to dividends in the financial period ended 31 January 2015 (£Nil) and the year ended 31 July 2013 (£215). A final dividend of 2.500p per share (2013: 1.925p) has been proposed. This has not been accrued. Due to the 18-month period, two interim dividends were paid being 0.700p per share and 2.300p per share (2013: one interim dividend 0.625p), making a total for the period of 5.50p per share (2013: 2.55p). The final dividend, if approved at the AGM on the 14 July 2015, will be paid on 6 August 2015 to all shareholders on the Register of Members as at 10 July 2015. The ex-dividend date for the shares is 8 July 2015.

### 10 Earnings per share

	18-month ended 2015 £'000	Year ended 2013 £'000
Earnings attributable to Ordinary Shareholders	(107)	328
Movement in fair value of interest rate cap-and-collar contract	(165)	(87)
Unwinding of discount on contingent and deferred consideration	(39)	797
Unwinding of discount on share purchase obligation	769	370
Charge for misappropriation of assets	–	158
Income from recovery and sale of misappropriated assets	(65)	(191)
Cost associated with investigation and response to fraudulent activity	–	356
Change in estimate of future contingent consideration payable	134	(360)
Change in estimate of share purchase obligation	(531)	(953)
Charges associated with equity transactions accounted for as share-based payments	765	550
Costs associated with the current period restructure (note 4)	1,983	–
Share-based payment charge for disposal of equity in a subsidiary to employees (note 4)	410	–
Restructuring and reorganisation costs associated with digital transitions within brands	–	569
Charge associated with office moves in San Francisco (note 4)	622	–
Amortisation of acquired intangibles	1,433	940
Impairment of intangibles	7,000	1,950
Adjusted earnings attributable to Ordinary Shareholders	12,209	4,427
	Number	Number
Weighted average number of Ordinary Shares	60,825,828	59,068,925
Dilutive share options/performance shares outstanding	5,995,432	5,641,070
Other potentially issuable shares	570,657	1,863,899
Diluted weighted average number of Ordinary Shares	67,391,917	66,573,894
Basic (loss) / earnings per share	(0.18)p	0.56p
Diluted (loss) / earnings per share	(0.16)p	0.49p
Adjusted earnings per share	20.07p	7.49p
Diluted adjusted earnings per share	18.12p	6.65p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 5 is the tax effect of those adjusting items.

## 11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-competes £'000	Goodwill £'000	Total £'000
<b>Cost</b>						
At 31 July 2012	3,318	2,232	5,235	–	36,910	47,695
Capitalised internal development	205	–	–	–	–	205
Acquired through business combinations <sup>1</sup>	–	–	835	79	1,772	2,686
Exchange differences	11	75	242	–	821	1,149
At 31 July 2013	3,534	2,307	6,312	79	39,503	51,735
Acquisitions	706	–	–	–	–	706
Capitalised internal development	79	–	–	–	–	79
Acquired through business combinations <sup>1</sup>	1,174	937	3,874	388	6,150	12,523
Disposals	(231)	–	–	–	–	(231)
Exchange differences	(70)	16	(123)	(1)	(144)	(322)
<b>At 31 January 2015</b>	<b>5,192</b>	<b>3,260</b>	<b>10,063</b>	<b>466</b>	<b>45,509</b>	<b>64,490</b>
<b>Amortisation and impairment</b>						
At 31 July 2012	2,445	293	2,229	–	1,709	6,676
Charge for the year	352	112	1,095	30	–	1,589
Impairment <sup>2</sup>	–	–	–	–	1,950	1,950
Exchange differences	57	13	132	–	(51)	151
At 31 July 2013	2,854	418	3,456	30	3,608	10,366
Charge for the year	739	172	1,806	95	–	2,812
Disposals	(231)	–	–	–	–	(231)
Impairment <sup>2</sup>	–	–	–	–	7,000	7,000
Exchange differences	(99)	17	(19)	–	(271)	(372)
<b>At 31 January 2015</b>	<b>3,263</b>	<b>607</b>	<b>5,243</b>	<b>125</b>	<b>10,337</b>	<b>19,575</b>
<b>Net book value at 31 January 2015</b>	<b>1,929</b>	<b>2,653</b>	<b>4,820</b>	<b>341</b>	<b>35,172</b>	<b>44,915</b>
Net book value at 31 July 2013	680	1,889	2,856	49	35,895	41,369

<sup>1</sup> During the year, the Group acquired Republic, Agent3, Story Worldwide and Morar (note 26). The Group recognised £1,174,000 of software in Morar; £937,000 of trade names in Story Worldwide; £1,044,000, £665,000, £1,003,000 and £1,162,000 of customer relationships in Republic, Agent3, Story Worldwide and Morar respectively; and £143,000 and £245,000 in Agent3 and Morar respectively in relation to non-competes clauses.

<sup>2</sup> The impairment for goodwill relates to Lexis (2013: Bite Germany). Further details are provided later in this note.

## NOTES TO THE ACCOUNTS CONTINUED

### 11 Intangible assets continued

#### Impairment testing for cash-generating units containing goodwill

Goodwill acquired through business combinations is allocated to groups of cash-generating units ('CGUs') for impairment testing as follows:

	2015 £'000	2013 £'000
Bite (UK) <sup>1</sup>	1,436	6,580
Lexis (UK) <sup>2</sup>	2,349	9,349
OutCast (US)	7,021	6,974
Bite (US) <sup>1</sup>	429	990
Beyond (UK)	320	320
Beyond (US)	77	79
M Booth (US)	4,505	4,476
Bite Upstream (APAC)	1,222	1,212
Blueshirt	4,552	4,521
Bourne	5,631	–
Connections Media	1,404	1,394
Republic (note 26)	1,471	–
Agent3 (note 26)	1,108	–
Story Worldwide (note 26)	1,734	–
Morar (note 26)	1,913	–
	<b>35,172</b>	<b>35,895</b>

<sup>1</sup> In the previous year, the trade and assets of Bourne were transferred into the Bite UK and Bite US businesses. During the year, this was reversed, as such, the goodwill previously allocated to Bite UK (£5,070,000) and Bite US (£561,000) has been re-allocated to Bourne.

<sup>2</sup> During the year, Lexis was impaired by £7,000,000, see further detail below.

Goodwill is allocated on initial recognition to each of the Group's cash-generating units ('CGU') that are expected to benefit from the synergies of the combination giving rise to the goodwill. The cash-generating units represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. In the case of Bourne, Bite Asia and Lexis, performance is monitored at the combined level, as such goodwill is reviewed for impairment at the aggregated level.

#### Cash flow projections

The recoverable amounts of all CGUs have been determined from value-in-use calculations based on the pre-tax operating profits before non-cash transactions including amortisation and depreciation. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets.

The initial projection period is based on operating profits in the 2016 budget approved by the Board for each cash-generating unit.

There are three possible stages to the impairment testing process. Stage three is reached only if impairment is indicated at stage one and two.

Stage one: The Board considers performance of businesses over the past financial year and future forecasted performance for the coming year. Based on that understanding, an expectation of businesses at risk of impairment is formed.

Stage two: Basic assumptions using long-term industry growth rates (2.5%) (2013: 2.5%) and constant margins applied to the latest data available (FY16 approved budget) are reviewed. This is considered appropriate based on experience and current expectations of the long-term industry growth rate and is used for all CGUs unless conditions specific to a CGU indicate that growth rates will be lower than the steady long-term rate. Where the 'value in use' exceeds the goodwill no further analysis is performed. However where the 'value in use' is lower than the goodwill associated with any of the brands, i.e. they have failed the test, the expectations are reviewed in more detail in stage three.

## 11 Intangible assets continued

Stage three: If, under stage two assumptions, the present value of future cash flows is less than the associated carrying value of goodwill, more specific assumptions for growth rates and margins over the projection period of four years following the 2016 budget are required and submitted to the Board.

In both stages, after the initial five-year projection period, a steady long-term growth rate of 2.5% with no improvement in operating margin has been applied to the pre-tax cash flow forecast into perpetuity.

### Pre-tax discount rate

A pre-tax rate being the Board's estimate of the discount rate of 16% (2013: 15%), has been used in discounting all projected cash flows. The board consider a pre-tax discount rate of 16% to be appropriate as this is already in the higher end of the spectrum amongst its peers, and view the rate as accurately reflecting the return expected by a market participant. The board have considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar PR businesses dependent on the mature economies in which they operate, the Board have considered no risk adjustment to the individual discount rates is required.

### Sensitivity to changes in assumptions

Two CGUs have been identified, which show indicators of impairment, those being Bourne and Lexis. With the exception of those two businesses, if expected growth rates reduced by 1% and the discount rates increased by 1%, this would not cause the carrying values of the groups of CGUs to exceed their recoverable amounts.

#### Lexis

Lexis has undergone a period of significant transformation in the past few years as part of the Group's digital transition. There have been changes in the senior management team and direction of the Company. As part of this transformation, the business continues to replace high-turnover, low-margin clients with higher value work. As part of an impairment review carried out earlier in the year, it was noted that the carrying value of goodwill significantly exceeded its recoverable amount and the Board determined that the value of goodwill should be impaired by £7,000,000. This was based on management's best estimate of the value in use.

#### Reasonably possible change

The further impairment review performed above has indicated that the recoverable amount is only 4% higher than the carrying amount and that a reasonably possible change to key assumptions used in determining the recoverable amount could cause an impairment. It was noted that in order for the carrying amount to exceed its recoverable amount, the discount rate applied would have to increase to 17.8% or the growth rate would have to reduce to 2.3%.

It is deemed that although the headroom is tight, the management forecasts used as basis for projection period are conservative in predicting future growth and the key assumptions applied are prudent. In addition, there have been no significant changes in business performance since the last impairment review that suggest a further impairment is required. Given the uncertain environment and sensitivity to results, management will continue to monitor the investment in Lexis closely.

#### Bourne

In stage two analysis, where 2.5% revenue growth rates have been used, the carrying value of Bourne UK goodwill exceeds its recoverable amount. The business was negatively impacted by the merger and demerger with Bite UK. This has resulted in business disruption and loss of clients to Bourne UK. Despite these changes, there has been significant growth in Bourne UK year on year. The business has now entered the US market and whilst management have been prudent in their estimates of future growth and profitability, it is expected that this will see them grow substantially over the next few years. In order for the recoverable amount to exceed the carrying value, revenue growth would have to increase to 4.7% with no proportionate increase in costs, or 5% with an increase in underlying costs to 3%. It is deemed that these models are prudent given the current growth rates in the Company and it is expected that they will be met. As such, no impairment has been proposed, although management will continue to monitor the position closely.

## NOTES TO THE ACCOUNTS CONTINUED

### 11 Intangible assets continued

#### Reasonably possible change

The further impairment review performed has indicated that a reasonably possible change to key assumptions used in determining the recoverable amount could cause an impairment. As noted above, in order for the carrying amount to exceed its recoverable amount, the revenue growth would have to be lower than 4.7% or 5% if the underlying costs increased.

Although the headroom is tight, management view the assumptions made on growth above to be conservative. In addition, since the last impairment review management have seen the business outperform their budgeted targets. Given the uncertain environment and sensitivity to results, management will continue to monitor the investment in Bourne UK closely.

