NEXT15

Next Fifteen Communications Group plc
Annual Report 2018

WE ARE A SPECIALIST COMMUNICATIONS GROUP DRIVEN BY TECHNOLOGY

Creativity. Technology. Data.

Revenue
£196.8m +15%
(2017: £171.0m)

Dividend per share
6.30p +20%
(2017: 5.25p)

Net debt
£11.6m
(2017: £11.4m)

Adjusted diluted earnings per share
27.8p +19%
(2017: 23.4p)

Adjusted profit before tax
£29.3m +21%
(2017: £24.2m)

Statutory profit for the year
£9.3m +447%
(2017: £1.7m)

OUR MISSION IS TO CREATE
A NEW TYPE OF INTEGRATED
MARKETING GROUP, ONE ROOTED
IN TECHNOLOGY AND DATA

Employees	Offices	Countries
1,782	56	14
(2017: 1,610)	(2017: 39)	(2017: 14)

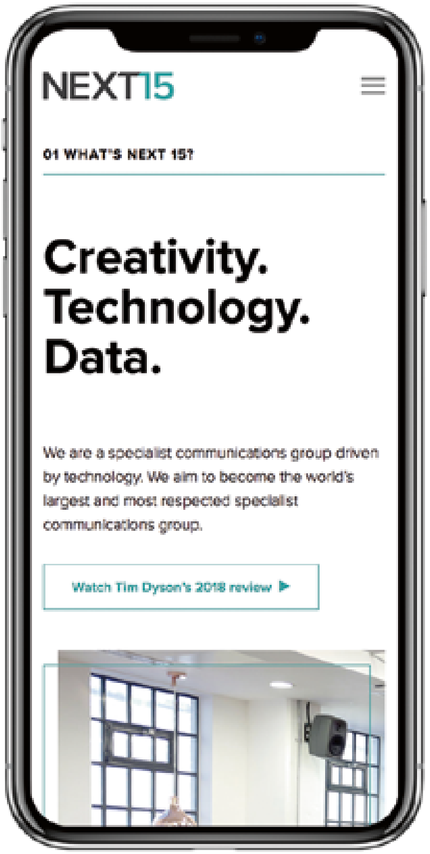
Our business
Next 15 is a group that is centred on the technology of marketing: data, insight, analytics, apps, content platforms and, of course, content itself. We believe that we are creating a strong alternative to the major advertising groups whose business models still rely heavily on traditional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

Our brands and sectors
Next 15 is a family of autonomous marketing businesses spanning digital content, PR, consumer, technology, marketing software, market research, public affairs and policy communications. Together, we deliver a unique brand of technology-driven marketing. During the year we were delighted to welcome five more brands to our family: Velocity, Circle, Elvis, Charterhouse and, post year end, the Brandwidth Group. See page 5 for a list of our brands.

Find out more about our brands at www.next15.com/portfolio/.

Our clients
We work with some of the biggest brands in technology and beyond including Google, Facebook, Amazon, American Express, Cisco, SunTrust and Tesco. We have an extraordinary track record in retaining business in the long term too because we keep them ahead of whatever's next in an age of unprecedented change.

Making brands famous is in our DNA and is behind our name, the origin of which was explained by Tim Dyson: "Everyone will be famous for 15 minutes, but we care about what happens next."



FIND OUT MORE ABOUT
OUR BRANDS AT
WWW.NEXT15.COM/PORTFOLIO/

OUR BRANDS

agent3
beyond
bite
TheBlueshirtGroup
Brandwidth
connections media llc
ELVIS
encore
M BOOTH
MIG
ODD
OutCast
publitek marketing communications
TEXT100
twogether
velocity
vrge

THE NEXT 15 GROUP HAS GROWN UP WITH TECHNOLOGY, SEEING IT AS A CREATOR OF NEW OPPORTUNITY

Dear Shareholder,

Change continues to shake up the marketing sector. Traditional agency groups assert that the solution lies in agility, but where a business is so firmly planted in old soil, transformation is exceptionally hard. The Next 15 Group has grown up with technology, seeing it as a creator of new opportunity, not merely a way to automate or cut the cost of legacy tasks.

Today, our clients increasingly define their objectives not so much as sales or marketing challenges, but simply as growth challenges. They are asking more from their advisors than narrow publicity solutions as they seek new ways to expand sales, recruit new talent and expand their shareholder bases. Technology and creativity provide opportunity at every point on the value chain and embracing them is broadening the scope of the Group's work for its clients.

Against this backdrop Next 15 has reassuringly, had another good year. Revenues have again reached record levels, 15% up to £196.8m (2017: £171.0m) while adjusted profit before tax rose by 21% to £29.3m. Fully diluted adjusted earnings per share rose by 19% to 27.8p.

These results were influenced by three major factors: strong organic growth in the second half of the year alongside additional well-executed acquisitions; offset by some negative impact from the relative strength of Sterling. Organic growth that had been modest amid the political and economic uncertainty of the first half of the year, returned to more familiar levels in the second, with many of the Group's businesses turning in strong performances.

During the year the group benefited from the addition of Velocity, Elvis and post year end Brandwidth, all strong digital agencies; and Circle and Charterhouse, two highly specialist research businesses joining MIG (formerly Morar). We again saw excellent performances from Beyond and M Booth and relatively new acquisitions such as Publitek made significant contributions.

We continue to place the highest priority on retaining an outstanding and diverse pool of talent. As I observed last year, however smart the strategy, it will only succeed if the right people are in the right roles, appropriately incentivised and importantly, working for the right clients. Such high calibre customers are essential for a business like Next 15 and we continue to work with many of the world's most important and exciting companies such as Facebook, Google and Amazon. During the year we also significantly expanded our relationship with Samsung and added disruptive technology businesses such as Slack.

We care greatly about the maintenance of safe and supportive agency cultures in which diverse voices are not only respected but actively encouraged. We believe that a diverse workforce is not just a social good, but a commercial advantage. We will continue to lay strong emphasis on fair practices in our hiring and talent development practices, and this will be a continuing focus for the Board in the next 12 months.

The Group recognises the importance of imminent European privacy legislation and is ready to work within its constraints.

Looking to the year ahead, I'm pleased to report that the business remains well-placed to deliver further growth both organically and through acquisitions. The Board retains its aversion to high levels of debt, so if larger acquisition opportunities present themselves, we will pursue them only with the support of our shareholders.

On behalf of the Board, I would like to thank the 1,700+ people who make up Next 15. It's their hard work, creativity and ingenious use of data and technology, indeed their appetite for change, that makes the Group what it is today.

Richard Eyre CBE
Chairman
12 April 2018

WE AT NEXT 15 ARE NET BENEFICIARIES FROM THE DISRUPTION OF MARKETING BY TECHNOLOGY

Dear Shareholders,

Over the last decade technology has disrupted, among other things: retail, financial services, real estate, healthcare, the media industry and the travel industry. In truth technology is now the vital ingredient in almost every business. It should therefore come as no shock to learn that it has also transformed marketing. Technology, thanks to machine learning and its application across the internet, is capable of finding the best way to reach people and it can do that at exactly the right time. Many in our industry would still argue that a 'Big Idea' is all you need for effective marketing. They are wrong.

Contrast what technology can do with a more traditional approach and you can see that old methods that effectively took a good idea, wrapped it in assumptions based on panel research and 'experienced guesswork' such as what TV shows might work best, and you quickly see that a great idea applied across traditional, unscientific platforms will lose every time to modern campaigns where technology predicts users' intentions, location and interests and serves up the content and experience most likely to influence their decision.

At Next 15 we are embracing this change. We are pushing to add businesses to the Group that are technology and data-driven. This doesn't mean we shun creativity – quite the opposite. We esteem creativity but only when it is fully served by technology and data. Many of the businesses we have added in the last year like Velocity, Elvis and post year end, Brandwidth, have outstanding creativity in their DNA. But they also get technology and its importance. For example, Brandwidth is working with its clients to ensure they understand how to use the various voice technologies that have emerged in the last few years such as Amazon's Alexa or Apple's Siri.

Taking a moment to reflect on the potential impact of voice, hitherto it would have been easy to dismiss technology like Siri as a mildly annoying gimmick. In truth Alexa, Cortana, Siri and Google Home will transform the way we all live, work and play. The devices that house these technologies don't just respond when asked questions. They can, when invited, listen and learn what is going on in your home or office. Like a great concierge, they can be gathering information on topics you are considering, anticipating your needs. They make technology an integral part of your life rather than an add-on or something you 'do'. Right now, we tend to interact with technology in a very defined way. We sit at a computer or stare at our phones. With voice we can carry on with tasks and have technology interact without us having to stop and give them our attention. Take something as simple as cooking. Today, voice technology can talk you through a recipe without you having to wash your hands to clean off the flour. In other words, it changes the whole experience. If it can do that for baking bread what can it do for your kid's homework or paying your bills?

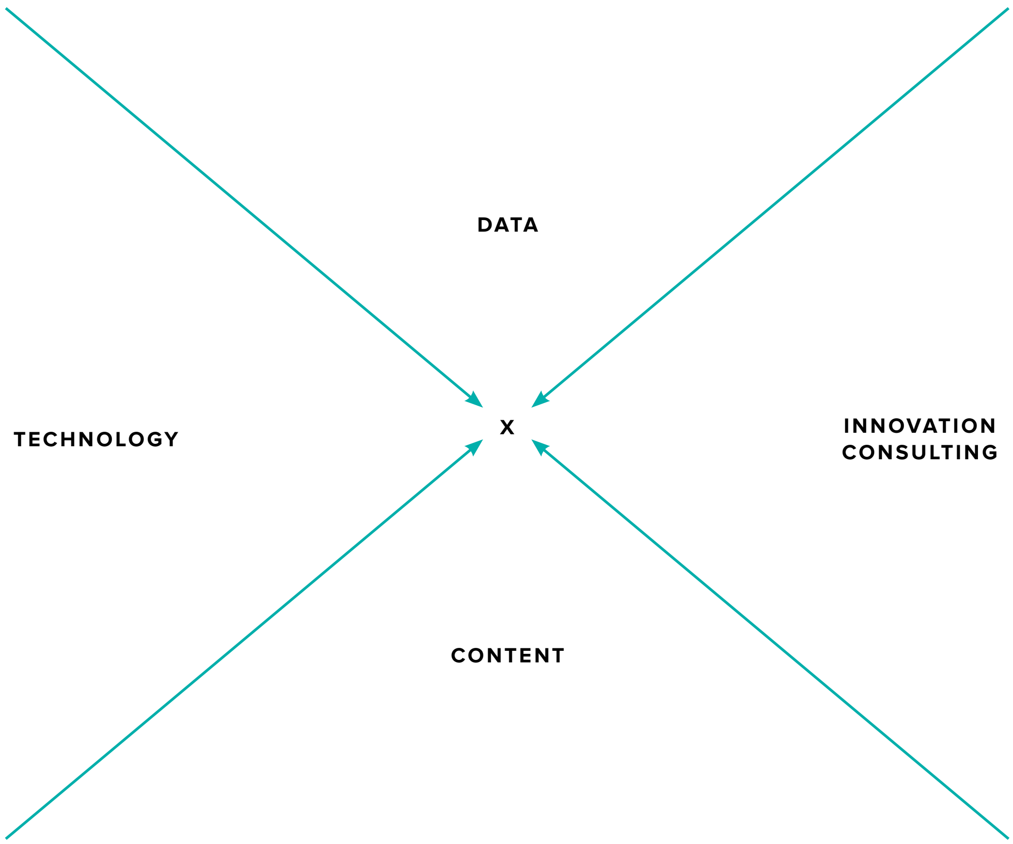
We at Next 15 are net beneficiaries from the disruption of marketing by technology. We are growing faster than the traditional agency groups and we are able to attract businesses and talent that they can't. We can do this because we don't have a huge legacy advertising business to protect as it steadily declines. Instead we have modern marketing businesses that have embraced technology, the power of data and are using them to unleash their creative talents in ways that are more effective. This is why the pillars of the Next 15 Group are Creativity, Data and Technology.