### 12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 31 July 2012	3,722	6,817	1,681	33	12,253
Exchange differences	69	56	39	(2)	162
Additions	1,010	558	217	8	1,793
Acquired through business combinations	-	118	4	-	122
Disposals	(223)	(340)	(457)	(25)	(1,045)
At 31 July 2013	4,578	7,209	1,484	14	13,285
Exchange differences	130	(162)	(22)	5	(49)
Additions	2,285	1,492	320	75	4,172
Acquired through business combinations	195	172	55	-	422
Disposals	(773)	(2,542)	(576)	-	(3,891)
<b>At 31 January 2015</b>	<b>6,415</b>	<b>6,169</b>	<b>1,261</b>	<b>94</b>	<b>13,939</b>
<b>Accumulated depreciation</b>					
At 31 July 2012	2,685	5,518	1,298	31	9,532
Exchange differences	43	32	26	(1)	100
Charge for the year	566	799	172	3	1,540
Disposals	(187)	(356)	(484)	(25)	(1,052)
At 31 July 2013	3,107	5,993	1,012	8	10,120
Exchange differences	27	(164)	(14)	5	(146)
Charge for the year	853	1,173	288	18	2,332
Disposals	(770)	(2,497)	(551)	-	(3,818)
<b>At 31 January 2015</b>	<b>3,217</b>	<b>4,505</b>	<b>735</b>	<b>31</b>	<b>8,488</b>
<b>Net book value at 31 January 2015</b>	<b>3,198</b>	<b>1,664</b>	<b>526</b>	<b>63</b>	<b>5,451</b>
At 31 July 2013	1,471	1,216	472	6	3,165

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts is as follows: £109,000 of office equipment and furniture (2013: £318,000). Depreciation charged in the year in respect of finance leases was £7,000 (2013: £80,000).



### 13 Trade and other receivables

	2015 £'000	2013 £'000
<b>Current</b>		
Trade receivables	23,353	20,133
Less: provision for impairment of trade receivables	(662)	(651)
Trade receivables – net	22,691	19,482
Balance owing from associate	–	335
Other receivables	2,604	1,154
Prepayments	1,876	1,458
Accrued income	4,083	4,217
	<b>31,254</b>	<b>26,646</b>
<b>Non-current</b>		
Rent deposits	575	1,041

As of 31 January 2015, trade receivables of £662,000 (2013: £651,000) were impaired. Movements in the provision are as follows:

	2015 £'000	2013 £'000
At start of period	651	409
Provision for receivables impairment	284	456
Receivables written off during the year as uncollectable	(93)	(164)
Unused amounts reversed	–	(72)
Foreign exchange movements	(180)	22
<b>At period end</b>	<b>662</b>	<b>651</b>

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

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

	2015 £'000	2013 £'000
<b>Not past due</b>	<b>11,745</b>	<b>11,948</b>
Up to 30 days	6,166	4,496
31 to 60 days	2,767	1,864
Greater than 61 days	2,013	1,174
<b>At period end</b>	<b>22,691</b>	<b>19,482</b>

## NOTES TO THE ACCOUNTS CONTINUED

## 14 Trade and other payables

	2015 £'000	2013 £'000
<b>Current</b>		
Trade creditors	4,502	4,410
Finance lease obligation	40	63
Other taxation and social security	1,575	1,274
Short-term compensated absences	1,500	1,840
Other creditors	878	3,301
Accruals	10,300	7,727
Deferred income	7,114	5,603
	<b>25,909</b>	<b>24,218</b>
<b>Non-current</b>		
Finance lease obligation	40	88
Rental lease liabilities	2,255	–

## 15 Provisions

	2015 £'000	2013 £'000
At start of period	407	129
Additions	1,625	301
Used during year	(464)	(23)
<b>At period end</b>	<b>1,568</b>	<b>407</b>
Current	926	62
Non-current	642	345

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. At 31 January 2015 £122,000 (2013: £142,000) of the provision covers the cost of dilapidations on a property which Bite leased following refurbishments during the prior year. A dilapidations provision of £175,000 (2013: £106,000) has also been recognised by Lexis in respect of obligations under the lease on its premises. Due to the office co location in San Francisco an onerous lease provision has been recognised of £751,000 (2013: £Nil). £426,000 (2013: £Nil) has been created in relation to the office closures in EMEA. The remaining provision of £94,000 is management's best estimate of other provisions required.

## 16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015 £'000	2013 £'000	2015 £'000	2013 £'000
Amounts payable:				
Within one year	40	62	40	63
In two to five years	30	115	12	88
	<b>70</b>	<b>177</b>	<b>52</b>	<b>151</b>
Less: finance charges allocated to future periods	(18)	(26)	–	–
<b>Present value of lease obligations</b>	<b>52</b>	<b>151</b>	<b>52</b>	<b>151</b>

## 17 Other financial liabilities

	Deferred consideration <sup>2</sup> £'000	Contingent consideration <sup>1</sup> £'000	Share purchase obligation £'000	Total £'000
At 31 July 2012	–	7,932	3,989	11,921
Reclassification	1,537	(1,537)	–	–
Arising during the year	–	888	–	888
Changes in assumptions	–	254	(901)	(647)
Exchange differences	–	172	88	260
Utilised	(380)	(2,192)	–	(2,572)
Unwinding of discount	162	635	370	1,167
At 31 July 2013	1,319	6,152	3,546	11,017
Reclassification	1,241	(1,241)	–	–
Arising during the year	–	4,562	3,439	8,001
Changes in assumptions	–	1,253	(610)	643
Exchange differences	(65)	(37)	(88)	(190)
Utilised	(2,642)	(4,747)	(1,424)	(8,813)
Unwinding of discount	241	1,232	979	2,452
<b>At 31 January 2015</b>	<b>94</b>	<b>7,174</b>	<b>5,842</b>	<b>13,110</b>
Current	94	3,841	852	4,787
Non-current	–	3,333	4,990	8,323

<sup>1</sup> Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Republic Publishing, Agent3 and Morar Consulting. See note 26 for additional information on these acquisitions.

<sup>2</sup> Opening deferred consideration relates to Bourne where the quantity of the final payment has been agreed and was fully settled at the year end. At closing the deferred consideration relates to Bite India where the payment for the final 15% NCI has been agreed.

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 estimate the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY16 budget with further consideration being given to current and forecast wider market conditions. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earnout.

## NOTES TO THE ACCOUNTS CONTINUED

### 17 Other financial liabilities continued

#### Sensitivity analysis

Sensitivity analysis has been provided below for each significant arrangement which in the current year are deemed to be Morar, Republic and Blueshirt. The analysis focuses on two key metrics i) performance – where a basic assumption of a 10% uplift on the original forecast revenue in each year of the earnout is assumed and ii) timing – a comparison is made between the present value of the obligation, assuming settlement of the obligation based on best estimate, and at the most extreme alternative. 10% growth in revenue is used in each case in order to allow a consistent comparison of sensitivity across the different earnouts. It is also considered to be a realistic assumption for potential maximum volatility in most cases over the course of earnouts.

#### Morar

During the period the Group purchased a controlling interest in Morar. Contingent consideration has been recognised of £2.4m and a share purchase obligation of £1.4m to obtain the remaining 25% non-controlling interest. Both payments are based on the revenue growth of the business and the operating profit margins achieved. There is no sensitivity over the timing, the contingent consideration is due based on the results of FY17 and FY18 and the share purchase obligation is due based on the results of FY19 and FY20.

If the business outperforms current estimates by 10% then the contingent consideration would increase by £160,000 and the share purchase obligation would increase by £240,000.

#### Republic

During the period the Group also purchased a controlling interest Republic. Contingent consideration of £1.2m has been recognised with a share purchase obligation of £2.2m to acquire the remaining 49% of the business. Following the year end this earnout has been amended with the full non-controlling interest being purchased on 2 April, note 30.

#### Blueshirt

The IPO market in which Blueshirt operates is still considered to be the most volatile and makes it the most difficult to predict of all earnouts. A complete dislocation of this market could result in material variances from expected performance in any one year. A multiplier is applied to the calculation of earnout consideration and based on the business reaching certain profit margins. The potential multiples are six or seven, which further increase the scope volatility of estimates. Management therefore take a more medium-term view of likely growth in the business when setting expectations for the earnout obligations. The FY15 liability reflects an expectation of achieving the FY16 approved budget performance and thereafter achieving an average 7% growth in revenues over the remaining earnout period (accepting that there can be variances either side of that medium-term average in any one year). Consistent profit margins are anticipated each year with those expected in the FY16 approved budget.

Blueshirt has historically been considered the most sensitive to changes in revenue, both in terms of the magnitude of the balances and the proportionate movements. However due to the settlements in the period of £4.3m the remaining liability is now deemed to be less judgemental. The contingent consideration satisfied in cash will be made over the course of the next financial year based on a multiple of average profits and margin performance. There is an option for the sellers to sell the remaining 10.75% stake in Blueshirt after July 2017 and an option for Next 15 to acquire the remaining 10.75% after July 2018, provided that the value of the business at the relevant time has reached a certain level. A 10% uplift in expected revenue growth will result in an increase in the total liability of £32,000 (1%). For timing sensitivity over the share purchase obligation (£897,000), the accounting treatment assumes settlement will take place at the latest opportunity. If settled at the earliest opportunity, the liability would increase by £195,000 (21%) due to the expected revenue growth of the business being lower than the 16% pre-tax WACC being used to discount the liabilities.

## 18 Deferred taxation

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

	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Derivative financial instruments £'000	Other temporary differences £'000	Write off for misappropriation of assets £'000	Tax losses £'000	Total £'000
At 31 July 2012	361	515	1,056	81	(1,016)	74	1,466	538	-	3,075
Credit/(charge) to income	(114)	28	163	40	(360)	(31)	199	(538)	-	(613)
Exchange differences	-	(16)	-	-	-	-	(22)	-	-	(38)
Re class from current tax	-	-	-	-	(66)	-	-	-	-	(66)
Share option schemes	-	-	(84)	-	-	-	-	-	-	(84)
At 31 July 2013	247	527	1,135	121	(1,442)	43	1,643	-	-	2,274
Credit/ (charge) to income	236	89	604	(55)	2,491	(43)	525	-	360	4,207
Exchange differences	7	14	-	1	(69)	-	37	-	(43)	(53)
Acquisition of subsidiaries	3	-	-	-	(874)	-	-	-	70	(801)
Re class	-	-	-	-	-	-	(126)	-	126	-
Taken to equity	-	-	208	-	-	-	-	-	-	208
<b>At 31 January 2015</b>	<b>493</b>	<b>630</b>	<b>1,947</b>	<b>67</b>	<b>106</b>	<b>-</b>	<b>2,079</b>	<b>-</b>	<b>513</b>	<b>5,835</b>

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

	2015 £'000	2013 £'000
<b>Net deferred tax balance</b>		
Deferred tax assets	6,012	3,662
Deferred tax liabilities	(177)	(1,388)
<b>Net deferred tax asset</b>	<b>5,835</b>	<b>2,274</b>

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £956,236. The deferred tax asset not recognised in respect of tax losses available to carry forward includes amounts relating to the UK £186,954, Germany £406,635, Hong Kong £128,263 and Sweden £56,915 in respect of which there is no time limit for utilisation and other territories £177,468 that have time limits for utilisation of between five and eight years.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £29 million. No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

## 19 Financial instruments

## NOTES TO THE ACCOUNTS CONTINUED

### Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from operations.

In the previous period, the Group had an interest rate swap in place, with rates fixed at 2.09% less three month US Libor, above borrowing costs. The purpose of this contract was to manage the interest rate risks on the Group's sources of finance. This derivative transaction was terminated in October 2014.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax at 31 January 2015, based on period end balances and rates.

	Movement in basis points	2015 £'000	2013 £'000
United Kingdom	+200	(356)	(181)
US	+200	-	191

### Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long- and short-term committed facilities. On 29 October 2014, the Group signed a £20,000,000 revolving loan credit facility agreement with HSBC Bank available in multiple currencies, replacing the previous £16,000,000 facility with Barclays Bank. As at 31 January 2015 the Group had an undrawn amount of £2,338,000 (2013: £7,254,000). The interest rate is variable dependent on the net debt: EBITDA ratio and the facility is available to 29 October 2018.

In addition, on 18 December 2014, the Group entered into an overdraft facility with HSBC Bank, of £2,000,000 available at a rate of 2.25% above HSBC Bank's base rate in multiple currencies. This replaced the previous £1,500,000 facility with Barclays Bank (1.5% above Barclays Bank base rate) and US\$2,735,000 credit line with Wells Fargo Bank (available at the prime rate (3.25% as at 31 July 2013)). The overdraft facility is reviewed at the bank's discretion with no expiry date. At the balance sheet date, the Group had utilised £Nil of the HSBC Overdraft Bank facility (2013: £449,000 of the Barclays Bank facility and \$950,000 of the Wells Fargo facility).

## 19 Financial instruments continued

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2015 and 31 July 2013, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	Total £'000
<b>As at 31 January 2015</b>			
Financial liabilities	31,065	34,882	65,947
Derivative financial instruments – cash inflows	–	–	–
Derivative financial instruments – cash outflows	–	–	–
	31,065	34,882	65,947
<b>As at 31 July 2013</b>			
Financial liabilities	28,663	16,672	45,335
Derivative financial instruments – cash inflows	–	–	–
Derivative financial instruments – cash outflows	144	54	198
	28,807	16,726	45,533

### Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe, Africa and Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates.

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax at 31 January 2015 based on period end balances and rates.

	Weakening against sterling	2015 £'000	2013 £'000
US dollar	20%	612	(200)
Euro	20%	(144)	(371)
Australian dollar	20%	(79)	(44)
Chinese renminbi	20%	(321)	298
Hong Kong dollar	20%	(158)	(209)
Indian rupee	20%	(19)	20
Singapore dollar	20%	191	219

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's equity at 31 January 2015 based on period end balances and rates.

	Weakening against sterling	2015 £'000	2013 £'000
US dollar	20%	(100)	17
Euro	20%	(1)	84
Australian dollar	20%	(27)	(28)
Chinese renminbi	20%	33	(28)
Hong Kong dollar	20%	(18)	62
Indian rupee	20%	(85)	(17)
Singapore dollar	20%	(43)	29

## NOTES TO THE ACCOUNTS CONTINUED

### 19 Financial instruments continued

#### Credit risk

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

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

#### Maximum exposure to credit risk:

	2015 £'000	2013 £'000
Total trade and other receivables	31,254	26,646
Cash and cash equivalents	9,315	8,064

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings and finance leases, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2015 to 2020.

	2015 £'000	2013 £'000
Total loans and borrowings <sup>1</sup>	17,812	9,722
Obligations under finance leases	70	151
Less: cash and cash equivalents	(9,315)	(8,064)
Net debt	8,567	1,809
Total equity	37,202	38,193
Total capital	45,769	40,002

<sup>1</sup> Total loans and borrowings is made up of current obligations £100,000 and non-current obligations £17,712,000.

	2015 £'000	2013 £'000
Net debt	8,567	1,809
Share purchase obligation	5,842	3,546
Deferred consideration	94	1,319
Contingent consideration	7,174	6,152
	21,677	12,826



## 19 Financial instruments continued

### Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on gross borrowings to earnings before interest, tax, depreciation, amortisation ("EBITDA") and impairment; gross borrowings including earnout liabilities (note 17) to EBITDA and impairment; and net finance charges to EBITDA. There have been no breaches of the banking covenants in the current or prior period.

### Fair values of financial assets and liabilities

Fair value is the amount at which a financial instrument can be exchanged in an arm's-length transaction between informed and willing parties, other than a forced or liquidation sale.

The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 January 2015, with the exception of obligations under finance leases. The book value of obligations under finance leases is £70,000 (2013: £177,000) and the fair value is £52,000 (2013: £151,000).

### Financial instruments – detailed disclosures

#### Financial instruments recognised in the balance sheet

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the heading in which they are included are as follows:

	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
<b>As at 31 January 2015</b>				
<b>Non-current financial assets</b>				
Other receivables	-	-	575	575
	-	-	575	575
<b>Current financial assets</b>				
Cash and cash equivalents	-	-	9,315	9,315
Trade and other receivables	-	-	31,254	31,254
	-	-	40,569	40,569
<b>Current financial liabilities</b>				
Loans and borrowings	-	100	-	100
Trade and other payables	-	25,909	-	25,909
Provisions	-	926	-	926
Share purchase obligation <sup>1</sup>	852	-	-	852
Contingent consideration <sup>1</sup>	3,841	-	-	3,841
Deferred consideration <sup>1</sup>	94	-	-	94
	4,787	26,935	-	31,722
<b>Non-current financial liabilities</b>				
Loans and borrowings	-	17,712	-	17,712
Provisions	-	642	-	642
Other payables	-	2,295	-	2,295
Contingent consideration <sup>1</sup>	4,990	-	-	4,990
Share purchase obligation <sup>1</sup>	3,333	-	-	3,333
	8,323	20,649	-	28,972

<sup>1</sup> See note 17.

## NOTES TO THE ACCOUNTS CONTINUED

### 19 Financial instruments continued

The Group has no fair value Level 1 or 2 instruments, Level 3 instruments are as per the table above. In 2013 the Group had no Level 1 instruments, Level 2 instruments of £206,000 in relation to an interest rate cap and collar and Level 3 instruments as per the table below.

Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation, note 17.

	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 July 2013				
<b>Non-current financial assets</b>				
Other receivables	-	-	1,041	1,041
	-	-	1,041	1,041
<b>Current financial assets</b>				
Cash and cash equivalents	-	-	8,064	8,064
Trade and other receivables	-	-	26,646	26,646
	-	-	34,710	34,710
<b>Current financial liabilities</b>				
Loans and borrowings	-	591	-	591
Trade and other payables	-	24,218	-	24,218
Provisions	-	62	-	62
Share purchase obligation <sup>1</sup>	-	295	-	295
Contingent consideration <sup>1</sup>	3,207	-	-	3,207
Derivative financial liabilities	206	-	-	206
	3,413	25,166	-	28,579
<b>Non-current financial liabilities</b>				
Loans and borrowings	-	9,131	-	9,131
Provisions	-	345	-	345
Other payables	-	88	-	88
Deferred consideration <sup>1</sup>	1,319	-	-	1,319
Contingent consideration <sup>1</sup>	2,945	-	-	2,945
Share purchase obligation <sup>1</sup>	-	3,251	-	3,251
	4,264	12,815	-	17,079

<sup>1</sup> See note 17.

## 19 Financial instruments continued

### Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2015:

	Effective interest rate	2015 £'000	2013 £'000
<b>Current</b>			
Variable rate bank loan			
Variable rate bank loan	HSBC Bank base rate + 2.25%	-	-
Variable rate bank loan	Barclays Bank base rate + 1.5%	-	449
Fixed rate bank loan	Wells Fargo Bank call-loan rate + 2.75%	-	142
		-	591
Obligations under finance leases	3.42%	40	63
<b>Non-current</b>			
Variable rate bank loan	HSBC Bank base rate + 1.60%	17,662	-
Variable rate bank loan	Barclays Bank LIBOR + 2.25%	-	8,746
Variable rate bank loan	Wells Fargo Bank call-loan rate + 2.75%	-	85
Fixed rate bank loan	3.21%	-	300
		17,662	9,131
Obligations under finance leases	3.42%	30	88

### Hedge of net investment in foreign entity

A proportion of the Group's US dollar-denominated borrowings amounting to US\$4,800,000 is designated as a hedge of the net investment in the Group's US subsidiary M Booth & Associates, Inc. US\$1,700,000 has been designated as a hedge of the net investment in the Group's US subsidiary Blueshirt. A further US\$1,000,000 has been designated as a hedge of the net investment in the Group's US subsidiary Connections Media. An additional US\$6,600,000 has been designated as a hedge of the net investment in the Group's US subsidiary Story Worldwide LLC.

The fair value of the borrowings at 31 January 2015 is US\$14,100,000 (£9,363,000) (FY13: US\$12,000,000 (£7,915,000)). The foreign exchange loss of £104,000 (FY13: loss of £229,000) on translation of the borrowing to functional currency at the end of the reporting period is recognised in a hedging reserve, in shareholders' equity. As a result of ineffectiveness, £44,000 (FY13: £Nil) was transferred during the period from the hedging reserve as a credit to the income statement.

## 20 Share capital

### Called-up share capital

Ordinary Shares of 2.5p each:

	2015 Number	2013 Number
<b>Allotted, called up and fully paid</b>		
At 1 August 2013	59,757,027	58,148,961
Issued in the year in respect of contingent consideration and share purchase obligations	631,969	531,343
Issued in the year in satisfaction of exercised share options (note 21)	1,408,260	1,076,723
<b>At 31 January 2015</b>	<b>61,797,256</b>	<b>59,757,027</b>

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

## NOTES TO THE ACCOUNTS CONTINUED

## 21 Share-based payments

The Group uses the Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications. At each period end the cumulative expense is adjusted to take into account any changes in estimate of the likely number of shares expected to vest. Details of the relevant option schemes are given in note 22. All the share-based payment plans are subject to non market performance conditions such as adjusted earnings per share targets and continued employment. All schemes are equity-settled.

In the period ended 31 January 2015 the Group recognised a charge of £2,486,000 made up of; £580,000 (2013: £438,000) in respect of employment-related LTIP shares; £1,222,000 (2013: £131,000) in respect performance shares offered in respect of consideration for the remaining non-controlling interest acquired in Bourne in 2012 and a transaction whereby a restricted grant of equity was given to key management in Story Worldwide in place of a traditional earnout; and £684,000 (2013: £450,000) in respect of the disposal of a 15% interest in M Booth, and 5% interest in Bite US (note 26).

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

	Outstanding 31 July 2013 Number (‘000)	Granted number (‘000)	Lapsed number (‘000)	Exercised number (‘000)	Outstanding 31 January 2015 Number (‘000)	Exercisable 31 January 2015 Number (‘000)
Executive share option scheme	93	–	–	(93)	–	–
Long-Term Incentive Plan – options	48	–	–	(48)	–	–
Long-Term Incentive Plan – performance shares	4,929	1,755	(1,232)	(1,525)	<b>3,927</b>	–
Bourne Acquisition Grant	1,340	–	(93)	–	<b>1,247</b>	–
	6,410	1,755	(1,325)	(1,666)	<b>5,174</b>	–
Weighted-average exercise price (p)	1.33	–	–	5.11	–	–

A total of 1,666,000 share options were exercised during the year ended 31 January 2015 at a weighted average market share price of 78p (2013: 1,077,000 at 101p).