At the end of the day, our customers hire us to help them succeed. Success comes by being the best you can be and by ensuring that your probability of being able to deliver the desired result is as high as it can be. Technology and data are the heart of the solution to that challenge. If we embrace technology and data, we can use these assets to predict what marketing activities will enable a business to succeed AND deliver that activity in the most efficient and effective manner. When Kotler defined marketing as the identification and satisfaction of customer needs, technology was in its infancy and that process of identifying and satisfying was at best, hit and miss. With technology we can now more accurately identify and satisfy needs AND we can do it in an instant.

Tim Dyson
Chief Executive Officer
12 April 2018

Our mission

NEXT 15 AIMS TO BECOME THE WORLD'S MOST RESPECTED TECHNOLOGY AND DATA-DRIVEN COMMUNICATIONS GROUP



Strategy and objectives

The Group continues to build a portfolio of businesses that cater to the subtly different needs of the various market sectors and geographies in which it operates. At the same time, the Group seeks to attract the best talent in the industry by creating excellent career paths that enable people to take part in international business and, where appropriate, help with the formation of new Group businesses, new service divisions, or new international locations.

Three objectives:

1) Build and buy technology-enabled content and data businesses.

2) Leverage strength of US businesses and their relationships with high growth companies.

3) Drive higher level consulting around business-critical activities.

Data

Data and analytics are increasingly embedded across the group; we believe that over time this will drive growth in our technology and content businesses as customers' marketing activities increasingly utilise these tools to predict campaign success and spend levels.

Innovation consulting

Marketing can no longer simply put the best face on a company. To be effective it has to help redesign the company and its products so that it can succeed. As a business we are keen to move away from simply putting lipstick on the pig and towards a business that is helping design the pig.

Content

The body of content that surrounds a brand is a crucial part of how a brand is perceived. Creating digital content that can be seen, regardless of technology platform, app or language is a crucial part of any brand's marketing.

Technology

Technology is now the essential partner of even the biggest creative idea. By utilising the right platforms and technologies, businesses can now serve up the right content to the right people at the right time without the need for a traditional set of marketing activities. Furthermore, as Google, Facebook and Amazon increase their reach to consumers, the ability of agencies to understand the best ways to use their platforms becomes increasingly important.

Approach to acquisitions: strength and success

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

Invest in the best talent

Our people are at the heart of everything we do. As a Group we focus on the 'who' before the 'what'. This principle espoused by the author Jim Collins, creates a different way of running a Group. In essence it pushes you to trust key talent to drive their business in the direction they believe is best, instead of the Group telling leaders what is best.

Growth in North American markets

Next 15 remains ambitious and is committed to expanding the international presence of its existing brands, with the possibility of further acquisitions if the strategic fit and value is compelling. In the last few years the bulk of the Group's efforts have been around strengthening our UK and US businesses as we believe these markets will drive our long term success.

Diversity and inclusion

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

Another year of significant progress across the Group

We have had a very positive year where we have significantly strengthened our data capability and invested in content and digital agencies, alongside simplifying our portfolio of agencies.

In total for the 12 months to 31 January 2018, the Group delivered revenue of £196.8m, adjusted operating profit of £30.0m, adjusted profit before income tax of £29.3m and adjusted diluted earnings per share of 27.8p. This compares with revenue of £171.0m, adjusted operating profit of £25.0m, adjusted profit before income tax of £24.2m and adjusted diluted earnings per share of 23.4p for the 12 months to 31 January 2017.

Key performance indicators

Adjusted results	**Year to 31 January 2018 £m**	Year to 31 January 2017 £m	Growth %
Revenue	**196.8**	171.0	15%
EBITDA	**34.4**	29.0	19%
Operating profit	**30.0**	25.0	20%
Operating profit margin	**15.3%**	14.6%	
Net finance expense	**(0.7)**	(0.5)	
Share of profits of associate	**–**	(0.3)	
Profit before income tax	**29.3**	24.2	21%
Tax rate on adjusted profit	**20.0%**	22.0%	
Diluted earnings per share	**27.8p**	23.4p	19%

In order to better aid shareholders' understanding of the underlying performance of the business, I have focused my comments on the adjusted performance of the business for the 12 months to 31 January 2018 compared with the 12 months to 31 January 2017. The commentary refers to financial measures which have been adjusted to take account of amortisation, impairments, brand equity incentive schemes, restructuring charges and certain other non-recurring items.

Statutory revenues for the year were £196.8m (2017: £171.0m) which resulted in profit before income tax of £13.3m, compared with £2.9m in the prior year. Diluted earnings per share were 10.5p, compared with 1.5p in the previous year.

Statutory results	**Year to 31 January 2018 £m**	Year to 31 January 2017 £m
Revenue	**196.8**	171.0
Profit before income tax	**13.3**	2.9
Diluted earnings per share	**10.5p**	1.5p

Adjusted operating profit	Adjusted operating profit margin	Adjusted EBITDA
£30.0m +20%	15.3%	£34.4m +19%
(2017: £25.0m)	(2017: 14.6%)	(2017: £29.0m)
(2016: £16.5m)	(2016: 12.7%)	(2016: £19.2m)

Review of adjusted results to 31 January 2018

Group profit and loss account

The last 12 months have been a period of significant progress across the Group. We have grown our total group revenues by 15% and by 5.2% on an organic basis, which was a material improvement on the rate we achieved in our first six months, whilst achieving a record operating profit margin of 15.3%. Our Beyond, M Booth and Publitek agencies have been stand out performers, whilst we have achieved solid performances pretty much across the portfolio.

In addition, we have benefited from the series of operational improvements we undertook last year, as we merged Lexis into Text, Bourne into Twogether and Story into M Booth. This has had the benefit of simplifying the group's operating structure as well as increasing our underlying operating margins.

The Group adjusted operating margin increased to 15.3% from 14.6% in the prior year.

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2018 £m	Year to 31 January 2017 £m
Adjusted operating profit	**30.0**	25.0
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments	**(3.1)**	(10.5)
Deal costs	**(0.5)**	(0.4)
Costs associated with restructuring	**(1.7)**	(0.7)
Charge associated with office moves	**(0.5)**	–
Amortisation of acquired intangibles	**(7.0)**	(5.5)
Statutory operating profit	**17.2**	7.9

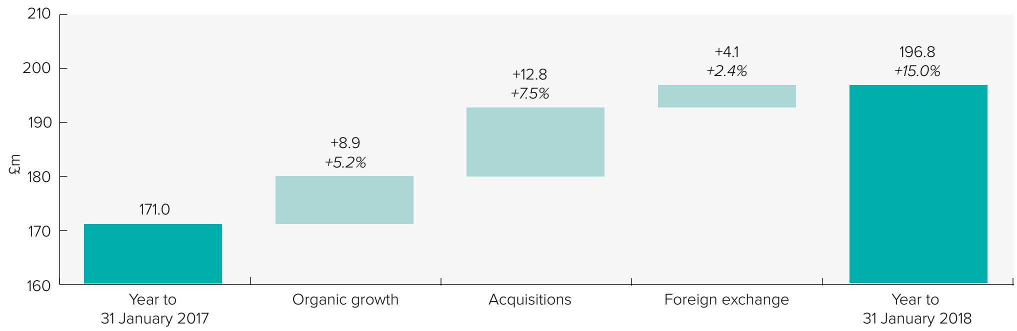
We incurred £0.1m of share based payment charges relating to deferred payments on the acquisition of IncrediBull, and £3.0m relating to new equity growth share arrangements for Encore, Text, Bite US and OutCast. We incurred £0.5m of deal costs arising on acquisitions completed during the year.

We incurred £1.7m of exceptional restructuring costs incurred on the operational simplification exercise we undertook during the year principally relating to Story and Bourne. Finally, we incurred £0.5m of double rent associated with office moves for Text US and Twogether during the year.

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

Review of adjusted results to 31 January 2018 continued

Revenue bridge (£m)



Taxation

The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2018 was at a rate of 20%, compared to the statutory rate of 30%. This was below the rate achieved in the previous period of 22% of adjusted profit before tax as we benefited from a higher proportion of our profit coming from lower tax regimes such as the UK and the successful resolution of a number of historic tax queries.

The Group welcomed the enactment of the U.S. Tax Cuts and Jobs Act on 22 December 2017, which reduced the rate of US federal corporate income tax from 35% to 21% from 1 January 2018. Next 15 Management had taken pre-emptive measures to ensure the Group would be in a position to benefit from the rate reduction from the outset with minimum impact to historical earnings. As such, the Group's Effective Tax Rate for the year ended 31 January 2018 reduced by 2% to 20% which Management believes is a sustainable long-term Effective Tax Rate for Next 15. The Group does not have any open tax audits, nor does it have any complex structures in place to manage its taxes which could give rise to future challenges from tax or competition authorities.

Earnings

Diluted adjusted earnings per share have increased by 19% to 27.8p for the year to 31 January 2018 compared with 23.4p achieved in the prior period, as a result of improved profitability and a lower underlying tax rate.

Segmental review

	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
Year ended 31 January 2018						
Revenue	**58,329**	**7,851**	**115,941**	**14,690**	**–**	**196,811**
Organic revenue growth[1]	**7.6%**	**3.4%**	**5.1%**	**(0.7%)**	**–**	**5.2%**
Adjusted operating profit	**12,984**	**752**	**23,181**	**2,002**	**(8,893)**	**30,026**
Adjusted operating margin	**22.3%**	**9.6%**	**20.0%**	**13.6%**		**15.3%**
Year ended31 January 2017						
Revenue	42,638	7,166	107,008	14,201	–	171,013
Organic revenue growth	3.7%	5.7%	12.6%	6.4%	–	9.9%
Adjusted operating profit	8,042	647	22,347	2,162	(8,228)	24,970
Adjusted operating margin	18.9%	9.0%	20.9%	15.2%	–	14.6%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2018 compared to the 12 months to 31 January 2017, excluding the impact of acquisitions until they have been in the Group for more than one year.

US

Our US businesses have continued to perform well led by our Beyond, M Booth and Bite brands. In the year to 31 January 2018 revenues grew by 8.3% to £115.9m from £107.0m which equated to an organic growth rate of 5.1%, taking account of movements in exchange rates. Margins have remained consistently strong at around 20%, but were impacted by the short-term investment in taking a number of our UK brands such as Twogether, Agent3 and MIG to the US, where we are now beginning to see signs of significant revenue growth. We incurred £0.8m in exceptional restructuring costs as we integrated Story into M Booth and incurred double rent of £0.4m as we moved our Text brand into new premises in New York. The adjusted operating profit from our US businesses was £23.2m compared with £22.3m in the previous 12 months to 31 January 2017.

UK

The UK businesses have delivered a very encouraging performance over the last 12 months, with revenue increasing by 36.8% to £58.3m from £42.6m in the prior period. This growth was mainly due to a busy period on the acquisitions front, but we also delivered organic revenue growth in the UK of 7.6% with a double digit organic revenue performance in the second half. The adjusted operating profit increased to £13.0m from £8.0m in the prior year with the adjusted operating margin increasing to 22.3% from 18.9% in the prior period.

As mentioned earlier, the improved performance in the UK has been delivered due to very strong performances from our UK portfolio of agencies, in particular Beyond and Publitek, as well as the acquisition of a number of high-growth, high-margin agencies, alongside a number of self-help measures. We merged our consumer PR agency Lexis into our Global agency Text 100 and merged our digital agency Bourne with its sister agency Twogether.

In July we acquired Velocity, a B2B digital agency with a focus on technology clients. In the same month MIG, our data business, acquired Circle Research a B2B market research consultancy.

In September we added two further businesses: Elvis Communications, a UK based integrated digital agency with a focus on consumer brands. Clients include global brands such as, Cadbury, Honda, Stella Artois, Budweiser, Corona and Kenco, and MIG acquired Charterhouse, a leading specialist financial market research consultancy.

After the year end, on 6 February 2018, we acquired Brandwidth, a UK based digital innovation agency, with clients including clients Toyota, Royal Caribbean, Citroen, Kia and Vodafone.

EMEA

We have delivered a solid trading performance in EMEA as we have continued to focus our efforts on markets of potential scale. Revenue increased by 9.6% to £7.9m (2017: £7.2m) and adjusted operating profit increased to £0.8m at an improved adjusted operating margin of 9.6%.

APAC

Revenue increased by 3.4% to £14.7m (2017: £14.2m), however the operating margin deteriorated slightly to 13.6% from 15.2% in the prior period and the operating profit decreased to £2.0m (2017: £2.2m) as we invested in upgrading our talent and IT infrastructure across the region.

Cash flow

Cash flow KPIs	**Year to 31 January 2018 £m**	Year to 31 January 2017 £m
Net cash inflow from operating activities before changes in working capital	**33.1**	26.5
Working capital movements	**(4.2)**	6.3
Net cash generated from operations	**28.9**	32.8
Income tax paid	**(4.3)**	(2.0)
Investing activities	**(19.4)**	(30.6)
Dividend paid to shareholders	**(4.1)**	(3.3)
Net increase in bank borrowings	**4.5**	11.6

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2018 increased to £33.1m from £26.5m in the prior period. Our management of working capital remained good with a small outflow reflecting the growth in the Group and an exceptional performance in the prior period. This resulted in our net cash generated from operations before tax being £28.9m (2017: £32.8m). Income taxes paid increased to £4.3m from £2.0m in the prior year reflecting increased UK profitability and the impact the resolution of historic tax issues had in the prior year.

Our strong cash flow and increased £40m facility have allowed us to continue to invest in acquisitions. Our investment in acquisitions reflects the acquisitions of Velocity, Circle, Elvis Communications and Charterhouse and the settlement of contingent consideration to Encore, MIG and Connection Media. The reduction in the cash out-flow from investing activities from £30.6m to £19.4m also reflects a reduction in capital expenditure following the consolidation of properties in the UK and US in previous years.

Dividends paid to Next 15 shareholders increased to £4.1m from £3.3m in the prior period reflecting the strong trading and our confidence in the future. Net interest paid to the Group's banks increased due to higher borrowings to approximately £0.8m (2017: £0.7m).

Balance sheet
The Group's balance sheet remains in a healthy position with net debt as at 31 January 2018 of £11.6m reflecting 0.3x adjusted EBITDA (2017: £11.4m).

Treasury and funding
The Group operates a five-year £40m revolving credit facility ("RCF") with HSBC, having extended it in July 2017 from the previous £30m four-year facility. The facility is primarily used for acquisitions and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2017: $6m) which is available for property rental guarantees and US-based working capital needs.

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

On 5 February 2018 the Group extended its facilities agreement with HSBC further to include a loan of £20m in addition to the RCF of £40m which is available until 5 July 2022. The £20m loan was drawn down on 9 February 2018 and is repayable in equal annual instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF.

Peter Harris
Chief Financial Officer
12 April 2018

Risk management

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

Risk management and internal control

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

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place for the period ended 31 January 2018 and up to the date of signing the annual report and accounts, to safeguard the Group's assets and enhance over time the value of shareholders' investment. The Board also regularly reviews the effectiveness of the Group's system of internal control in accordance with revised guidance on internal control published by the Financial Reporting Council.

Internal controls review

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

Business risk reviews

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

Internal Audit

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

Internal Audit continued

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

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

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

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

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

Whistle blowing and UK Bribery Act 2010

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

The system of risk management used to identify the principal risks facing the Group is described on page 17. Risk identification and evaluation, including the nature, likelihood and materiality of the risks affecting each Group business, is owned and assessed by management and reviewed periodically. The Board and the Audit Committee review risks and assess and monitor actions to mitigate them.

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

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

↑ Increase → Static ↓ Decrease

Risk description	Mitigating actions	Change in risk
Operational risk continued		
Cyber security risk The Group notes the increased risk facing companies from third-party attempts to exploit weaknesses in cyber security, which is constantly evolving. Inadequate security could lead to business disruptions, damage to reputation and loss of assets.	Access controls, firewalls and virus checkers supported by basic policies are in place and security awareness training has been completed. The next phase of updating our business continuity plan and further upgrading our identity and access management is due to be completed in H1. The Group has expanded its IT security team in order to continue to monitor and improve the Group's IT security in light of the continually evolving threat.	↑
Data protection regulation With the implementation of General Data Protection Regulation in May 2018 and changes to Privacy in Electronic Communications Regulation there is a risk that if the Group has not updated the impacted client contracts, implemented suitable procedures or modified certain business processes that it could fall foul of the regulations leading to fines and reputation damage.	The Group has performed its own risk assessment, sought advice from external advisers, and held briefings across the Group. The legal team together with other business functions are in the process of reviewing and updating client contracts, and implementing policies and procedures across the Group. We continue to monitor further upcoming changes to data protection and privacy regulation and assess the potential impact on the Group.	↑
Technology/IT infrastructure The risks associated with the IT environment include failure to deliver projects on time and on budget and lack of management information. The Group has grown, both organically and by acquiring new businesses, which has resulted in the use within the Group of a number of legacy accounting and operating systems.	The Group is engaged in the implementation of a common finance IT platform which is largely completed with the exception of recent acquisitions. The common finance system gives the Group greater visibility over the effectiveness and appropriateness of local controls. The implementation is supported by consultants and, where possible, by using internal teams to reduce the risk of relying on third parties. Our IT infrastructure is in the process of being updated as part of the cyber security project alongside a review of our business continuity plans in place. The Group has insurance cover in place to mitigate against business disruption.	↑
Speed of change in the digital marketing space As the marketing and communications landscape evolves through the opportunities provided by digital channels, there is a risk that some businesses lack the resource to transition effectively.	The Group follows a strategy of focusing acquisitions on technology-driven marketing agencies. It also encourages all of the brands to have data and technology as a central part of their business. This is monitored through regular meetings between the executive Directors and the brands, and through our annual Group-wide strategy session.	↑
Misappropriation of assets Particularly in smaller brands with fewer opportunities to segregate duties, there is a risk that, without appropriate oversight and review, there could be fraudulent activity or misreporting of financial information.	Overseen by the Audit Committee, the Internal Audit function provides assurance of the Group's control environment, with particular focus given to segregation of duties. The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances.	→

↑ Increase → Static ↓ Decrease

Risk description	Mitigating actions	Change in risk
Financial risk		
Macroeconomic uncertainty Following recent changes in the political environment, the Group faces uncertainty in both the UK and the US, its two largest territories. In uncertain political and economic times there is an increased risk that customers cut marketing spend leading to reduced revenue and profit for the Group.	The Group's strategy of building a portfolio of brands which is diversified across different communications markets and geographic regions minimises the risk that the Group is overly reliant on any one territory, sector or client. Regular client feedback is sought (for instance, via client surveys) and appropriate steps are taken to retain existing clients. The Board continues to monitor the latest macroeconomic developments to inform the Group-wide strategy.	↑
Liquidity risk Cash outflows related to significant acquisition-related obligations are unevenly spread throughout the year. There would be a risk to the business if working capital were not appropriately managed to maximise the growth of the business. There is an undiversified risk around going concern if there is a breach of covenants.	The Board has always maintained a prudent approach to taking on debt and the Group manages its risk of a shortage of funds with a mixture of long and short-term committed facilities. On 5 July 2017 the Group entered into a new extended five-year £40m revolving credit facility with HSBC and on the 9 February 2018, the Group drew down a new £20m term loan repayable over the period to July 2022 also with HSBC. All cash in the US is swept each night, and the majority of cash in the UK is in a central cash pool. This allows the working capital to be monitored by the Group Treasury function and the cash used to maximum benefit. In addition global and local short-term cash flow forecasts are monitored on a daily basis by the Group Treasury function, and a four-year long-term cash flow model is monitored monthly. Covenants are monitored regularly; they are forecast to have significant headroom within the foreseeable future.	↑
Currency risk As a result of global operations the Group's results can be affected by movements in foreign exchange rates against sterling. The Group has transactional currency exposure in the US, EMEA and APAC, including foreign currency bank accounts.	The Board and the Group Treasury function consider the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates on a case-by-case basis. Net investment hedges are used where appropriate for significant foreign currency investments. The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments, and natural currency hedging is used where possible across the Group. The Group generates 70% of its revenue outside of the UK, and a proportion of it's UK revenue is also billed in currencies other than GBP. The Group has therefore been impacted by the recent volatility of GBP.	↑
Compliance with laws and regulations The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations. Any failure to respond quickly to legislative requirements could result in civil or criminal liabilities, leading to fines, penalties or restrictions being placed upon the Group's ability to trade resulting in reduced sales and profitability and reputational damage.	The Group has maintained an in-house legal function over the whole of its life as a public company and also uses external legal counsel to advise on local legal and regulatory requirements. The Group has an in-house tax function to ensure compliance with tax legislation globally which consults with external advisers.	→

The Strategic Report as set out on pages 1 to 21 was approved by the Board on 12 April 2018 and signed on its behalf by:

Tim Dyson
Chief Executive Officer

Richard Eyre CBE N A R
Chairman (age 63)
Appointment May 2011

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

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

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

Tim Dyson N
Chief Executive Officer (age 57)
Appointment December 1991

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

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

Peter Harris
Chief Financial Officer (age 56)
Appointment March 2014

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

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

Penny Ladkin-Brand N A R
Non-executive Director (age 40)
Appointment July 2017

Penny joined Next 15 in July 2017 as non-executive Director. She chairs the Audit Committee and is a member of the Nomination and Remuneration Committees.

Penny is also Chief Financial Officer at Future plc and a chartered accountant with a background in digital media and expertise in digital monetisation models. Most recently, she was commercial director at Auto Trader Group and previously a senior executive at Fitness First.

Genevieve Shore N A R
Senior Independent
Non-executive Director (age 48)
Appointment February 2015

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

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

Genevieve is also a non-executive director at Santander UK and Moneysupermarket.com Group PLC. She is also a non-executive director at the Rugby Football Union and the independently-owned Arup Ltd. Until early 2018 she was an advisory board member for Lego Education. She also invests in a number of education technology start-ups and works with female executives as a coach and mentor.

Nick Lee Morrison
General Counsel and
Company Secretary (age 36)
Appointment January 2016

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

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

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

Chairman's introduction

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

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

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

I look forward to meeting you at our Annual General Meeting ('AGM') on Friday 22 June 2018.

Richard Eyre CBE
Chairman
12 April 2018

The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. As at 12 April 2018 the Board comprised two executive Directors, a non-executive Chairman and two non-executive Directors.

Next 15 is delighted to welcome Penny Ladkin-Brand to the Board. Penny joined on 24 July 2017 and brings with her extensive digital media experience, and will be a valuable addition to the Next 15 Board. Penny chairs the Audit Committee and serves on the Nomination and Remuneration Committees of the Board. In July 2015 she was appointed as Chief Financial Officer of Future plc, prior to which she was Commercial Director at Auto Trader Group plc.

Alicja Lesniak stepped down from the Board in her position as non-executive Director on 30 June 2017 and the Board thanks Alicja for her tremendous contribution as a non-executive Director. Next 15 has benefited greatly from her experience and knowledge and we wish Alicja every success in the future. Alicja retired as a Director after two three-year terms, having served on the Next 15 Board and as Senior Independent Director and Chair of the Audit Committee since 2011.

Subsequently Genevieve Shore took up the role of Senior Independent non-executive Director on 1 July 2017.

Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on page 22 to 23.

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

The Board aims to convene once a month, with additional meetings being held as required. As Tim Dyson is located in San Francisco, some of the Board meetings are held by telephone conference. The Board meets 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 26.

The Board's responsibilities and processes

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

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

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

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

All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations. Directors may take independent professional advice at the Company's expense, as and when necessary to support the performance of their duties as Directors of the Company. Appropriate induction and training for new and existing Directors is provided where required.

Appointment, election and re-election of Directors

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

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

The Company's Articles of Association provide that a Director appointed by the Board shall retire and offer themselves for re-election at the first AGM following their appointment and that, at each AGM of the Company, one-third of the Directors, in addition to any new appointment during the year, must retire by rotation. At the forthcoming AGM, Penny Ladkin-Brand, having been appointed since the last AGM, will stand for election, and Tim Dyson along with Genevieve Shore, will offer themselves for re-election by the shareholders.

With regard to the Directors who are offering themselves for re-election at the next AGM, the Board was delighted to welcome Penny Ladkin-Brand to Next 15 during the year, who brings with her extensive digital media experience which compliment the existing skills and expertise of the Board. The Board is further satisfied that the contributions of both Tim Dyson and Genevieve Shore continue to be effective and demonstrate sufficient time commitment to their respective roles. The Board also believes that each Director standing for re-election is independent in character and judgement. The Board therefore recommends that the Company and its shareholders support the election and re-election of each of the Directors listed above.