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

	Jan 2014	April 2014	Nov 2014
Fair value of performance shares granted under the LTIP (p)	69	88	120
Share price at date of grant (p)	85	106	144
Risk-free rate (%)	3.00	2.52	2.52
Expected life (years)	4	4	4
Expected volatility (%)	28%	28%	29%
Dividend yield (%)	3.04	2.42	2.40

Performance shares issued by the Company under the Next Fifteen Communications Group plc Long-Term Incentive Plan are granted at a nil exercise price.

## 22 Share options

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

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications				
Long-Term Incentive Plan	605,000	1 August 2011	31 July 2015	22 December 2011
	390,000	1 August 2011	31 July 2015	10 May 2012
	1,236,000	1 August 2012	31 July 2016	7 January 2013
	20,000	1 August 2012	31 July 2016	1 May 2013
	1,015,000	1 August 2013	31 July 2017	21 January 2014
	200,000	1 August 2013	31 July 2017	16 April 2014
	460,000	1 February 2014	31 January 2018	14 November 2014
	<b>3,926,000</b>			
Bourne Acquisition Grant				
	613,402	1 August 2012	31 July 2016	5 April 2012
	108,247	1 August 2012	31 July 2016	5 April 2012
	525,773	1 August 2012	31 July 2017	5 April 2012
	<b>1,247,422</b>			
	<b>5,173,422</b>			

Under the Next Fifteen Communications Group plc Executive Share Option Schemes ('ESOPs') except as explained hereafter, all options are normally exercisable on or after the third anniversary of the date of grant and remain exercisable until the tenth anniversary of the date of the grant, to the extent that they have vested. Options will vest in respect of one-third of the shares on each of the third, fourth and fifth anniversaries of their date of grant. Options granted to employees in California from 23 October 2001 are exercisable at a rate of 20% per year over five years from the date of grant. The vesting of all share options granted after 30 November 1999 is conditional on achievement of a performance criterion of the Group's earnings per share growing over a three-year period after the grant by at least 30%.

During the period the Company issued 1,871,652 shares to satisfy the part of the share option exercises/LTIP vesting which were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23).

For all awards under the LTIP, performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The level of vesting will be determined using the best three of the four years' performance for each performance measure. The growth of adjusted EPS of the Group must exceed the UK Consumer Price Index ('CPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest. If the growth of adjusted EPS over CPI is between an average of 3% and 10% per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis. The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit targets over the performance period. To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of the award will lapse on a straight-line basis. Employees who work in Group roles will be measured by reference to whole Group performance, rather than any particular business unit.

## NOTES TO THE ACCOUNTS CONTINUED

### 22 Share options continued

On 5 April 2012 the Group acquired the remaining 20% non-controlling interest in CMG Worldwide Limited ('Bourne'). As part of the settlement, three grants of performance shares were awarded, each of which has the same fair value characteristics but different non-market-based conditions attached to them. 721,649 of the options are based on budget targets over a four-year period in line with the budget performance targets of the standard LTIP options. These were issued in two separate grants, one for 108,247 and the other for 613,402. The grant of 108,247 does not contain any continuous employment conditions and is treated as part of the consideration settlement of the 20% non-controlling interest. The grant of 613,402 does not contain a continuous employment requirement over the four-year vesting period commencing on 1 August 2012.

The remaining grant of 525,773 performance shares contains a different performance condition based on a pure profit target to be achieved which is based on the average of FY16/FY17 results. These performance shares contain continuous employment conditions. The employment condition means that under IFRS 2, those options are deemed to be remuneration with the charge spread over that vesting period

### 23 Investment in own shares

#### Employee share ownership plan (ESOP)

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

At 31 January 2015 the ESOP held Nil (2013: 259,129) Ordinary Shares in the Company, which represents 0% (2013: 0.4%) of the Ordinary Share capital. The ESOP reserve of £227 (2013: £221,401) represents the cost of these shares held by the ESOP in the Company at 31 January 2015. The nominal value of shares held was £Nil (2013: £6,478), and the market value at 31 January 2015 was £Nil (2013: £235,807). The right to receive dividends on all shares has been waived.

During the period to 31 January 2015, a number of employees exercised their options. No shares were issued through the ESOP in satisfaction of share option exercises (2013: Nil). The ESOP subscribed for 1,406,871 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting for £Nil consideration (2013: 864,128 shares for £Nil consideration). No shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2013: 87,595 shares for £Nil proceeds).

#### Treasury shares

At 31 January 2015, the Group held no treasury shares (2013: Nil) at a cost of £Nil (2013: £Nil).

## 24 Other reserves

	ESOP reserve <sup>1</sup> £'000	Treasury shares £'000	Hedging reserve £'000	Total other reserves £'000
At 1 August 2012	-	-	(133)	(133)
Total comprehensive income for the year	-	-	(229)	(229)
Purchase and take on of shares	(245)	-	-	(245)
Movement due to restricted stock issue as part of acquisition arrangements	2	-	-	2
Movement due to ESOP share option and LTIP exercises	22	-	-	22
At 31 July 2013	(221)	-	(362)	(583)
Total comprehensive income for the year	-	-	(148)	(148)
Purchase and take on of shares	(35)	-	-	(35)
Movement due to ESOP share option and LTIP exercises	256	-	-	256
<b>At 31 January 2015</b>	<b>-</b>	<b>-</b>	<b>(510)</b>	<b>(510)</b>

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

## 25 Commitments and contingent liabilities

### Operating leases – Group as lessee

As at 31 January 2015, the Group's total future minimum lease rentals are as follows:

	2015 Land and buildings £'000	2015 Other £'000	2013 Land and buildings £'000	2013 Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	5,038	122	4,945	129
In two to five years	13,611	234	7,234	350
After five years	9,957	-	-	-
	<b>28,606</b>	<b>356</b>	12,179	479

## 26 Acquisitions and equity transactions

During the year the following transactions took place:

1. Set up of an equity incentive scheme for M Booth;
2. Set up of an equity incentive scheme for Bite NA;
3. Purchased the trade and assets of US-based business Story Worldwide and set up an equity incentive scheme for key management;
4. The acquisition of UK-based business Republic Publishing;
5. The acquisition of UK-based businesses Agent3 and Continuous Insight; and
6. The acquisition of UK-based business Morar Consulting;

More details on each transaction are provided below.

## NOTES TO THE ACCOUNTS CONTINUED

### 26 Acquisitions and equity transactions continued

#### 1. M Booth

On 1 August 2014, Next 15 established a long-term equity-based incentive scheme for the senior management team at M Booth to incentivise the new management following the closure of the earnout and exit of the CEO.

As at 31 July 2014, Next 15 owned 100% of the equity in M Booth LLC. On 1 August 2014, new Class B LLC units were issued to certain members of M Booth senior management, for £Nil consideration, granting rights to 12% of future equity appreciation for the M Booth brand. This transaction created a partnership between Group and the individual executives for U.S tax purposes. Additionally, the Class B LLC units holds value based on access to non-cumulative and restricted profit distributions on M Booth, LLC operating earnings. Equity appreciation is measured based on a multiple of the Brand operating earnings achieved in subsequent years over base line value determined at the date of grant. Any value is realised on any subsequent sale of the Class B Units to the Group restricted by defined terms around the timing and pricing formula. The purchase of the shares will be settled in Next 15 shares.

The holders of the 12% non-controlling interest have the option of selling 50% of their units back to Next 15 commencing at the end of fiscal year 2018 and the remaining 50% interest can be sold by the participant at the end of fiscal year 2019 or any subsequent fiscal year or held indefinitely. In the event a unit holder leaves the business, Next 15 have the option to repurchase the shares under a consistent pricing formula.

The allotment of shares is accounted for as an equity settled share-based payment with no performance period resulting in a one-off charge (£641,000) to the income statement at inception.

#### 2. Bite NA

On 1 October 2014, Next 15 established a long-term equity-based incentive scheme for the senior management team at Bite NA to incentivise a change in the commercial behaviour and to drive improved revenue growth and margin increase.

As at 30 September 2014, Next 15 owned 100% of the equity in Bite Corporation LLC. On 1 October 2014, new Class B LLC units were issued to certain members of Bite Corporation senior management, for £Nil consideration, granting rights to 5% of future equity appreciation for the Bite NA brand. This transaction created a partnership between Group and the individual executives for U.S tax purposes. Additionally, the Class B LLC units holds value based on access to non-cumulative and restricted profit distributions on Bite Corporation, LLC operating earnings. Equity appreciation is measured based on a multiple of the Brand operating earnings achieved in subsequent years over base line value determined at the date of grant. Any value is realised on any subsequent sale of the Class B Units to the Group restricted by defined terms around the timing and pricing formula. The purchase of the shares will be settled in Next 15 shares.

The holders of the 5% non-controlling interest have the option of selling 50% of their units back to Next 15 commencing at the end of fiscal year 2018 and the remaining 50% interest can be sold by the participant at the end of fiscal year 2019 or any subsequent fiscal year or held indefinitely. In the event a unit holder leaves the business, Next 15 have the option to repurchase the shares under a consistent pricing formula.

The allotment of shares is accounted for as an equity settled share-based payment with no performance period resulting in a one-off charge (£43,000) to the income statement at inception.

#### 3. Story Worldwide

On 23 September 2014, Next 15 formed SWLLC Acquisition LLC 'Story Worldwide', a US based business, for the purpose of acquiring certain trade and assets from Story Worldwide LLC 'Old Story'. On 1 November 2014 Story Worldwide paid \$6,600,000 for the purchase of certain trade and assets of the Old Story.

In the post acquisition period, the Story Worldwide business contributed £2,203,000 to revenue and £95,000 to profit before tax.



## 26 Acquisitions and equity transactions continued

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments <sup>1</sup> £'000	Fair value to the Group £'000
<b>Non-current assets</b>			
Acquired intangible assets <sup>1</sup>	–	1,941	1,941
Property, plant and equipment	442	–	442
Other receivables	129	–	129
<b>Current assets</b>			
Cash and cash equivalents	110	–	110
Other current assets <sup>2</sup>	1,734	–	1,734
Current liabilities	(1,513)	–	(1,513)
<b>Non-current liabilities</b>			
	<b>(194)</b>	<b>–</b>	<b>(194)</b>
<b>Net assets acquired</b>			
	<b>708</b>	<b>1,941</b>	<b>2,649</b>
Goodwill <sup>3</sup>			1,733
			<b>4,382</b>
<b>Consideration</b>			
Cash consideration			4,382
			<b>4,382</b>

<sup>1</sup> The fair value adjustment relating to intangible assets is due to the recognition of £1,004,000 in respect of customer relationships and £937,000 in respect of brand name which will be amortised over six years and 20 years respectively.

<sup>2</sup> The fair value receivables acquired is £1,361,000.

<sup>3</sup> Goodwill that is expected to be deductible for tax purposes is £1,733,000.

The non-controlling interest is measured as a proportion of net assets.

Following the acquisition of the trade and assets on 1 November 2014, Next 15 established a long-term equity-based incentive scheme for the senior management team at Story Worldwide in place of a traditional earnout mechanism. This is in order to provide an incentive mechanism for the senior management team at Story Worldwide.