Biographical details of each Director standing for election and re-election, can be found on pages 22 and 23 of this report.

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

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

Senior Independent non-executive Director
Genevieve Shore 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. Genevieve is considered to be independent as defined by the UK Code.

Board performance evaluation, succession planning and diversity
The performance of the Board is key to the Company's success. The performance of the Board and its Committees is evaluated regularly, and the evaluations are conducted with the aim of improving their effectiveness. The last Board evaluation was facilitated internally during the year to 31 January 2018 and involved a questionnaire to each Board Director. The review produced a number of key actions which will be progressed during 2018/19.

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

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

Directors' conflicts of interest
Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the Directors to authorise conflicts of interest and the Board has adopted a policy for managing and, where appropriate, approving potential conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported by the Directors. A review of Directors' conflicts of interest is conducted annually.

Committees of the Board
The Board is supported by the Audit, Nomination and Remuneration Committees. The reports of these Committees can be found on pages 28 to 38.

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

The Board appoints the Committee members. The Audit Committee comprises three non-executive Directors: Penny Ladkin-Brand (Chair), Richard Eyre and Genevieve Shore. Peter Harris also attends most meetings at the invitation of the Chairman. The Remuneration Committee comprises three non-executive Directors: Genevieve Shore (Chair), Penny Ladkin-Brand and Richard Eyre. The executive Directors also attend these Committee meetings at the invitation of the Chairman, except when discussing matters of their own remuneration. The Nomination Committee comprises Richard Eyre (Chair), Penny Ladkin-Brand, Genevieve Shore and Tim Dyson. Attendance records of Committee meetings are shown below:

Board and Committee attendance for the year ended 31 January 2018

	Board	Audit	Remuneration	Nomination
Richard Eyre	11 of 11	3 of 3	8 of 8	1 of 1
Tim Dyson	11 of 11	–	–	1 of 1
Peter Harris	11 of 11	–	–	–
Penny Ladkin-Brand	6 of 6	2 of 2	5 of 5	–
Genevieve Shore	10 of 11	3 of 3	8 of 8	1 of 1
Alicja Lesniak	4 of 4	1 of 1	3 of 3	1 of 1

Relations with shareholders

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

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

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

The Board as a whole is kept informed of the views and concerns of the major shareholders. When requested to do so, the non-executive Directors will attend meetings with major shareholders and are prepared to contact individual shareholders should any specific area of concern or enquiry be raised.

Financial reporting and going concern statement

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 16.

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

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 42.

Whistle-blowing and Bribery Act 2010

The Company has established arrangements by which individuals may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The Group has an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

Environment

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

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

The Committee's duties include:

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

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

The Committee seeks to ensure that appointments are made on merit, with due consideration of the benefits of diversity. The Directors are pleased to continue to report that 40% of our Board is composed of women, a higher percentage than the 33% target set by the Lord Davies review for FTSE 350 companies by 2020, despite being an AIM listed company.

The Nomination Committee meets when necessary and met once during the year to 31 January 2018 in order to approve the appointment of Penny Ladkin-Brand to the Board, Alicja Lesniak having stepped down from her role as non-executive Director on 30 June 2017. The Committee also appointed Genevieve Shore as Senior Independent non-executive Director, replacing Alicja Lesniak.

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.

Richard Eyre CBE
Nomination Committee Chair
12 April 2018

I am pleased to present the report of the Audit Committee ('Committee') for the year to 31 January 2018. This report details the Committee's roles, responsibilities and key activities during the period. The principal aims of the Committee are to review and report to the Board on the Group's financial reporting, to ensure the integrity of the financial information provided to our shareholders, and to support the development and maintenance of the Group's risk management and internal control environment.

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

Penny Ladkin-Brand
Audit Committee Chair
12 April 2018

Composition of the Audit Committee

The Committee is composed entirely of non-executive Directors who between them possess a range of commercial and financial experience as detailed on page 23. The current members of the Committee are Penny Ladkin-Brand (Chair), Richard Eyre and Genevieve Shore. The Board is satisfied that the Committee members are sufficiently competent in financial matters and that the Chair has recent and relevant financial experience.

The Committee meets periodically and at least three times a year, with the external auditor, other Directors, the Head of Internal Audit and other management attending by invitation. Attendance records of meetings held during the year can be found on page 26. The Committee Chair is in frequent contact with the Chief Financial Officer, the Head of Internal Audit and the external auditor and preparatory meetings are held ahead of some Committee meetings to identify and discuss key areas for consideration by the Committee.

Provision is made for the external auditors and Head of Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

Roles, responsibilities and activities during the reporting period

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

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the Group's financial statements and other announcements relating to its financial performance;
- considering the Group's accounting policies and practices, application of accounting standards and significant judgements;
- overseeing the relationship with the Group's external auditor, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the external auditor's appointment and fees;
- keeping under review the effectiveness of the Group's internal control and risk management systems; and
- monitoring the remit and effectiveness of the Group's Internal Audit function.

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

During the period the Committee's activities included:

- considering significant financial reporting issues and judgements around adjusting items, tax matters, goodwill impairment, earn-out liabilities, and acquisition accounting;
- assisting the Board in its assessment of the Group's risk environment, internal controls and risk management processes;
- reviewing reports on the work of the Internal Audit function;
- discussing the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements;
- overseeing the relationship with the external auditor, including the assessment of their independence; and
- reviewing the Committee's terms of reference.

Auditor independence, objectivity and fees

The external auditor, Deloitte LLP, was first appointed in 2014, for the financial year ended 31 January 2015. The Board is satisfied that the Company has adequate policies and safeguards in place to ensure that Deloitte maintain their objectivity and independence. The external auditor reports annually on its independence from the Company. The Group has a formal policy on the engagement of the external auditor for non-audit services. The objective of the policy is to ensure that the provision of non-audit services by the external auditor does not impair, or is not perceived to impair, the external auditor's independence or objectivity. The policy sets out monetary limits and imposes guidance on the areas of work that the external auditor may be asked to undertake and those assignments where the external auditor should not be involved. The policy is reviewed regularly and its application is monitored by the Committee. The fees paid to Deloitte in respect of non-audit services are shown in note 4 to the financial statements. This work is not considered to affect the independence or objectivity of the auditor.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2018. The report sets out the work of the Remuneration Committee (the 'Committee') in the previous period and our strategic approach to pay, benefits and incentives. We also report in detail upon the amounts earned by the Directors during the year and how these awards support our pay for performance strategy and align with the short and long term goals for the company and our shareholders. Details of these awards can be found on pages 32 to 38

As reported last year, FY17 saw a wide-ranging review of our remuneration policies and structures resulting in significant changes to our Long-Term Incentive Plan. These changes, have now been implemented in full and consequently in FY18 the Committee has been able to focus on the Group's wider strategic approach to remuneration without making further structural changes.

As in previous years we continue to develop our equity-based schemes as a key mechanic to attract and retain our key talent and entrepreneurs. We continue to share more detail of these schemes on page 37.

The Committee has also spent time this year reviewing our approach to gender pay. Although the Company is not required to report under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017), due to its size and structure, the review has instead prompted a wider review of our diversity & inclusion strategy. The Group's CEO is leading a review of our brands' approach to diversity and inclusion to identify and measure relevant data and enable best practice to be shared across the Group.

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

Genevieve Shore
Remuneration Committee Chair
12 April 2018

Key activities of the Committee

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

- reviewing the ongoing appropriateness and relevance of the remuneration framework as they align to Group strategy and our pay for performance goals;
- undertaking the annual review of remuneration for both executive Directors;
- setting both financial and non-financial targets for the annual bonus plan FY18;
- reviewing and setting appropriate stretching performance targets for LTIP awards FY18;
- reviewing the extent to which performance conditions have been met for both the annual and long-term incentive plans, and agreeing the cash and equity payments arising including the processes and communication to executive Directors and senior executives;
- reviewing the design, policies and targets of the Group's equity incentive plans including their impact on dilution and headroom;
- performing an evaluation of the Committee's effectiveness;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including in relation to tax and also the UK Government consultation in 2016/17; and
- reviewing the Group's approach to gender pay, diversity and inclusion policies.

Remuneration strategy

To ensure that the Group continues to grow, organically and inorganically, we must have the right selection of incentives and remuneration packages in place for our senior management team and to attract and retain key talent throughout the Company.

We are committed to creating strong alignment and an ongoing dialogue with our shareholders and we will continue to work hard to ensure that we are mindful of changing regulatory guidance and best practice.

Long-term incentive plan

Historic awards vesting during FY18

Performance share awards of 125,000 and 150,000 Ordinary Shares granted to Tim Dyson and Peter Harris respectively vested in full during FY18.

These awards were made under the previous Next Fifteen Long Term Incentive Plan 2005 ('2005 LTIP') and were the last outstanding awards to the executive Directors under the 2005 LTIP.

These awards vested on a 'best three years out of four' basis, however as reported last year the 'bye-year' for determining vesting has now been removed from the Group's long-term incentive plan and no outstanding awards or future awards to the executive Directors will benefit from a 'bye-year'.

The historic awards to the executive Directors which vested during FY18 are summarised below:

Executive Director	Number of performance shares	Targets		Actual performance	Percentage of award vesting	Number of shares vested	Gain on vesting
Tim Dyson	125,000	**Average annual EPS growth in best three of four years target:**	**Proportion vesting:**	43%[1]	50%	125,000	£500,000
		Less than 3% above inflation	0%				
		3% above inflation	10%				
		Between 3% and 10% above inflation	10%-50% (straight-line basis)				
		10% or more above inflation	50%				
		Average profit against budget in best three of four years target:	**Proportion vesting:**	122%[2]	50%		
		90% or less	0%				
		for every 1% below budget	5% of award will not vest				
		100% or more	50%				
Peter Harris	150,000	**Average annual EPS growth target**	As above	As above	50%	150,000	£600,000
		Average profit against budget target	As above	As above	50%		

1 This has been calculated based on the growth in adjusted basic EPS less the growth in the consumer price index ("CPI") based on years to 31 July.

2 This has been calculated based on the budgeted profit before interest, amortisation, restructuring costs and share scheme charges at budgeted exchanged rates against actual profit before interest, amortisation, restructuring costs and share scheme charges at actual exchange rates based on years to 31 July.

Long-term incentive plan continued

New awards made during FY18

As we reported last year retrospective changes were made to the awards under the Next Fifteen Communications Group plc Long-Term Incentive Plan in FY17 in order to align with our strategic goals, shareholder interests and best practice.

In addition to the removal of the 'bye-year' the Rules of the 2015 LTIP were also amended (the 'Amended 2015 LTIP') in FY18 to facilitate the phased vesting of LTIP awards and the introduction of holding periods for vested awards.

The FY18 awards to executive Directors, including holding periods, are summarised below. We have shared more detail this year, including the EPS targets, which have been met in full, and the key areas of strategy to which a portion of these awards relate. Our progress in each of these long term strategic areas is covered in more detail throughout this annual report.

Executive Director	Tim Dyson	Peter Harris
Number of performance shares	162,597	75,367
	Vesting criteria (for both executive Directors)	
Up to 70% of maximum award	*Target*	*Proportion of tranche vesting for that year*
Annual rate of increase in earnings per share over relevant financial year	Less than 5%	0%
	5%	17.5%
	Between 5% and 15%	17.5% – 70% (straight-line basis)
	15% or more	70% Total Award
Up to 30% of maximum award		
Strategic KPIs	These include our long term strategic goals to support talent, data, financial and portfolio management.	0–30%
	Vesting tranches (for both executive Directors)[1]	
	Financial year following which tranche vests	*Maximum proportion of award available for vesting (subject to performance)*
	FY18	0%
	FY19	40%
	FY20	40%
	FY21	20%
	FY22	0%
Holding periods (for both executive Directors)		
	Financial year following which tranche vests	*Released following*
	FY18, FY19 & FY20	FY20
	FY21, FY22	FY22

1 The vesting schedule shown here for the first new award under the Amended 2015 LTIP represents an adjusted schedule in the interest of providing as consistent a vesting opportunity as possible to our executive Directors

Short-term incentives

The executive Directors' remuneration also includes an element of annual performance-related pay so that awards can be aligned to improvements in both short and long term shareholder value.

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

During the year the Committee reviewed the executive Directors' annual bonus framework and agreed a continued annual maximum opportunity set at 60% of salary.

After a close review of the performance against targets, for the year ended 31 January 2018, an award of 33% of salary for each executive Director has been agreed by the Committee. These are summarised below.

Executive Director	Maximum bonus available for FY18	Targets (for both executive Directors)		Actual performance (for both Executive Directors)	Total bonus awarded
Tim Dyson	£413,739 ($538,523)	Deliver budget targets, manage investor consensus and deliver to these expectations.	Up to 30%	20%	£227,556 ($296,187)
		Ensure cash-flow and financial KPIs continue to be robust, actively managed and reported.	Up to 15%	10%	
Peter Harris	£184,500	Achieve identified strategic goals relating to data, talent and portfolio.	Up to 55%	25%	£101,475

Directors' interests in share plans for the year to 31 January 2018

As at 31 January 2018 the following Directors held performance share awards over Ordinary Shares of 2.5p each under the 2005 LTIP, 2015 LTIP and 2016 Share Award Agreements, as detailed below:

Executive Director	Number of Performance shares at 1 February 2017 (or date of appointment if later)	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	**Number of Performance shares at 31 January 2018 (or date of resignation if earlier)**	Grant date	End of performance period	Total gain on vesting £'000
Tim Dyson								
	125,000	–	125,000	–	**–**	21.01.2014	31.07.2017	500
	150,000	–	–	–	**150,000**	14.11.2014	31.01.2018	–
	225,000	–	–	–	**225,000**	17.10.2016	31.01.2019	–
	–	–	–	162,597	**162,597**	02.05.2017	31.01.2022	
Peter Harris								
	150,000	–	150,000	–	**–**	16.04.2014	31.07.2017	600
	150,000	–	–	–	**150,000**	14.11.2014	31.01.2018	–
	225,000	–	–	–	**225,000**	17.10.2016	31.01.2019	–
				75,367	**75,367**	02.05.2017	31.01.2022	

Directors' remuneration for the 12-month period to 31 January 2018

Tim Dyson's basic salary was increased by 2.5% to $862,415 (£662,581) per annum effective 1 February 2017. Peter Harris' basic salary was increased by 2.5% to £307,500 per annum effective 1 February 2017.

	Salary and fees 2018 £'000	Performance-related bonus 2018 £'000	Pension contributions 2018 £'000	Other benefit 2018 £'000	**Total 2018 £'000**	Total 2017 £'000
Executive Directors						
Tim Dyson	663	228	75	97	**1,063**	1,072
Peter Harris	308	101	31	4	**444**	480
Non-executive Directors						
Richard Eyre	150	–	–	–	**150**	120
Penny Ladkin-Brand[1]	24	–	–	–	**24**	
Genevieve Shore	49	–	–	–	**49**	45
Alicja Lesniak[2]	23	–	–	–	**23**	56

1 Penny Ladkin-Brand joined the Board on 24 July 2017.

2 Alicja Lesniak stepped down from the Board on 30 June 2017.

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

The interests of the Directors in the share capital of the Company at 31 January 2017 and 31 January 2018 are as follows:

	Ordinary Shares		LTIP performance shares	
	31 January 2017 (or date of appointment if later)	**31 January 2018 (or date of resignation if earlier)**	1 February 2017 (or date of appointment if later)	**31 January 2018 (or date of resignation if earlier)**
Executive Directors				
Tim Dyson	5,077,997	**5,077,997**	500,000	**537,597**
Peter Harris	42,372	**142,372**	525,000	**450,367**
Non-executive Directors				
Richard Eyre	197,993	**150,000**	–	**–**
Penny Ladkin-Brand[1]	–	**–**	–	**–**
Genevieve Shore	–	**–**	–	**–**
Alicja Lesniak[2]	–	**–**	–	**–**

1 Penny Ladkin-Brand joined the Board on 24 July 2017.

2 Alicja Lesniak stepped down from the Board on 30 June 2017.

Directors' service contracts

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

Non-executive Directors

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

	Date of current letter of contract	Notice period
Executive Directors		
Tim Dyson	1 June 1997	6 months
Peter Harris	25 March 2014	6 months
Non-executive Directors		
Richard Eyre	8 May 2014	3 months
Penny Ladkin-Brand[1]	24 July 2017	3 months
Genevieve Shore	23 January 2015	3 months

1 Alicjia Lesniak stepped down as non-executive Director on 30 June 2017 and Penny Ladkin-Brand was appointed on 24 July 2017.

Management Equity incentive schemes

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

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

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

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

The nature of the equity incentive schemes means that the forecast of the number of shares to be issued contains significant judgements, including forecasting the underlying performance of the business, movement in the Group's share price and foreign currency fluctuations. In the event that the Company is required to issue shares to participants in excess of the authority given by shareholders, the Company's employee trust will purchase shares in the market. In order to ensure that sufficient shares are available, the Company regularly reviews its headroom and has agreed to create a buy-back policy whereby the employee trust will purchase shares as and when required. As at 31 January 2018 no shares had been purchased to settle future vestings of the equity incentive schemes.

The Company's headroom continues to improve and as 31 January 2018 was in the low double-digits.

Composition of the Remuneration Committee

The Committee comprises three non-executive Directors: Genevieve Shore (Committee Chair), Richard Eyre and Penny Ladkin-Brand. The Company's Chief Executive Officer and Chief Financial Officer attend the Committee meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed. No Director is involved in deciding his or her own remuneration. The Company Secretary or his nominee acts as secretary to the Committee. The Committee is authorised, where it judges it necessary to discharge its responsibilities, to obtain independent professional advice at the Company's expense and we have sought advice from Pearl Meyer during the period. Details of the cost can be found below.

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference, which were reviewed during the period and can be found in the Corporate Governance section of the Company's website. The Committee met eight times during the year and details of attendance can be found in the Corporate Governance Report on page 26.

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

Payments for loss of office

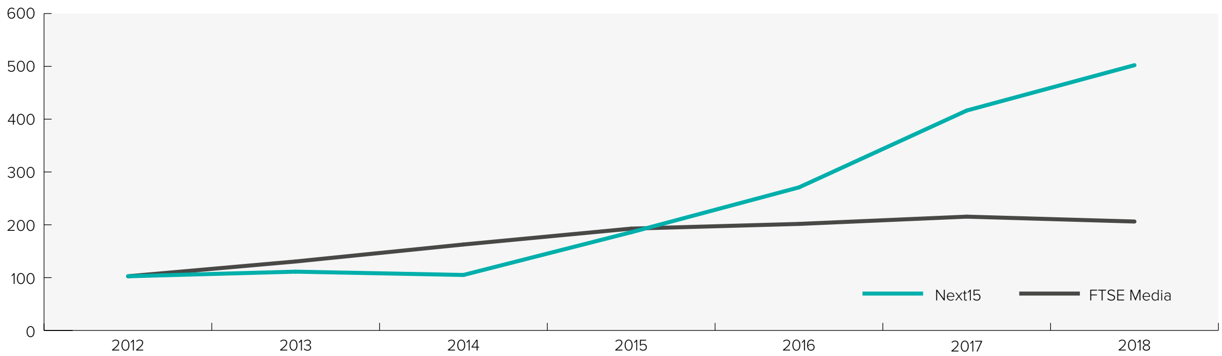
There were no payments for loss of office during the period.

Payments made to remuneration advisers

During the period the Committee was assisted in meeting its responsibilities by Pearl Meyer & Partners UK LLP, who provided advice relating to remuneration, for which they received fees of £54,524. The Committee is satisfied that the advice it receives is objective and independent.

Total shareholder return

The Company's total shareholder return performance for the six financial years to 31 January 2018 is shown on the graph below compared with the FTSE Media Index.



This graph shows the value on 31 January 2018 of £100 invested in the Company on 31 January 2012 with £100 invested in the FTSE Media Index.

The Directors present their annual report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 January 2018.

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

Group results and dividends

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 50. The Directors recommend a final dividend of 4.5p per Ordinary Share (2017: 3.75p) to be paid on 3 August 2018 for the year ended 31 January 2018 which, when added to the interim dividend of 1.8p (2017: 1.5p) paid on 24 November 2017, gives a total dividend for the period of 6.3p per share (2017: 5.25p).

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on pages 22 and 23.

Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the Directors' Remuneration Report on pages 31 to 38.

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

Directors' indemnity

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

Acquisitions

The following is a summary of Group acquisitions made in the year to 31 January 2018, more detailed disclosure of which can be found in note 26 to the financial statements.

In July we acquired the entire issued share capital of Velocity Partners Limited, a B2B digital agency with a focus on technology clients, for initial consideration of £5.9m. £4.9m was satisfied in cash with the balance satisfied by the issue to the vendors of 251,966 new Ordinary Shares in Next 15. Further consideration may become payable based on the average profits of Velocity for the years ending 31 April 2018, 31 January 2019, 31 January 2020, 31 January 2021 and 31 January 2022. Any deferred consideration that becomes payable may be satisfied by cash or up to 25% in new Ordinary Shares, at the option of Next 15.

We also acquired the entire issued share capital of Circle Research Limited on 11 July 2017, a B2B market research consultancy, through the Group's data and insights subsidiary, MIG. Their clients include Vodafone, Google, Mastercard, BSI, SITA, Maersk and Facebook. Initial consideration of £5.21m was comprised of £3.01m as an up-front payment for the business and £2.20m for the net assets acquired. Of the total initial consideration, £4.94m was satisfied in cash with the balance satisfied by the issue to the vendors of 67,360 new Ordinary Shares in Next 15. Further consideration may become payable based on the average profits of Circle for the years ending 31 January 2019 and 31 January 2020. Any deferred consideration that becomes payable may be satisfied by cash or up to 25% in new Ordinary Shares, at the option of Next 15.

On 15 September 2017 we acquired Elvis Communications Limited, a UK based integrated digital agency with a focus on consumer brands. Clients include global brands such as, Cadbury, Honda, Stella Artois, Budweiser, Corona and Kenco. Consideration for the acquisition was £5.5m in cash, representing a 5.5 multiple of 2017 forecast adjusted EBITDA. The consideration comprised a £5m up-front payment for the business followed by a deferred payment of up to £0.5m (subject to adjustments).

On 26 September 2017 we acquired the entire issued share capital of Charterhouse Research Limited, through the Group's data insights subsidiary, MIG. Charterhouse is a leading specialist financial market research consultancy and was purchased for initial consideration of £2.75m. This was comprised of an up-front payment of £1.74m and £1.01m for net assets acquired. Of total consideration, £2.58m in cash with the balance in cash with the balance satisfied by the issue to the vendors of 41,598 new Ordinary Shares in Next 15. Further consideration may become payable based on the average profits of Charterhouse for the years ending 31 January 2019 and 31 January 2020. Any deferred consideration that becomes payable will be fully satisfied by cash.

Acquisitions continued

On 27 September 2017, Next 15 acquired the remaining 25% of Encore Digital Media Limited. Under the amended terms of the acquisition, certain payments in respect of deferred consideration payable in Next 15 shares were brought forward, including a portion of the 'top-up payment' which has now been paid on completion of the acquisition. Accordingly 85,353 new Ordinary Shares of 2.5p each in the Company were issued in respect of this payment. The acquisition of the remaining 25% was brought forward in order to further simplify the Next 15 Group's corporate structure and to enable a long-term incentive plan for Encore management and staff to be implemented.

Under the terms of the original acquisition on 9 April 2013, the remaining part of the deferred consideration for Connections Media LLC in the US was settled in the year. Accordingly 55,017 new Ordinary Shares were issued on 30 October 2017 respect of this payment, and cash of $0.9m.

Significant post-balance sheet events

Subsequent to the year end on 6 February 2018, Next 15 acquired the Brandwidth Group Limited, a UK based digital innovation agency. The initial consideration for the acquisition is £6.2m, which will be settled with £4.9m of cash and the issue of 292,235 new Ordinary Shares in Next 15. Further deferred consideration may be payable in September 2018 of up to £3.3m and April 2020 of up to £0.8m based on the EBIT performance of Brandwidth in the year ending 30 June 2018.

Likely future developments in the business of the Company

The Group's priorities for 2018/19 are disclosed in the Strategic Report on pages 1 to 21.