As at 31 October 2014, Next 15 owned 100% of the equity in Story Worldwide. On 1 November 2014, new Class B LLC units were issued to certain members of Story Worldwide senior management, for £Nil consideration, granting rights to 50% of future equity appreciation for the Story Worldwide brand. This transaction created a partnership between Group and the individual executives for U.S tax purposes. Additionally, the Class B LLC units holds value based on access to non-cumulative and restricted profit distributions on Story Worldwide, LLC operating earnings. Equity appreciation is measured based on a multiple of the Brand operating earnings achieved in subsequent years over base line value determined at the date of grant. Any value is realised on any subsequent sale of the Class B Units to the Group restricted by defined terms around the timing and pricing formula. The purchase of the shares will be settled in Next 15 shares.

The holders of the 50% non-controlling interest have the option of selling 30% of their units back to Next 15 commencing at the end of fiscal year 2018, a further 30% of their interest at the end of fiscal year 2020 and the remaining 40% interest can be sold by the participant at the end of fiscal year 2022 or any subsequent fiscal year or held indefinitely. In the event a unit holder leaves the business, Next 15 have the option to re-purchase the shares under a consistent pricing formula.

The allotment of shares is accounted for as an equity settled share-based payment with no performance period resulting in a one-off charge (£1,049,000) to the income statement at inception.

## NOTES TO THE ACCOUNTS CONTINUED

### 26 Acquisitions and equity transactions continued

#### 4. Republic

On 14 January 2014, Next 15 acquired 51% of the issued share capital of Republic Publishing Limited ('Republic'), a content marketing agency based in the UK.

The initial consideration consisted of cash on completion of £735,000. A working capital payment of £385,000 was paid on 6 March 2014 to reflect the final balance sheet at the acquisition date. A top-up payment has been paid following the year end, (note 30), based on revenue and profit margin targets for the 12 months from acquisition.

Further to this a mechanism is in place to purchase the remaining 49% of the business over the next two to six years. The total present value of the share purchase obligation is £2,245,000.

Goodwill of £1,471,000 arises from anticipated profitability and future operating synergies from the acquisition.

Intangible assets of £1,044,000 have been recognised in respect of customer relationships and will be amortised over five years.

In the post-acquisition period, the Republic business contributed £3,334,000 to revenue and £502,000 to profit before tax.

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
<b>Non-current assets</b>			
Acquired intangible assets	–	1,044	1,044
Property, plant and equipment	3	–	3
<b>Current assets</b>			
Cash and cash equivalents	682	–	682
Other current assets <sup>1</sup>	331	–	331
Current liabilities	(401)	–	(401)
Deferred tax liability	–	(220)	(220)
<b>Net assets acquired</b>	<b>615</b>	<b>824</b>	<b>1,439</b>
Goodwill			1,471
			<b>2,910</b>
<b>Consideration</b>			
Cash consideration			1,120
Total contingent consideration			977
			2,097
Fair value of non-controlling interest			813
			<b>2,910</b>

<sup>1</sup> The fair value receivables acquired is £331,000.

The non-controlling interest is measured as a proportion of net assets.

Following the year end this deal has been restructured, note 30.

## 26 Acquisitions and equity transactions continued

### 5. Agent3 and Continuous Insight

On 14 February 2014, Agent3 Limited, a digital marketing consultancy in which Next 15 held a 45% stake, acquired the entire issued share capital of UK-based Continuous Insight Limited, a business which provides customer and market insight to large business to business enterprise organisations operating in the IT, Telecommunications and Professional Services sectors.

The initial consideration consisted of 12.5% of the issued share capital in Agent 3 Limited and £760,000 paid in cash at completion with a deferred consideration payment of £120,000 which was paid on 14 August 2014. Working capital payments of £234,000 and £100,000 were paid on 10 March 2014 and 25 March 2014 respectively to reflect the final balance sheet at the acquisition date. Further contingent consideration which is capped at £230,000 has become payable following the achievement of certain revenue and profit performance targets over the one year period ended 31 January 2015.

As part of the transaction, Next 15's holding in Agent3 increased to 54%. This majority stake has therefore resulted in the consolidation of Agent3 into the Next 15 group accounts. Next 15 has entered into a shareholders' agreement under which it has an obligation to purchase 14% of the remaining non-controlling interest and an option but not obligation to purchase a further 36% of the remaining non-controlling interest over the next three to five years based on the profitability of the business.

Next 15 also has the option to purchase the minority shareholdings on the cessation of employment of the relevant minority shareholders. Any share purchase obligation that may become payable may be satisfied by cash or up to 25% in Next 15 shares at the full discretion of Next 15.

Goodwill of £1,108,000 arises from anticipated profitability and future operating synergies from the combination.

Intangible assets of £664,000 have been recognised in respect of customer relationships and £143,000 for Non-compete agreements, both of which will be amortised over six years.

In the post-acquisition period, the Agent3 and Continuous Insight businesses have contributed £3,300,000 to billings and £280,000 to profit before tax.

At the acquisition date the fair value of the equity interest in the acquiree was £Nil. The amount of gain recognised as a result of remeasuring to fair value the equity interest was £Nil.

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
<b>Non-current assets</b>			
Acquired intangible assets	-	807	807
Property, plant and equipment	47	-	47
<b>Current assets</b>			
Cash and cash equivalents	655	-	655
Other current assets <sup>1</sup>	1,040	-	1,040
Current liabilities	(1,677)	-	(1,677)
Deferred tax liability	-	(135)	(135)
<b>Net assets acquired</b>	<b>65</b>	<b>672</b>	<b>737</b>
Goodwill			1,108
			<b>1,845</b>
<b>Consideration</b>			
Cash consideration			1,214
Total contingent consideration			230
			1,444
Fair value of non-controlling interest			401
			<b>1,845</b>

<sup>1</sup> The fair value receivables acquired is £1,040,000.

The non-controlling interest is measured as a proportion of net assets.

## NOTES TO THE ACCOUNTS CONTINUED

### 26 Acquisitions and equity transactions continued

#### 6. Morar

On 4 December 2014, Next 15 acquired 75% of the issued share capital of Morar Consulting Limited ('Morar'), an international market research consultancy based in London, which measures and advises on brand performance.

The initial consideration consisted of cash on completion of £1,350,000. An estimated working capital payment of £476,000 is expected to be paid shortly to reflect the final balance sheet at the acquisition date. Contingent consideration, due in three years, has an estimated present value at the date of acquisition of £1,955,000 based on future revenue growth and profit margin performance.

Further to this a mechanism is in place to purchase the remaining 25% of the business over the next five years. The total present value of the share purchase obligation is £1,319,000.

Goodwill of £1,913,000 arises from anticipated profitability and future operating synergies from the acquisition.

Intangible assets of £2,582,000 have been recognised in respect of customer relationships, non-compete agreements and Intellectual Property and will be amortised over five, five and three years respectively.

In the post-acquisition period, the Morar business contributed £430,000 to revenue and £83,000 to profit before tax.

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments <sup>1</sup> £'000	Fair value to the Group £'000
<b>Non-current assets</b>			
Acquired intangible assets <sup>1</sup>	–	2,582	2,582
<b>Current assets</b>			
Cash and cash equivalents	433	–	433
Other current assets <sup>1</sup>	532	–	532
Current liabilities	(356)	–	(356)
Deferred tax liability	–	(519)	(519)
<b>Net assets acquired</b>	<b>609</b>	<b>2,063</b>	<b>2,672</b>
Goodwill			1,913
			<b>4,585</b>
<b>Consideration</b>			
Cash consideration			1,350
Total contingent consideration			2,438
			3,788
Fair value of non-controlling interest			797
			<b>4,585</b>

<sup>1</sup> The fair value receivables acquired is £228,000.

The non-controlling interest is measured as a proportion of net assets.

## 27 Subsidiaries

The Group's principal subsidiaries at 31 January 2015 are listed below:

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group
August.One Communications International Limited	England	✓	100
Beijing Text 100 Consulting Services Limited	China		100
Bite Communications Corporation	USA		100
Bite Communications Limited	England		100
The Lexis Agency Limited	England		100
M Booth & Associates, Inc.	USA		100
Next Fifteen Communications Corporation	USA	✓	100
The OutCast Agency	USA		100
Paratus Communications Limited	England		85.9
Redshift Research Limited	England	✓	100
Text 100 AB	Sweden		100
Text 100 BV	Netherlands		100
Text 100 Corporation	USA		100
Text 100 SARL	France		100
Text 100 GmbH	Germany	✓	100
Text 100 International Limited	England	✓	100
Text 100 Italy Srl	Italy		100
Text 100 Limited	England		100
Text 100 Pte Limited	Singapore		100
Text 100 (Pty) Limited	South Africa		100
Text 100 Pty Limited	Australia		100
Text 100 SL	Spain		100
Text Hundred India Private Limited	India		100
Vox Public Relations India Private Limited	India		100
Soundbite Communications SARL	France		100
Bite Digital Communications Private Limited	India		85
Blueshirt Group LLC	USA		89.3
Bourne Marketing Group Inc	USA		100
463 Communications, LLC	USA		76
Bite Asia Holdings Limited	England	✓	100
Bite Marketing Consulting Pte Limited	Singapore		100
Bite Communications Hong Kong Limited	Hong Kong		100
Bite Marketing Consulting Pty Limited	Australia		100
Upstream Asia (China) Consulting Limited	China		100
Republic Publishing Limited	England		51
Agent 3 Limited	England		54
Story Worldwide LLC	USA	✓	50
Morar Consulting Limited	England		75
Connection Media LLC	USA	✓	80
Beyond Corporation Limited	England	✓	67
Beyond International Corporation	USA		67

The above list does not include all the subsidiary companies of Next Fifteen Communications Group plc, as the Directors consider that to give full particulars of all Group undertakings would lead to a statement of excessive length.

## NOTES TO THE ACCOUNTS CONTINUED

### 27 Subsidiaries continued

The principal activity of the subsidiary undertakings is communications consultancy specialising predominantly in the technology sector, except for The Lexis Agency Limited, Paratus Communications Limited and M Booth & Associates, Inc., which work for clients predominantly in consumer sectors, Redshift Research Limited, which is a research company, Blueshirt Group LLC which is an investor and media relations agency, Connections Media and Beyond Corporation Limited and Beyond International Corporation which are digital marketing consultancies.

All subsidiary undertakings operate in the country in which they have been incorporated.

All subsidiary undertakings listed are included in the consolidated results.

### 28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the period to 31 January 2015 there were the following related-party transactions:

463 provided consultancy services to Digital Citizens Advisory Alliance ("DCAA"). A Director of 463 has an interest in this company. £133,103 (2013: £95,445) was outstanding at the year end, and there was an expense of £922,056 (2013: £252,412) in the period.

Bite US provided PR, marketing and consulting services and sublease office space to Series C LLC in which Next 15 have a 20% interest. Income from the sublease was \$20,000 (£12,000).

Text 100 France provided services to Sofitel during the year for blogger outreach and community management. The sister-in-law of a Director at Text 100 has an interest in this company. Income of £9,845 (2013: £15,660) was recognised in the year and £Nil is outstanding at the year end.

Text 100 Denmark provided media relations services to Barsmark. A senior executive at Text 100 has an interest in this company. Income of £6,685 was recognised in the year and £Nil is outstanding at the year end.

Blueshirt received website design services from Danne Design Corp for website design. One Director has an interest in this company through their parent. The cost of services provided was £2,259 (2013: £383) and £1,000 is outstanding at the year end (2013: £Nil).