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 consiwderation to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

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

Health and safety

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

Cyber security

In response to the growing global threat of third party attempts to exploit weaknesses in IT security systems, the issue of Cyber Security is now a standing item on the Board's agenda. During the year our IT team conducted further training across the Group, enhancing the Group's ability to effectively respond to an attack, created an enhanced Cyber Security Escalation Plan, detailing the internal procedures to be undertaken in response to potential threats, including the creation of a CIRT team, consisting of nominated individuals responsible for incident reporting, that have received specific training.

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 (2017: £Nil).

Charitable donations
During the year ended 31 January 2018, the Group donated £75,774 to various charities.

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 auditor for the year ended 31 January 2018. A resolution to reappoint Deloitte LLP as auditor 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 are unaware; and
2. the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's auditor are 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 2018 AGM at the Company's offices at 75 Bermondsey Street, London SE1 3XF, on Friday 22 June 2018 at 3.30 p.m. is set out in a separate document and will be mailed 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.

Significant shareholdings
As at 27 March 2018 the Company had received the notifications below of the following significant beneficial holdings in the issued Ordinary Share capital carrying rights to vote in all circumstances of the Company. The percentage holding is based on the Company's issued share capital at the date of the notification.

	27 March 2018	
	Total	%
Octopus Asset Mgt Clients	9,160,156	12.05
Liontrust Special Situations Fund	5,302,568	6.98
Mr Tim Dyson	5,077,997	6.68
Aviva Life and Pensions UK	4,810,542	6.33
Herald Investment Trust	3,933,386	5.18
Liontrust UK Smaller Companies Fund	2,975,375	3.92
Marlborough UK Minor Cap Growth Fund	2,853,000	3.75
MFM Slater Growth Fund	2,350,000	3.09

Approved by the Board on 12 April 2018 and signed on its behalf by:

Nick Lee Morrison
General Counsel and Company Secretary
12 April 2018

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether *Financial Reporting Standard 101 'Reduced Disclosure Framework'* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 12 April 2018 and is signed on its behalf by:

Peter Harris
Chief Financial Officer

Report on the audit of the financial statements

Opinion

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 2018 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Next Fifteen Communications Group plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30 and Parent Company notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment of acquired goodwill • valuation of acquired intangibles • valuation of acquisition-related liabilities
Materiality	The materiality that we used for the group financial statements was £1.47m which was determined based on a blended measure and represents 5.0% of adjusted profit before tax. Profit before tax is adjusted for exceptional costs and acquisition-related costs as disclosed in note 5 to the financial statements.
Scoping	Our scoping is based on both a qualitative and quantitative assessment of the individual brands. 72% of Group revenue was subject to full audit scope and a further 13% was subject to specified audit procedures performed by the Group auditor.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

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

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

Impairment of acquired goodwill

Key audit matter description

As at 31 January 2018 the Group had recognised goodwill of £65.9m (2017: £57.4m). The valuation of goodwill in relation to Twogether (£9.2m) and Agent3 (£1.1m) is a key judgement as these businesses have limited headroom which is highly sensitive to Management's growth assumptions including new wins and retention of existing customers.

For further details, see notes 1 and 11.

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

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

- evaluating the design and implementation of key controls around the impairment review process and the budgeting process;
- considering historical forecasting accuracy;
- benchmarking the forecast growth and retention rates against other Group companies and available industry data;
- involving valuation specialists to benchmark the discount rate;
- reviewing the disclosure in the financial statements to assess whether it is compliant with IAS 36 Impairment of Assets; and
- performing sensitivity analysis of the critical assumptions to assess whether a reasonable change would trigger an impairment which would require additional disclosure.

Key observations

Based on the evidence received, we concluded that the valuation of goodwill for the businesses above and the disclosures under IAS 36 in the Group financial statements are appropriate.

Valuation of acquired intangibles

Key audit matter description	The Group acquired Velocity, Elvis, Circle and Charterhouse in the year for a total of £26.6m, resulting in the recognition of £12.7m of intangible assets and £11.2m of goodwill. Given the value of acquisitions in the year, there is a risk that the identification and valuation of separately identifiable intangible assets are not in accordance with IFRS 3 Business Combinations, or that Management use inappropriate assumptions such as the discount rates and future cash flows of the acquired businesses in their valuation models, leading to material errors in the valuation of goodwill and intangible assets. For further details, see notes 1 and 26.
How the scope of our audit responded to the key audit matter	In order to address the risk relating to identification and valuation of intangible assets, our audit work included: • evaluating the design and implementation of controls around acquisition accounting, as well as Group review of the compliance of the calculation with IFRS 3 Business Combinations; • reviewing the Share Purchase Agreement (SPA) and holding discussions with management to understand the nature of the businesses acquired in order to assess whether all intangible assets have been identified; • reviewing the appropriateness of Management's valuation models; • challenging the assumptions against historical data, comparable external data and performance in other Group companies, and reviewing the application of these to the SPA terms; and • challenging the individual discount rates used including benchmarking against the year-end Group Weighted Average Cost of Capital, reviewing the risk adjustments made in either the discount rate or cash flows and benchmarking against discount rates used for similar brands acquired across the Group.
Key observations	We are satisfied the valuation models applied to identify and value the separately identifiable intangible assets is appropriate and consistent with prior periods.

Valuation of acquisition-related liabilities

Key audit matter description	As at 31 January 2018 the Group had £25.6m of acquisition related liabilities (2017: £18.3m) which consist mainly of contingent consideration that are payable based on a share of the average profit of the businesses acquired. The value of these liabilities can be highly judgemental as they are based on forecast future performance of specific brands, customer attrition rates and the growth assumptions. There is a risk that these liabilities are inappropriately valued as they are based on inappropriate assumptions. For further details, see notes 1 and 17.
How the scope of our audit responded to the key audit matter	Our audit work relating to acquisition-related liabilities included: • evaluating the design and implementation of controls around the recognition and calculation of the acquisition related liabilities, including appropriate review of the forecasts used and assumptions made by the respective brand management teams; • reviewing terms of the SPAs of all new acquisitions in the year to assess whether any acquisition related liabilities are included at year-end and that the liabilities are calculated in accordance with the terms; • challenging the forecasts used to calculate the liability by considering pipeline work and historic performance; • involving valuation specialists to benchmark the discount rates applied; • benchmarking the forecasts against other Group companies and available industry data; and • performing sensitivity analysis of the assumptions to assess a reasonable alternative scenario.

Key observations	We are satisfied that the assumptions used by management and the valuation of the acquisition-related liabilities are appropriate.

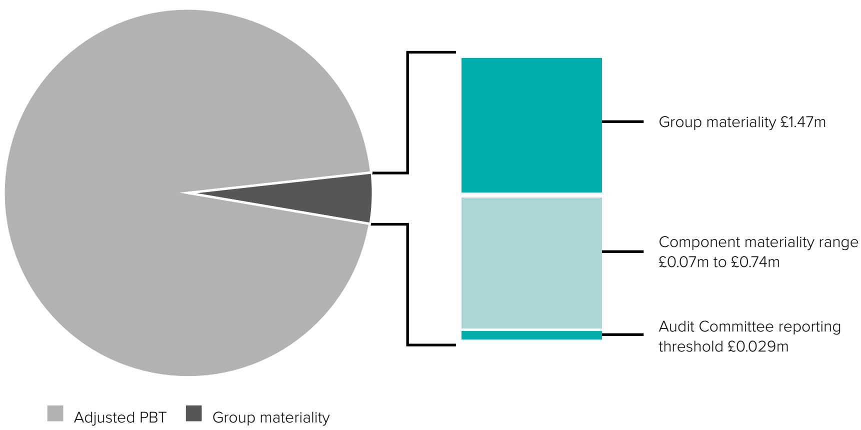
Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£1.47m	£1.39m
Basis for determining materiality	We have considered the adjusted profit before tax and revenue measures in determining materiality. Profit before tax is adjusted for exceptional costs and acquisition-related costs as disclosed in note 5 to the financial statements. Materiality equates to 5.0% of the adjusted profit before tax figure of £29.3m and 0.7% of the revenue figure of £196.8m.	Parent company materiality represents 1.8% of net assets which is capped at 95% of Group materiality.
Rationale for the benchmark applied	We considered a number of relevant benchmarks in our determination of materiality. Adjusted profit before tax is the main measure used in reporting the results for Next Fifteen Communications Group plc as this is the key performance indicator for the users of the financial statements of the group. In addition, we incorporated revenue as an additional benchmark as it reflects the growth of the group.	The Parent company is a holding company, and net assets is indicative of the company's ability to support its subsidiaries.

Adjusted PBT £29.3m



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.029m for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As a result of the disaggregated nature of the Group, a significant portion of audit planning time is spent so that the scope of our work is appropriate to address the Group's identified risks of material misstatement. In selecting the components that are in scope each year, we obtained an understanding of the Group and its environment, including an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level. The components were also selected to provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement.

Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Based on our assessment, we focused our audit work on 22 components, 15 of which were subject to full audit scope and 7 were subject to specified audit procedures. Our audit of these 22 components provided coverage of 85% of the Group's consolidated revenue, 76% of the Group's profit before tax within the Group's profitable components and 69% of the loss before tax within the Group's loss-making components.

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

Other information

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	*We have nothing to report in respect of these matters.*

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	*We have nothing to report in respect of these matters.*

Andrew Evans (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
12 April 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 January 2018 and the year ended 31 January 2017

	Note	**Year ended 31 January 2018 £'000**	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 £'000	Year ended 31 January 2017 £'000
Billings			**243,485**		200,745
Revenue	2		**196,811**		171,013
Staff costs	3	**136,346**		126,756	
Depreciation	4,12	**3,985**		3,482	
Amortisation	4,11	**7,413**		6,017	
Other operating charges		**31,842**		26,844	
Total operating charges			**(179,586)**		(163,099)
Operating profit	2,5		**17,225**		7,914
Finance expense	6		**(5,833)**		(5,607)
Finance income	7		**1,878**		865
Net finance expense			**(3,955)**		(4,742)
Share of profit/(loss) from associate			**26**		(272)
Profit before income tax	5		**13,296**		2,900
Income tax expense	8		**(4,000)**		(1,232)
Profit for the year			**9,296**		1,668
Attributable to:					
Owners of the Parent			**8,632**		1,138
Non-controlling interests			**664**		530
			9,296		1,668
Earnings per share					
Basic (pence)	10		**11.6**		1.6
Diluted (pence)	10		**10.5**		1.5

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

All results relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January 2018 and the year ended 31 January 2017

	Note	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 £'000
Profit for the year		**9,296**	1,668
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(5,427)**	5,128
Gain/(Loss) on net investment hedges	19	**1,190**	(1,378)
Total other comprehensive (expense)/income for the year		**(4,237)**	3,750
Total comprehensive income for the year		**5,059**	5,418
Total comprehensive income attributable to:			
Owners of the Parent		**4,395**	4,888
Non-controlling interests		**664**	530
		5,059	5,418

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

All results relate to continuing operations.

CONSOLIDATED BALANCE SHEET
As at 31 January 2018 and 31 January 2017

	Note	31 January 2018 £'000	31 January 2018 £'000	31 January 2017 £'000	31 January 2017 £'000
Assets					
Property, plant and equipment	12	**13,567**		15,764	
Intangible assets	11	**94,843**		79,979	
Investment in equity-accounted associate		**132**		120	
Trade investment		**1,211**		743	
Deferred tax assets	18	**9,794**		9,987	
Other receivables	13,19	**535**		817	
Total non-current assets			**120,082**		107,410
Trade and other receivables	13,19	**49,538**		42,143	
Cash and cash equivalents	19	**24,283**		22,072	
Corporation tax asset		**784**		601	
Total current assets			**74,605**		64,816
Total assets			**194,687**		172,226
Liabilities					
Loans and borrowings	19	**34,465**		31,869	
Deferred tax liabilities	18	**3,869**		2,692	
Other payables	14,19	**4,290**		5,537	
Provisions	15,19	**141**		54	
Deferred consideration	17,19	**1,784**		–	
Contingent consideration	17,19	**13,271**		10,971	
Share purchase obligation	17,19	**955**		3,033	
Total non-current liabilities			**(58,775)**		(54,156)
Loans and borrowings	19	**1,406**		1,589	
Trade and other payables	14,19	**45,003**		39,409	
Provisions	15,19	**1,405**		2,647	
Corporation tax liability		**2,154**		1,594	
Deferred consideration	17,19	**4,255**		–	
Contingent consideration	17,19	**5,368**		3,934	
Share purchase obligation	17,19	**–**		400	
Total current liabilities			**(59,591)**		(49,573)
Total liabilities			**(118,366)**		(103,729)
Total net assets			**76,321**		68,497
Equity					
Share capital		**1,892**		1,834	
Share premium reserve		**28,611**		25,681	
Share purchase reserve		**(2,673)**		(2,673)	
Foreign currency translation reserve		**4,811**		10,238	
Other reserves	24	**1,719**		529	
Retained earnings		**42,604**		31,962	
Total equity attributable to owners of the Parent			**76,964**		67,571
Non-controlling interests			**(643)**		926
Total equity			**76,321**		68,497

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

These financial statements were approved and authorised by the Board on 12 April 2018.

Peter Harris
Chief Financial Officer

Company number 01579589

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January 2018 and the year ended 31 January 2017

	Note	Share capital £'000	Share premium reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2017		1,834	25,681	(2,673)	10,238	529	31,962	67,571	926	68,497
Profit for the year		–	–	–	–	–	8,632	8,632	664	9,296
Other comprehensive (expense)/income for the year		–	–	–	(5,427)	1,190	–	(4,237)	–	(4,237)
Total comprehensive (expense)/income for the year		–	–	–	(5,427)	1,190	8,632	4,395	664	5,059
Shares issued on satisfaction of vested performance shares	20	40	–	–	–	–	(77)	(37)	–	(37)
Shares issued on acquisitions	20,26	18	2,930	–	–	–	–	2,948	–	2,948
Movement in relation to share-based payments		–	–	–	–	–	4,284	4,284	–	4,284
Tax on share-based payments	8	–	–	–	–	–	1,240	1,240	–	1,240
Dividends to owners of the Parent	9	–	–	–	–	–	(4,121)	(4,121)	–	(4,121)
Movement due to ESOP share purchases		–	–	–	–	(39)	–	(39)	–	(39)
Movement due to ESOP share option exercises		–	–	–	–	39	–	39	–	39
Movement on reserves for non-controlling interests		–	–	–	–	–	684	684	(684)	–
Non-controlling dividend		–	–	–	–	–	–	–	(1,549)	(1,549)
At 31 January 2018		**1,892**	**28,611**	**(2,673)**	**4,811**	**1,719**	**42,604**	**76,964**	**(643)**	**76,321**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED
for the year ended 31 January 2018 and the year ended 31 January 2017

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 January 2018 and the year ended 31 January 2017

	Note	**Year ended 31 January 2018 £'000**	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 £'000	Year ended 31 January 2017 £'000
Cash flows from operating activities					
Profit for the year		**9,296**		1,668	
Adjustments for:					
Depreciation	4,12	**3,985**		3,482	
Amortisation	4,11	**7,413**		6,017	
Finance expense	6	**5,833**		5,607	
Finance income	7	**(1,878)**		(865)	
Share of (profit)/loss from equity-accounted associate		**(26)**		272	
Loss on sale of property, plant and equipment	4	**147**		110	
Income tax expense	8	**4,000**		1,232	
Share-based payment charge		**4,284**		8,989	
Net cash inflow from operating activities before changes in working capital			**33,054**		26,512
Change in trade and other receivables		**(5,860)**		8,430	
Change in trade and other payables		**2,143**		(2,861)	
Movement in provisions		**(472)**		763	
Change in working capital			**(4,189)**		6,332
Net cash generated from operations			**28,865**		32,844
Income taxes paid			**(4,284)**		(1,978)
Net cash from operating activities			**24,581**		30,866
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired		**(9,824)**		(14,546)	
Payment of contingent consideration		**(5,062)**		(6,622)	
Acquisition of investments and associates		**(464)**		(777)	
Proceeds on disposal of associates		**–**		330	
Acquisition of property, plant and equipment		**(2,974)**		(8,284)	
Proceeds on disposal of property, plant and equipment		**7**		7	
Acquisition of intangible assets		**(1,193)**		(612)	
Net movement in long-term cash deposits		**(6)**		(292)	
Interest received	7	**117**		204	
Net cash outflow from investing activities			**(19,399)**		(30,592)
Net cash from operating and investing activities			**5,182**		274

CONSOLIDATED STATEMENT OF CASH FLOW CONTINUED
for the year ended 31 January 2018 and the year ended 31 January 2017

	Note	**Year ended 31 January 2018 £'000**	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 £'000	Year ended 31 January 2017 £'000
Net cash from operating and investing activities			**5,182**		274
Cash flows from financing activities					
Capital element of finance lease rental repayment		**(17)**		(55)	
Increase in bank borrowings and overdrafts		**8,000**		11,589	
Repayment of bank borrowings and overdrafts		**(3,516)**		–	
Interest paid	6	**(831)**		(695)	
Dividend and profit share paid to non-controlling interest partners	9	**(1,549)**		(1,075)	
Dividend paid to shareholders of the Parent	9	**(4,121)**		(3,264)	
Net cash (outflow)/inflow from financing activities			**(2,034)**		6,500
Net increase in cash and cash equivalents			**3,148**		6,774
Cash and cash equivalents at beginning of the year			**22,072**		14,132
Exchange (loss)/gain on cash held			**(937)**		1,166
Cash and cash equivalents at end of the year	19		**24,283**		22,072

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

1 Accounting policies

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

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

A. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations adopted by the European Union ('Adopted IFRSs') and the parts of the Companies Act 2006 applicable to companies reporting under Adopted IFRSs. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

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

B. New and amended standards adopted by the Group

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

C. Basis of consolidation

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

Subsidiaries are all entities over which the Group has control. Control is achieved where the Company has existing rights that give it the ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associates are accounted for under the equity method of accounting. The Consolidated Income Statement reflects the share of the results of the operations of the associate after tax.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

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

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

D. Merger reserve (included in other reserves)

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

1 Accounting policies continued

E. Revenue and other income

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

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

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

Finance income

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

F. Intangible assets

Goodwill

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

Software

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

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

Trade names

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

Customer relationships

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

Non-compete

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

The amortisation of acquired intangibles is added back for the Group's adjusted performance measures in order to better represent the underlying trading from business operations and to enhance comparability of the Group's profitability year on year.

1 Accounting policies continued

G. Property, plant and equipment

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

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

H. Impairment

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

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

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

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

I. Foreign currency

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

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the accounting period.

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

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

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

J. Operating segments

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

1 Accounting policies continued

K. Financial instruments

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

Trade receivables

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

Hedging activities

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

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

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

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

Bank borrowing

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

Deal costs

Costs associated with business combinations are recognised in the Consolidated Income Statement within the 'other operating charges' line in the year in which they are incurred. Those costs which are directly attributable to the business combination are considered exceptional to the extent they would not have been incurred had the business combination not occurred. They do not relate to the underlying trading of the Group and are added back in the adjusted performance measures to aid comparability of the Group's profitability year on year.

1 Accounting policies continued

K. Financial instruments continued

Contingent consideration

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

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

Share purchase obligation

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

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

Trade payables

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

L. Provisions

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

M. Retirement benefits

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

N. Share-based payments

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

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

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

O. Leased assets

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.

1 Accounting policies continued

P. Current tax

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

Q. Deferred tax

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

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

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

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

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

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle.

the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

R. Dividends

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

S. Employee Share Ownership Plan ('ESOP')

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

T. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

I. Share-based payments

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

II. Identification and valuation of acquired intangible assets

As part of the acquisition accounting under IFRS 3, the Group must identify and value the intangibles it has acquired. This involves judgements of the fair value of the acquired intangibles which can include assumptions of the longevity of acquired customer relationships, customer churn, cash flows and comparable brand royalty rates.

1 Accounting policies continued

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

Key sources of estimation uncertainty

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

I. Impairment of goodwill

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

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations for the purposes of the goodwill impairment review. The Group performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY19 budget, and there is no growth in perpetuity then this would indicate an impairment of £2.9m. Secondly, with all other variables unchanged, if the discount rate increased by 2% to 14.7% then this would indicate an impairment of £3.1m.

II. Contingent consideration, share purchase obligation and valuation of put options

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which if incorrect, could result in a material adjustment to the value of these liabilities within the next financial year. Further details, including sensitivity analysis, are contained in note 17.

U. New standards and amendments not applied

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards which have been published but are only effective for our accounting periods beginning on or after 1 February 2018 or later periods. These new pronouncements are listed below:

- IFRS 15 'Revenue from Contracts with Customers' (effective periods beginning on or after 1 January 2018);
- IFRS 9 'Financial Instruments' (effective periods beginning on or after 1 January 2018); and
- IFRS 16 'Leases' (effective periods beginning on or after 1 January 2019).

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

- IFRS 15 may impact the timing of revenue recognition for the Group, particularly for revenue earned through project work where revenue recognition may now need to be deferred until a performance obligation has been completed rather than revenue recognition by reference to stage of completion. Across the Group we do not expect the impact of this to be material.
- IFRS 15 may also impact whether the Group is viewed as principal or agent for third party costs which are billed onto our clients. We expect that Next Fifteen will become principal for a proportion of our reimbursable third party costs, leading to an increase in revenue of between 7% and 14% and a corresponding increase in costs. The operating profit will remain the same; however, our operating profit margin will reduce. These changes are effective for the Group's year ending 31 January 2019.
- IFRS 9 is not expected to have a material impact on the Group's bad debt provision. Several of the Group's unquoted equity investments which are currently held at cost will need to be revalued to an approximate fair value. The Group is planning to designate these financial assets as fair value through other comprehensive income. These changes are effective for the Group's year ending 31 January 2019.
- IFRS 16 requires the recognition of all lease assets and liabilities by lessees on the balance sheet and is effective for the Group's year ending 31 January 2020. The Group is currently evaluating the impact of the adoption of this standard on its financial position and operating results. The profile of the Group's principal leases is shown in note 25.

2 Segment information

Reportable segments

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

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

Measurement of operating segment profit

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

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 January 2018						
Revenue	**58,329**	**7,851**	**115,941**	**14,690**	**–**	**196,811**
Segment adjusted operating profit/(loss)	**12,984**	**752**	**23,181**	**2,002**	**(8,893)**	**30,026**
Operating profit margin	**22.3%**	**9.6%**	**20.0%**	**13.6%**	**–**	**15.3%**
Organic revenue growth	**7.6%**	**3.4%**	**5.1%**	**(0.7%)**	**–**	**5.2%**
Year ended 31 January 2017						
Revenue	42,638	7,166	107,008	14,201	–	171,013
Segment adjusted operating profit/(loss)	8,042	647	22,347	2,162	(8,228)	24,970
Operating profit margin	18.9%	9.0%	20.9%	15.2%	–	14.6%
Organic revenue growth	3.7%	5.7%	12.6%	6.4%	–	9.9%

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

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Segment adjusted operating profit	**30,026**	24,970
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments[1]	**(3,050)**	(10,507)
Deal costs	**(490)**	(368)
Costs associated with restructuring[2]	**(1,700)**	(676)
Charge associated with office moves[3]	**(525)**	–
Total exceptional costs in operating profit excluding amortisation	**(5,765)**	(11,551)
Amortisation of acquired intangibles	**(7,036)**	(5,505)
Total exceptional costs in operating profit	**(12,801)**	(17,056)
Total operating profit	**17,225**	7,914

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Text 100 LLC, Encore Digital Media Limited, Bite Communications LLC and The OutCast Agency LLC (2017: Agent3 Limited, BYND Limited, MIG Global Limited, The Lexis Agency Limited, Twogether Creative Limited, BYND LLC, Vrge Strategies LLC and M Booth LLC) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement in the year of grant. It also includes charges associated with equity transactions accounted for as share-based payments.

2 In the current period the Group has incurred exceptional redundancy costs in relation to Story Worldwide LLC and BiteDA Limited, which have now been merged with M Booth LLC and Twogether Creative Limited respectively. In the prior period the costs were in relation to the restructuring of the Story Worldwide LLC business and finalisation of the restructure in the EMEA region. These costs are adjusted in order to aid comparability of the Group's underlying ongoing trading performance year on year.

3 In the current year the Group has incurred double rent relating to property moves in New York and the UK. The Group has adjusted for the cost of the onerous property leases as the duplicate rent cost does not relate to the underlying trading of the business and the adjustment enhances comparability of the results year on year.