Bite Hong Kong received video editing and shooting services from Merz Productions Ltd in which one of the Bite Directors has an interest through their spouse. During the year £9,940 (2013: £3,034) was recognised as an expense and £312 (2013: £Nil) is outstanding at the period end.

Agent3 have received research and analysis services from TATA Communications Ltd network services. The wife of a Director has an interest in the company. An expense of £1,125 was recognised in the year, there was £Nil outstanding at the period end.

Bite Australia leased a motor vehicle from the spouse of a Director. An expense of £15,000 was recognised during the year and £Nil is outstanding at the year end.

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris and Richard Eyre received dividends of £248,590, £975 and £5,896 respectively. In addition a Director's wife also received £8,134. Key management personnel compensation is disclosed in note 3.

## 29 Operating lease rental receivables

As at 31 January, the Group's total future minimum lease payments receivable under non-cancellable leases are as follows:

	2015 £'000	2013 £'000
<b>In respect of operating leases which will be receivable in the period:</b>		
Within one year	122	124
In two to five years	–	24
In greater than five years	82	–
	<b>204</b>	<b>148</b>

## 30 Events after the balance sheet date

### Republic

Further to the acquisition of the 51% interest in Republic on the 21 January 2014, on 2 April 2015, Next 15 purchased the remaining minority interest in Republic for an aggregate consideration of £3,000,000. The consideration comprises £1,800,000 in cash, 302,094 shares in Next 15 and a deferred payment of £700,000 which is due to be settled in 2016.

### Beyond

On 2 April 2015, Next 15 acquired the remaining 32.8% minority interests in Beyond Corporation Limited and Beyond International Corporation 'Beyond', its digital experience design agency, for an aggregate consideration of £2,370,000. The consideration comprises £2,000,000 in cash with the balance being satisfied in Next 15 shares.

### Animl

On 11 March 2015, Next 15 purchased 30% of the issued share capital of Animl Limited, a two-year old creative business, for £110,000 and a top up payment. It was founded to deliver 'a newer, better response to conventional marketing spend' by fusing great storytelling and digital innovation and will work closely alongside The Lexis Agency Ltd, Bite DA and N15's recent acquisition, Morar Consulting.

There is a put and call option to buy the remaining 70% over the next five years.

### Placing

On 29 January 2015 the Group announced their intention to place 3,089,862 new Ordinary Shares of 2.5p each in the capital of the Company at a price of 145p per Placing Share. On 29 January 2015 the Group further announced the successful placing of the new capital by Investec Bank plc.

The Placing Shares rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

### Encore

On the 27 April, Next 15 purchased 75% of the issued share capital of Encore Digital Media Limited, a programmatic advertising technology business, for initial cash consideration of £687,000, with a right to purchase the remaining shares over a 5 year period.

## COMPANY BALANCE SHEET

as at 31 January 2015 and 31 July 2013

	Note	2015 £'000	2015 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Tangible assets	3		553		157
Investments	4		75,295		70,776
			75,848		70,933
<b>Current assets</b>					
Debtors: amounts falling due within one year	5	10,098		4,508	
		10,098		4,508	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	6	17,232		8,426	
<b>Net current liabilities</b>			(7,134)		(3,918)
<b>Total assets less current liabilities</b>			68,714		67,015
Creditors: amounts falling due after more than one year	7		(21,312)		(10,066)
<b>Net assets</b>			47,402		56,949
<b>Capital and reserves</b>					
Called up share capital	9	1,545		1,494	
Share premium account	9	8,272		7,557	
Merger reserve	9	3,075		3,075	
Share-based payment reserve	9	3,941		3,183	
ESOP reserve	9	-		(221)	
Other reserve	9	28,417		28,566	
Profit and loss account	9	2,152		13,295	
<b>Equity shareholders' funds</b>	9		47,402		56,949

The following notes are an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board on 27 April 2015.



**P HARRIS**  
CHIEF FINANCIAL OFFICER  
Company number 01579589



# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the 18-month period ended 31 January 2015 and 12-month period ended 31 July 2013

	Company period ended 2015 £'000	Company year ended 2013 £'000
Profit attributable to shareholders	(8,137)	3,159
Dividends	(3,006)	(1,409)
	(11,143)	1,750
Issue of shares	766	662
Movement on share-based payment reserve	758	568
Movement of own equity shares held in ESOP	221	(221)
Movement on other reserve	(149)	-
Net addition to shareholders' funds	(9,547)	2,759
Opening shareholders' funds	56,949	54,190
Closing shareholders' funds	47,402	56,949

# NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

for the period ended 31 January 2015

## 1 Accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

### Change in year end

The Company has changed the end of its reporting period to 31 January 2015. The period covered by the financial statements is therefore 1 August 2013 to 31 January 2015. The reason for this was to better align with clients' budgeting cycles, the majority of whom have December year ends. This means that the amounts presented in the financial statements are not entirely comparable.

### Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 are met, shares issued as part of an acquisition the Company records the cost of the investment at the nominal value of the shares issued and records the excess of fair value over nominal value as a merger reserve. This is applicable where equity interest is greater than 90%.

### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Office equipment      20% to 50% per annum straight-line.

Computer software    20% to 50% per annum straight-line.

The carrying values of tangible fixed assets are reviewed for impairment periodically if events or changes in circumstances indicate the carrying value may not be recoverable.

### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rates of exchange ruling at the dates of the transactions. Exchange gains and losses and translation differences are taken directly to the profit and loss account.

### Financial instruments

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

### Leasing transactions

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

### Pension costs

Pension costs, which relate to payments made by the Company to employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

### Investments

Fixed asset investments are stated at cost less provisions for impairment.

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## 1 Accounting policies continued

### Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Share-based employee remuneration

Details of all grants are disclosed in note 22 of the consolidated financial statements.

Fair value is measured by use of a Black-Scholes model on the grounds that there are no market-related vesting conditions. The expected life used in the model has been adjusted, based on the Board's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Details of the risk-free rate and dividend yield used to underpin these assumptions are included in note 21 of the consolidated financial statements. The market price on the grant date is obtained from external publicly available sources.

### Employee share ownership plan

The cost of the Company's shares held by the ESOP is deducted from shareholders' funds in the Consolidated and Company Balance Sheet. Any gain or loss made by the ESOP on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the ESOP (including borrowings) are recognised as assets and liabilities of the Company.

### Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument.

### Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Dividends receivable from investments are recognised in the profit and loss account in the period in which they are paid.

### Cash flow statement

The Company has applied the exemption allowed under FRS 1 and has not presented a cash flow statement. The cash flow statement has been presented in the Group financial statements.

## 2 Profit and loss account of the Parent Company

The Parent Company's loss after tax for the financial year was £8,137,000 (2013: profit after tax of £3,159,000).

## NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the period ended 31 January 2015

### 3 Tangible assets

	Office equipment £'000	Computer software £'000	Total £'000
<b>Cost</b>			
At 1 August 2013	651	1,507	2,158
Additions	44	535	579
<b>At 31 January 2015</b>	<b>695</b>	<b>2,042</b>	<b>2,737</b>
<b>Accumulated depreciation</b>			
At 1 August 2013	609	1,392	2,001
Charge for the year	22	161	183
<b>At 31 January 2015</b>	<b>631</b>	<b>1,553</b>	<b>2,184</b>
<b>Net book value</b>			
<b>At 31 January 2015</b>	<b>64</b>	<b>489</b>	<b>553</b>
At 31 July 2013	42	115	157

### 4 Investments

	Total £'000
<b>Cost</b>	
At 1 August 2013	70,776
Acquisitions <sup>1</sup>	7,221
Additional investment in 100% owned subsidiary <sup>2</sup>	9,940
Investment write off <sup>3</sup>	(8,483)
Disposal of subsidiary <sup>4</sup>	(4,159)
<b>At 31 January 2015</b>	<b>75,295</b>

<sup>1</sup> On 23 August 2013 the Company purchased the non-controlling interest of Beyond Corporation Limited previously held by David Hargreaves. The NCI accounted for 10.4% of the Company. On 14 January 2014, the Company purchase 51% of the issued share capital of Republic Publishing. In December 2014 the Company purchased 75% on the issued share capital in Morar Consulting Limited.

<sup>2</sup> The additional investment in a subsidiary follows the issue of additional shares by the Company's 100% subsidiary, August.One International Limited. The additional shares were acquired at a premium in order to fund the settlement of contingent and deferred consideration payments for certain US subsidiaries.

<sup>3</sup> During the year a number of dormant companies were closed down leading to investment write offs of £629k. In addition the decision was taken to provide against the investment in Panther Communications following a period of poor trading within its subsidiaries £7,854k.

<sup>4</sup> On 1 August 2013 Bourne UK was sold to Bite Communications Group Limited another 100% owned subsidiary.

The Directors consider the value of investments in subsidiary undertakings to be not less than that stated in the balance sheet of the Company.

The Group's principal subsidiaries are listed in note 27 of the consolidated financial statements.

## 5 Debtors

	Company 2015 £'000	Company 2013 £'000
<b>Amounts falling due within one year:</b>		
Amounts due from subsidiary undertakings	8,562	3,115
Amounts due from associate	–	328
Other debtors	561	160
Prepayments and accrued income	197	799
Deferred tax asset	400	83
Corporation tax	247	–
Other taxation	131	23
<b>Total debtors</b>	<b>10,098</b>	<b>4,508</b>

## 6 Creditors: amounts falling due within one year

	Company 2015 £'000	Company 2013 £'000
Overdraft	4,038	1,647
Trade creditors	546	202
Amounts owed to subsidiary undertakings	12,227	6,077
Corporation tax	–	4
Other taxation and social security	112	43
Other creditors	104	2
Accruals and deferred income	205	451
<b>Total</b>	<b>17,232</b>	<b>8,426</b>

## 7 Creditors: amounts falling due after more than one year

	Company 2015 £'000	Company 2013 £'000
Bank loan <sup>1</sup>	17,662	8,747
Contingent consideration	3,650	1,319
<b>Total</b>	<b>21,312</b>	<b>10,066</b>

<sup>1</sup> The entire bank facility is secured on guarantees from the guarantor pool.

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2015.

## NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the period ended 31 January 2015

### 8 Related-party transactions

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

	Intercompany Interest		Recharges	
	Period ended 2015 £'000	Year ended 2013 £'000	Period ended 2015 £'000	Year ended 2013 £'000
463 Communications LLC	-	-	39	52
Agent3 Limited	(20)	2	98	-
Beyond Corporation Limited	(1)	-	213	28
Beyond International Corporation	4	(1)	153	11
Blueshirt Group LLC	-	-	109	41
Connection Media LLC	-	-	38	2
M Booth & Associates LLC	-	-	217	-
The OutCast Agency LLC	-	-	273	92
Paratus Communications Limited	-	-	14	-
Republic Publishing Limited	-	-	63	-
Republic Publishing Corporation	-	-	42	-

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

	Period ended 2015 £'000	Year ended 2013 £'000
463 Communications LLC	9	42
Agent3 Limited	921	-
Animo Agency Limited	84	(42)
Beyond Corporation Limited	337	74
Beyond International Corporation	100	2
Bite Digital Communications Private Limited	6	-
Blueshirt Group LLC	21	(23)
Connection Media LLC	13	2
M Booth & Associates LLC	93	-
The OutCast Agency LLC	79	(74)
Paratus Communications Limited	9	-
Republic Publishing Limited	146	-
Republic Publishing Corporation	9	-
Morar Consulting Limited	37	-
Story Worldwide LLC	(7)	-

## 9 Reserves

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Treasury shares £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 31 July 2012	1,454	6,935	3,075	2,615	-	-	28,566	11,545	54,190
Profit attributable to shareholders	-	-	-	-	-	-	-	3,159	3,159
Dividends	-	-	-	-	-	-	-	(1,409)	(1,409)
Shares issued in satisfaction of vested share options and performance shares	27	72	-	-	-	-	-	-	99
Shares issued to existing subsidiaries	13	550	-	-	-	-	-	-	563
Movement in relation to share-based payments	-	-	-	568	-	-	-	-	568
Movement due to ESOP share purchases	-	-	-	-	(245)	-	-	-	(245)
Movement due to ESOP share option exercises	-	-	-	-	24	-	-	-	24
At 31 July 2013	1,494	7,557	3,075	3,183	(221)	-	28,566	13,295	56,949
Profit attributable to shareholders	-	-	-	-	-	-	-	(8,137)	(8,137)
Dividends	-	-	-	-	-	-	-	(3,006)	(3,006)
Shares issued in satisfaction of vested share options and performance shares	35	82	-	-	-	-	-	-	117
Shares issued on acquisition	16	633	-	173	-	-	-	-	822
Movement in hedging reserve	-	-	-	-	-	-	(149)	-	(149)
Movement in relation to share-based payments	-	-	-	585	-	-	-	-	585
Movement due to ESOP share purchases	-	-	-	-	(34)	-	-	-	(34)
Movement due to ESOP share option exercises	-	-	-	-	255	-	-	-	255
<b>At 31 July 2015</b>	<b>1,545</b>	<b>8,272</b>	<b>3,075</b>	<b>3,941</b>	<b>-</b>	<b>-</b>	<b>28,417</b>	<b>2,152</b>	<b>47,402</b>

## FIVE-YEAR FINANCIAL INFORMATION

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

	Year ended 2015 IFRS £'000	Year ended 2014 IFRS £'000	Year ended 2013 IFRS £'000	Year ended 2012 IFRS £'000	Year ended 2011 IFRS £'000
<b>Profit and loss</b>					
Billings	126,159	118,278	109,427	108,958	98,629
Revenue	109,194	98,749	92,890	90,553	78,936
Staff costs	77,108	68,988	64,705	62,465	54,075
Operating profit	(555)	4,705	5,381	8,309	7,338
Net finance (expense)	(2,577)	(1,382)	(60)	(602)	(1,629)
Profit before income tax	(2,864)	3,313	5,332	7,707	5,709
Income tax (expense)	1,486	(1,802)	(1,384)	(2,314)	(1,712)
Profit for the year	(1,378)	1,511	3,948	5,393	3,997
Non-controlling interests	589	475	485	333	174
Profit attributable to owners of the parent	(1,967)	1,036	3,463	5,060	3,823
<b>Balance sheet</b>					
Non-current assets	57,458	49,868	48,124	46,587	39,496
Net current assets	8,893	(1,920)	9,903	11,917	(2,016)
Non-current liabilities	(29,149)	(8,048)	(18,714)	(23,095)	(9,763)
Total equity attributable to owners of the parent	37,974	37,060	37,070	31,778	25,856
Non-controlling interests	(773)	2,840	2,243	3,631	1,861
Total equity	37,202	39,900	39,313	35,409	27,717
<b>Cash flow</b>					
Profit for the year	(1,378)	1,511	3,948	5,393	3,997
Non-cash adjustments and working capital movements	5,600	(1,493)	(600)	(471)	(1,143)
Net cash generated from operations	17,960	8,976	8,639	11,080	8,950
Income tax paid	(2,316)	(1,461)	(2,968)	(2,251)	(2,662)
Net cash from operating activities	15,644	7,515	5,671	8,829	6,288
Acquisition of subsidiaries net of cash acquired	(5,544)	(616)	(705)	(2,913)	(2,794)
Acquisition of property, plant and equipment	(3,225)	(1,052)	(1,736)	(1,368)	(1,569)
Net cash outflow from investing activities	(14,842)	(4,522)	(4,473)	(8,576)	(5,063)
Net cash movement in bank borrowings	6,300	(586)	(763)	2,074	3,409
Dividends paid to owners of the parent	(3,006)	(1,409)	(1,208)	(1,045)	(932)
Net cash inflow/(outflow) from financing activities	2,042	(3,156)	(2,609)	160	931
Increase/decrease in cash for the year	2,844	(163)	(1,411)	413	2,156
Dividend per share (p)	4.80	2.63	2.36	2.10	1.89
Basic earnings per share (p)	(3.23)	1.73	5.99	9.08	7.02
Diluted earnings per share (p)	(2.91)	1.55	11.09	7.82	6.23



	Year ended 2015 IFRS £'000	Year ended 2014 IFRS £'000	Year ended 2013 IFRS £'000	Year ended 2012 IFRS £'000	Year ended 2011 IFRS £'000
<b>Key performance indicator and other non-statutory measures</b>					
Headline staff costs as a % of revenue <sup>1</sup>	68.9	69.7	69.1	69.0	68.5
Headline EBITDA <sup>2</sup>	14,609	10,556	11,806	11,557	9,447
Headline profit before income tax <sup>3</sup>	12,535	8,271	5,066	8,950	8,027
Headline earnings per share (p) <sup>4</sup>	14.68	8.25	11.09	11.01	9.89
Diluted headline earnings per share (p) <sup>4</sup>	13.23	7.39	9.81	9.48	8.76
Net (debt)/cash <sup>5</sup>	(8,567)	(5,367)	(5,200)	(4,430)	(2,691)

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

<sup>2</sup> Operating profit before depreciation, amortisation and the impact of fraudulent activity.

<sup>3</sup> See note 5 of the financial statements.

<sup>4</sup> See note 10 of the financial statements.

<sup>5</sup> Net debt excludes contingent consideration and share purchase obligations. See note 19 of the financial statements.

## APPENDIX 1: RESULTS FOR THE 12-MONTH PERIOD TO 31 JANUARY 2015 AND 31 JANUARY 2014 (UNAUDITED)

### 1.1 Consolidated Income Statement

	12-months ended 31 January 2015 £'000	12-months ended 31 January 2014 £'000
<b>Headline results</b>		
<b>Billings</b>	<b>126,159</b>	118,278
<b>Revenue</b>	<b>109,194</b>	98,749
Total operating charges	<b>(94,585)</b>	(88,193)
<b>EBITDA</b>	<b>14,609</b>	10,556
Depreciation and Amortisation	<b>(1,883)</b>	(1,802)
<b>Operating profit</b>	<b>12,726</b>	8,754
Net finance expense	<b>(459)</b>	(473)
Share of (losses)/profits of associate	<b>268</b>	(10)
<b>Profit before income tax</b>	<b>12,535</b>	8,271
Tax on adjusted profit	<b>(2,998)</b>	(2,867)
<b>Retained profit</b>	<b>9,537</b>	5,404
Profit attributable to owners	<b>8,948</b>	4,929
Profit attributable to minorities	<b>589</b>	475
Weighted average number of Ordinary Shares	<b>60,949,534</b>	59,770,198
Dilutive weighted average number of Ordinary Shares	<b>67,633,298</b>	66,718,244
Adjusted earnings per share	<b>14.68</b>	8.25
Diluted adjusted earnings per share	<b>13.23</b>	7.39
<b>Statutory results</b>		
<b>Revenue</b>	<b>109,194</b>	98,749
Operating costs	<b>(106,179)</b>	(90,837)
<b>EBITDA</b>	<b>3,015</b>	7,912
Depreciation and Amortisation	<b>(3,570)</b>	(3,207)
<b>Operating (loss)/profit</b>	<b>(555)</b>	4,705
Net finance expenses	<b>(2,577)</b>	(1,382)
Share of (losses)/profits of associate	<b>268</b>	(10)
<b>Profit before income tax</b>	<b>(2,864)</b>	3,313
Taxation	<b>1,486</b>	(1,802)
<b>Retained profit</b>	<b>(1,378)</b>	1,511
Profit attributable to owners	<b>(1,967)</b>	1,036
Profit attributable to minorities	<b>589</b>	475
Basic (pence)	<b>(3.23)</b>	1.73
Diluted (pence)	<b>(2.91)</b>	1.55

## 1.2 Consolidated Statement of Cash Flow

	12-months ended 31 January 2015 £'000	12-months ended 31 January 2014 £'000
Net cash inflow from operating activities	12.4	10.5
Working capital movements	5.6	(1.5)
Income tax paid	(2.3)	(1.5)
Net cash from operating activities	15,644	7,515
Net cash outflow from investing activities	(14,842)	(4,522)
Net cash outflow from financing activities	2,041	(3,156)
Cash and cash equivalents at beginning of the year	6,217	6,913
Exchange gains/(losses) on cash held	255	(533)
Cash and cash equivalents at end of the year	9,315	6,217

## 1.3 Segment information

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
<b>12 months ended 31 January 2015</b>						
Revenue	23,754	8,970	63,966	12,504	–	109,194
Adjusted operating profit	2,526	822	14,074	998	(5,694)	12,726
12 months ended 31 January 2014						
Revenue	18,656	9,957	56,528	13,608	–	98,749
Adjusted operating profit	757	(811)	13,667	257	(5,116)	8,754

## 1.4: Reconciliation of adjusted items

	12-months ended 31 January 2015 £'000	12-months ended 31 January 2014 £'000
Profit before income tax	(2,864)	3,313
Movement in fair value of interest rate cap-and-collar contract	(135)	(155)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,911	1,111
Charges associated with misappropriation of assets	–	–
Income from recovery and sale of misappropriated assets	(53)	(119)
Cost associated with investigation and response to fraudulent activity	–	–
Change in estimate of future contingent consideration and share purchase obligation payable	342	(47)
Charges associated with equity transactions accounted for as share based payments	1,168	151
Share-based payment charge for disposal of equity in a subsidiary to employees	684	–
Charge associated with current period restructure	1,758	308
Restructuring and reorganisation costs associated with integrated digital transitions within brands	–	354
Charge associated with office moves in San Francisco	1,036	–
Amortisation of acquired intangibles	1,688	1,405
Impairment of goodwill	7,000	1,950
Adjusted profit before income tax	12,535	8,271

## APPENDIX 2: RECONCILIATION OF 12-MONTH PERIOD TO 31 JANUARY 2015 TO AUDITED RESULTS

### 2.1 Consolidated Income Statement

	18-months ended 31 January 2015 £'000 (Audited)	12-months ended 31 January 2015 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)
<b>Billings</b>	<b>185,900</b>	<b>126,159</b>	59,741
<b>Revenue</b>	<b>158,495</b>	<b>109,194</b>	49,301
Adjusted total operating charges	(137,767)	(94,585)	(43,182)
<b>Adjusted EBITDA</b>	<b>20,728</b>	<b>14,609</b>	6,119
Depreciation and Amortisation	(2,769)	(1,883)	(886)
<b>Adjusted operating profit</b>	<b>17,959</b>	<b>12,726</b>	5,233
Adjusted net finance expense	(681)	(459)	(222)
Share of (losses)/profits of associate	334	268	66
<b>Adjusted profit before income tax</b>	<b>17,612</b>	<b>12,535</b>	5,077
Adjusted income tax expense	(4,377)	(2,998)	(1,379)
<b>Adjusted profit for the year</b>	<b>13,235</b>	<b>9,537</b>	3,698
Profit attributable to owners	12,207	8,948	3,259
Profit attributable to minorities	1,028	589	439
<b>Revenue</b>	<b>158,495</b>	<b>109,194</b>	49,301
Operating costs	(149,711)	(106,179)	(43,532)
<b>EBITDA</b>	<b>8,784</b>	<b>3,015</b>	5,769
Depreciation and Amortisation	(5,143)	(3,570)	(1,573)
<b>Operating (loss)/profit</b>	<b>3,641</b>	<b>(555)</b>	4,196
Net finance expenses	(3,570)	(2,577)	(993)
Share of (losses)/profits of associate	334	268	66
<b>Profit before income tax</b>	<b>405</b>	<b>(2,864)</b>	3,269
Taxation	516	1,486	(970)
<b>Retained profit</b>	<b>921</b>	<b>(1,378)</b>	2,299
Profit attributable to owners	(107)	(1,967)	1,860
Profit attributable to minorities	1,028	589	439

### 2.2 Consolidated Statement of Cash Flow

	18-months ended 31 January 2015 £'000 (Audited)	12-months ended 31 January 2015 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)
Net cash inflow from operating activities	18.4	12.4	6.0
Working capital movement	0.8	5.6	(4.8)
Income tax paid	(3.0)	(2.3)	(0.7)
Net cash from operating activities	16,176	15,644	532
Net cash outflow from investing activities	(17,901)	(14,842)	(3,059)
Net cash outflow from financing activities	3,405	2,041	1,364
<b>Cash and cash equivalents at beginning of the year</b>	<b>8,064</b>	<b>6,217</b>	8,064
Exchange gains/(losses) on cash held	(429)	255	(684)
<b>Cash and cash equivalents at end of the year</b>	<b>9,315</b>	<b>9,315</b>	6,217

## 2.3 Segment information

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
<b>18-months ended 31 January 2015 (Audited)</b>						
Revenue	33,460	13,778	92,358	18,899	-	158,495
Adjusted operating profit	3,299	584	21,016	1,208	(8,148)	17,959
12-months ended 31 January 2014 (Unaudited)						
Revenue	23,754	8,970	63,966	12,504	-	109,194
Adjusted operating profit	2,526	822	14,074	998	(5,694)	12,726
6-months ended 31 January 2014 (Unaudited)						
Revenue	9,706	4,808	28,392	6,395	-	49,301
Adjusted operating profit	773	(238)	6,942	210	(2,454)	5,233

## 2.4 Reconciliation of adjusted items

	18-months ended 31 January 2015 £'000 (Audited)	12-months ended 31 January 2015 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)
Profit before income tax	405	(2,864)	3,269
Movement in fair value of interest rate cap-and-collar contract	(206)	(135)	(71)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,452	1,911	541
Charges associated with misappropriation of assets	-	-	-
Income from recovery and sale of misappropriated assets	(65)	(53)	(12)
Cost associated with investigation and response to fraudulent activity	-	-	-
Change in estimate of future contingent consideration and share purchase obligation payable	643	342	301
Charges associated with equity transactions accounted for as share based payments	1,222	1,168	54
Share-based payment charge for disposal of equity in a subsidiary to employees	684	684	-
Charge associated with current period restructure	2,066	1,758	308
Restructuring and reorganisation costs associated with integrated digital transitions within brands	-	-	-
Charge associated with office moves in San Francisco	1,036	1,036	-
Amortisation of acquired intangibles	2,375	1,688	687
Impairment of goodwill	7,000	7,000	-
<b>Adjusted profit before income tax</b>	<b>17,612</b>	<b>12,535</b>	5,077

## APPENDIX 3: RECONCILIATION OF 12-MONTH PERIOD TO 31 JANUARY 2014 TO AUDITED RESULTS

### 3.1 Consolidated Income Statement

	12-months ended 31 January 2014 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)	12-months ended 31 July 2013 £'000 (Audited)	6-months ended 31 January 2013 £'000 (Unaudited)
<b>Billings</b>	118,278	59,741	113,360	54,823
<b>Revenue</b>	98,749	49,301	96,069	46,621
Adjusted total operating charges	(88,193)	(43,182)	(86,099)	(41,088)
<b>Adjusted EBITDA</b>	10,556	6,119	9,970	5,533
Depreciation and Amortisation	(1,802)	(886)	(1,751)	(835)
<b>Adjusted operating profit</b>	8,754	5,233	8,219	4,698
Adjusted net finance expense	(473)	(222)	(435)	(184)
Share of (losses)/profits of associate	(10)	66	(79)	(3)
<b>Adjusted profit before income tax</b>	8,271	5,077	7,705	4,511
Adjusted income tax expense	(2,867)	(1,379)	(2,885)	(1,397)
<b>Adjusted profit for the year</b>	5,404	3,698	4,820	3,114
Profit attributable to owners	4,929	3,259	4,427	2,757
Profit attributable to minorities	475	439	393	357
<b>Revenue</b>	98,749	49,301	96,069	46,621
Operating costs	(90,837)	(43,532)	(89,935)	(42,630)
<b>EBITDA</b>	7,912	5,769	6,134	3,991
Depreciation and Amortisation	(3,207)	(1,573)	(3,129)	(1,495)
<b>Operating (loss)/profit</b>	4,705	4,196	3,005	2,496
Net finance expenses	(1,382)	(993)	(841)	(452)
Share of (losses)/profits of associate	(10)	66	(79)	(3)
<b>Profit before income tax</b>	3,313	3,269	2,085	2,041
Taxation	(1,802)	(970)	(1,364)	(532)
<b>Retained profit</b>	1,511	2,299	721	1,509
Profit attributable to owners	1,036	1,860	328	1,152
Profit attributable to minorities	475	439	393	357

### 3.2 Consolidated Statement of Cash Flow

	12-months ended 31 January 2014 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)	12-months ended 31 July 2013 £'000 (Audited)	6-months ended 31 January 2013 £'000 (Unaudited)
Net cash inflow from operating activities	10.5	6.0	9.2	4.7
Working capital movement	(1.5)	(4.8)	2.0	(1.3)
Income tax paid	(1.5)	(0.7)	(2.7)	(1.9)
Net cash from operating activities	7,515	532	8,500	1,517
Net cash outflow from investing activities	(4,522)	(3,059)	(5,084)	(3,621)
Net cash outflow from financing activities	(3,156)	1,364	(3,871)	649
<b>Cash and cash equivalents at beginning of the year</b>	6,913	8,064	8,436	8,436
Exchange gains/(losses) on cash held	(533)	(684)	83	(68)
<b>Cash and cash equivalents at end of the year</b>	6,217	6,217	8,064	6,913

### 3.3 Segment information

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
12-months ended 31 January 2014 (Unaudited)						
Revenue	18,656	9,957	56,528	13,608	–	98,749
Adjusted operating profit	757	(811)	13,667	257	(5,116)	8,754
6-months ended 31 January 2014 (Unaudited)						
Revenue	9,706	4,808	28,392	6,395	–	49,301
Adjusted operating profit	773	(238)	6,942	210	(2,454)	5,233
12-months ended 31 July 2013 (Audited)						
Revenue	19,119	10,504	52,468	13,978	–	96,069
Adjusted operating profit	1,146	(217)	11,804	265	(4,779)	8,219
6-months ended 31 January 2013 (Unaudited)						
Revenue	10,169	5,355	24,332	6,765	–	46,621
Adjusted operating profit	1,162	356	5,079	218	(2,117)	4,698

### 3.4 Reconciliation of adjusted items

	12-months ended 31 January 2014 £'000 (Unaudited)	6-months ended 31 January 2014 £'000 (Unaudited)	12-months ended 31 July 2013 £'000 (Audited)	6-months ended 31 January 2013 £'000 (Unaudited)
Profit before income tax	3,313	3,269	2,085	2,041
Movement in fair value of interest rate cap-and-collar contract	(155)	(71)	(114)	(30)
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,111	541	1,167	597
Charges associated with misappropriation of assets	–	–	265	265
Income from recovery and sale of misappropriated assets	(119)	(12)	(318)	(211)
Cost associated with investigation and response to fraudulent activity	–	–	579	579
Change in estimate of future contingent consideration and share purchase obligation payable	(47)	301	(647)	(299)
Charges associated with equity transactions accounted for as share based payments	151	54	131	34
Share-based payment charge for disposal of equity in a subsidiary to employees	–	–	450	450
Charge associated with current period restructure	308	308	–	–
Restructuring and reorganisation costs associated with integrated digital transitions within brands	354	–	779	425
Charge associated with office moves in San Francisco	–	–	–	–
Amortisation of acquired intangibles	1,405	687	1,378	660
Impairment of goodwill	1,950	–	1,950	–
<b>Adjusted profit before income tax</b>	<b>8,271</b>	<b>5,077</b>	<b>7,705</b>	<b>4,511</b>

## FINANCIAL CALENDAR AND CONTACTS

### Final dividend

Ex-dividend date	9 July 2015
Record date	10 July 2015
Annual General Meeting	14 July 2015
Payment of 2015 final dividend	7 August 2015

### Interim dividend

Interim results announcement	13 October 2015
Ex-dividend date	12 November 2015
Record date	13 November 2015
Payment of 2016 interim dividend	11 December 2015

### Preliminary results

Full-year results announcement	April 2016
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*These dates are provisional and may be subject to change.*

### Advisers

#### Nominated Adviser and Brokers

Investec Bank  
Gresham Street  
London  
EC2V 2QP

#### Auditors

Deloitte LLP  
2 New Street  
Square  
London  
EC4A 3BZ

#### Registrars

##### Capita Asset Services

The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU  
Telephone from the UK: 0871 664 0300  
Calls cost 10p per minute plus network extras.  
Lines are open Monday to Friday (9.00 a.m.-5.30 p.m.)  
Telephone from overseas: +44 (0)20 8639 3367  
E-mail: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

### Registered Office

Next Fifteen Communications Group plc  
The Triangle, 5-17 Hammersmith Grove,  
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### Company Number

01579589

### Investor relations contact

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### Solicitors

Dentons  
UKMEA LLP  
One Fleet Place  
London  
EC4M 7WS

### Bankers

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

### Registrar

Shareholders who change address, lose their share certificates, want to have dividends paid directly into their bank account or otherwise have a query or require information relating to their shareholding should contact the Company's Registrar using the contact information above. Shareholders can also check their details and transaction histories via the Registrar's website at [www.capitaregistrars.com](http://www.capitaregistrars.com).

### Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Next 15 shares. Full details of the DRIP can be obtained from the Registrar. If shareholders would like their final 2015 and future dividends to qualify for the DRIP, completed application forms must be returned to the Registrar by 13 July 2015.

### Unauthorised brokers (boiler room scams)

Shareholders are advised to be wary of scams, where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should note the name of the person and organisation contacting you and check that they are properly authorised by the FCA ([www.fca.org.uk/register/](http://www.fca.org.uk/register/)) before handing over any money. If you deal with an unauthorised firm, you will not have access to the Financial Ombudsmen or the Services Compensation Scheme if things go wrong. If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768. More detailed information can be found on the FCA website at [www.fca.org.uk/consumers/protect-yourself/unauthorised-firms](http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms).



# NOTES

Strategic report

Governance

Financial statements

Other information







# NEXT15

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