3 Employee information
Staff costs for all employees, including Directors, consist of:

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Wages and salaries	**120,541**	105,622
Social security costs	**8,906**	7,629
Pension costs	**2,544**	2,159
Share-based payment charge (note 21)	**4,355**	11,346
	136,346	126,756

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

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
UK	**599**	424
Europe and Africa	**89**	81
US	**710**	716
Asia Pacific	**332**	314
Head Office	**47**	45
	1,777	1,580

Key management personnel are considered to be the Board of Directors as set out on pages 22 and 23.

Directors' remuneration consists of:

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Short-term employee benefits	**1,300**	1,388
Pension costs	**106**	105
Share-based payment charge	**885**	325
	2,291	1,818

The highest paid Director received total emoluments of £1,063,000 (2017: £1,072,000).

4 Operating profit
This is arrived at after charging/(crediting):

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Depreciation of owned property, plant and equipment	**3,983**	3,354
Depreciation of assets held under finance leases	**2**	128
Amortisation of intangible assets	**7,413**	6,017
Loss on sale of property, plant and equipment	**147**	110
Share-based payment charge	**1,305**	839
Share-based payment charge – exceptional (note 2)	**3,050**	10,507
Operating lease income	**(640)**	(223)
Operating lease rentals – property	**8,298**	7,603
– plant and machinery	**90**	61
Foreign exchange loss/(gain)	**1,043**	(824)

4 Operating profit continued

Auditors' remuneration

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

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**205**	195
The auditing of financial statements of the subsidiaries pursuant to legislation	**174**	148
Non-audit services:		
Tax advisory services	**13**	71
Other assurance services	**5**	30
	397	444

5 Reconciliation of pro forma financial measures

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

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

Adjusted profit before income tax and earnings to ordinary shareholders

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Profit before income tax	**13,296**	2,900
Unwinding of discount on contingent and deferred consideration (note 17)	**2,255**	1,787
Unwinding of discount on share purchase obligation (note 17)	**255**	395
Total exceptional costs in operating profit (note 2)	**12,801**	17,056
Change in estimate of future contingent consideration payable (note 17)	**1,140**	1,606
Change in estimate of future share purchase obligation (note 17)	**(409)**	456
Adjusted profit before income tax	**29,338**	24,200

Adjusted EBITDA

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Operating profit	**17,225**	7,914
Depreciation of owned property, plant and equipment (note 12)	**3,983**	3,354
Depreciation of assets held under finance leases (note 12)	**2**	128
Amortisation of intangible assets (note 11)	**7,413**	6,017
EBITDA	**28,623**	17,413
Total exceptional costs in operating profit excluding amortisation (note 2)	**5,765**	11,551
Adjusted EBITDA	**34,388**	28,964

5 Reconciliation of pro forma financial measures continued

Adjusted staff costs

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Staff costs	**136,346**	126,756
Reorganisation costs	**(1,344)**	(593)
Charges associated with equity transactions accounted for as share-based payments (note 2)	**(3,050)**	(10,507)
Adjusted staff costs	**131,952**	115,656

6 Finance expense

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Financial liabilities at amortised cost		
Bank interest payable	**831**	685
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	**255**	395
Change in estimate of future share purchase obligation (note 17)	**–**	858
Unwinding of discount on contingent and deferred consideration (note 17)	**2,255**	1,787
Change in estimate of future contingent consideration payable (note 17)	**2,492**	1,865
Other		
Finance lease interest	**–**	7
Other interest payable	**–**	10
Finance expense	**5,833**	5,607

7 Finance income

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Financial assets at amortised cost		
Bank interest receivable	**98**	40
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	**409**	402
Change in estimate of future contingent consideration (note 17)	**1,352**	259
Other		
Other interest receivable	**19**	164
Finance income	**1,878**	865

8 Taxation

The major components of income tax expense/(credit) for the year ended 31 January 2018 and year ended 31 January 2017 are:

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	**5,770**	4,232
Adjustments in respect of current income tax in prior years	**(498)**	(106)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(1,459)**	(3,025)
Adjustments in respect of deferred tax for prior years	**187**	131
Income tax expense reported in the Consolidated Income Statement	**4,000**	1,232
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	**(1,240)**	(1,239)
Income tax benefit reported in equity	**(1,240)**	(1,239)
Factors affecting the tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.17% (2017: 20%). The difference is explained below:		
Profit before income tax	**13,296**	2,900
Corporation tax expense at 19.17% (2017: 20%)	**2,549**	580
Effects of:		
Disallowed expenses	**1,688**	1,338
Recognition of previously unrecognised tax losses	**(396)**	(19)
Non-utilisation of tax losses	**2**	18
Higher rates of tax on overseas earnings	**1,183**	836
Deduction for overseas taxes	**(715)**	(1,546)
Adjustments in respect of prior years	**(311)**	25
	4,000	1,232
Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense reported in the Consolidated Income Statement	**4,000**	1,232
Add back:		
Tax on adjusting items		
Costs associated with the current period restructure and office moves (note 2)	**630**	197
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	**(25)**	146
Share-based payment charge (note 2)	**552**	2,431
Amortisation of acquired intangibles	**1,530**	1,318
Impact of US tax reform	**(817)**	–
Adjusted tax expense	**5,870**	5,324
Adjusted profit before income tax (note 5)	**29,338**	24,200
Adjusted effective tax rate	**20%**	22%

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

8 Taxation continued

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19.17% (2017: 20%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The Group welcomed the enactment of the U.S. Tax Cuts and Jobs Act on 22 December 2017 which permanently reduced the US Federal corporation tax rate from 35% to 21% from 1 January 2018. As the Group realises a large proportion of its profits in the US the rate reduction is expected to have a favourable long-term impact on the Group's earnings. The Group's U.S. deferred tax assets and liabilities have been re-measured to 25% (the Group's combined US Federal and State tax rate going forward), giving rise to a non-cash charge in the current year income statement of £0.8m which has been excluded from the Group's adjusted tax expense.

Net corporation tax paid during the year totalled £4.3m (2017: £2.0m).

9 Dividend

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Dividends paid during the year		
Final dividend paid for prior year of 3.75p per Ordinary Share (2017: 3.00p)	**2,760**	2,164
Interim dividend paid of 1.80p per Ordinary Share (2017: 1.50p)	**1,361**	1,100
	4,121	3,264
Non-controlling interest dividend[1]	**1,549**	1,075

1 During the year, a profit share was paid to the holders of the non-controlling interest of Vrge of £35,031 (2017: £13,440), Blueshirt of £152,284 (2017: £187,895), OutCast of £313,729 (2017: £396,248), M Booth of £166,687 (2017: £123,300), Beyond of £687,724 (2017: £170,879), Bite US of £27,847 (2017: £9,046), Connections Media of £142,956 (2017: £173,756), Story of £2,305 (2017: £Nil) and Text 100 of £22,058 (2017: £Nil).

The ESOP waived its right to dividends in the financial years ended 31 January 2018 and 2017.

A final dividend of 4.5p per share (2017: 3.75p) has been proposed, which is a total amount of £3,405,841 (2017: £2,750,708). This has not been accrued. This makes the total dividend for the year 6.3p per share (2017: 5.25p). The final dividend, if approved at the AGM on 22 June 2018, will be paid on 3 August 2018 to all shareholders on the Register of Members as at 29 June 2018. The ex-dividend date for the shares is 28 June 2018.

10 Earnings per share

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in notes 2 and 5 is the tax effect of those adjusting items.

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Earnings attributable to ordinary shareholders	**8,632**	1,138
Unwinding of discount on contingent and deferred consideration	**2,245**	1,683
Unwinding of discount on share purchase obligation	**200**	345
Change in estimate of future contingent consideration payable	**1,131**	1,500
Change in estimate of share purchase obligation	**(309)**	570
Costs associated with the current period restructure (note 2)	**1,241**	511
Share-based payment charge (note 2)	**2,498**	8,075
Charge associated with office moves (note 2)	**354**	–
Deal costs (note 2)	**489**	337
US tax rate change	**817**	–
Amortisation of acquired intangibles	**5,506**	4,187
Adjusted earnings attributable to ordinary shareholders	**22,804**	18,346

10 Earnings per share continued

	Number	Number
Weighted average number of Ordinary Shares	**74,344,883**	72,306,063
Dilutive LTIP shares	**1,297,444**	2,103,789
Dilutive growth deal shares[1]	**5,336,533**	2,905,385
Other potentially issuable shares	**1,099,352**	973,882
Diluted weighted average number of Ordinary Shares	**82,078,212**	78,289,119
Basic earnings per share	**11.6p**	1.6p
Diluted earnings per share	**10.5p**	1.5p
Adjusted earnings per share	**30.7p**	25.4p
Diluted adjusted earnings per share	**27.8p**	23.4p

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

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-compete £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 2016	6,533	4,095	13,464	781	52,313	77,186
Additions	259	–	–	–	–	259
Capitalised internal development	353	–	–	–	–	353
Acquired through business combinations	495	2,010	11,952	1,513	12,900	28,870
Disposals	(282)	–	–	–	–	(282)
Exchange differences	104	439	764	2	2,946	4,255
At 31 January 2017	7,462	6,544	26,180	2,296	68,159	110,641
Additions	365	–	–	–	–	365
Capitalised internal development	828	–	–	–	–	828
Acquired through business combinations[1]	22	3,020	8,642	1,014	11,159	23,857
Disposals	(113)	–	–	–	–	(113)
Exchange differences	(86)	(447)	(667)	(2)	(2,744)	(3,946)
At 31 January 2018	**8,478**	**9,117**	**34,155**	**3,308**	**76,574**	**131,632**
Amortisation and impairment						
At 31 January 2016	4,034	1,066	7,592	508	10,431	23,631
Charge for the year	1,308	932	3,336	441	–	6,017
Disposals	(284)	–	–	–	–	(284)
Exchange differences	99	172	667	3	357	1,298
At 31 January 2017	5,157	2,170	11,595	952	10,788	30,662
Charge for the year[2]	1,145	1,029	4,628	611	–	7,413
Disposals	(113)	–	–	–	–	(113)
Exchange differences	(179)	(259)	(626)	(2)	(107)	(1,173)
At 31 January 2018	**6,010**	**2,940**	**15,597**	**1,561**	**10,681**	**36,789**
Net book value at 31 January 2018	**2,468**	**6,177**	**18,558**	**1,747**	**65,893**	**94,843**
Net book value at 31 January 2017	2,305	4,374	14,585	1,344	57,371	79,979

1 During the year, the Group acquired Circle, Charterhouse, Velocity, and Elvis (note 26). The Group recognised software intangibles of £22,000 through the acquisitions of Velocity and Elvis.

2 Amortisation charge for the period includes acquired intangibles of £611,000 for non-compete agreements, £4,628,000 for customer relationships, £1,029,000 for trade names and £768,000 relating to software.

11 Intangible assets continued

Impairment testing for cash-generating units containing goodwill

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

	2018 £'000	2017 £'000
Text 100 (UK)	**5,189**	5,189
OutCast (US)	**7,435**	8,399
M Booth (US)[1]	**6,607**	5,390
Blueshirt (US)	**4,820**	5,445
MIG[2]	**5,877**	2,623
ODD	**2,458**	2,458
Publitek	**8,884**	8,884
Twogether[3]	**9,226**	3,594
Velocity (note 26)	**5,726**	–
Elvis (note 26)	**2,179**	–
Other[4]	**7,492**	15,389
	65,893	57,371

1 The goodwill in M Booth has increased due to the transfer of the Story CGU into the existing M Booth CGU.

2 The goodwill in MIG (formerly known as Morar) has increased in the year due to the acquisitions of Circle and Charterhouse.

3 The goodwill in Twogether has increased due to the transfer of the Bourne CGU into the existing Twogether CGU.

4 Other goodwill represents goodwill on a number of CGUs, none of which is individually significant in comparison to the total carrying value of goodwill.

Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. The CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is a lower level than the operating segments disclosed in note 2; the CGUs are allocated to operating segments based on their geographical location.

The Group performs an impairment testing process by considering:

Stage 1) The performance of the brands during the previous financial year and the value in use of the brands at 31 January 2018. The value in use is calculated by taking the present value of expected future cash flows based on minimum expected standard growth rates applied to the Board-approved FY19 budget.

Stage 2) The value in use of the brands, calculated by taking the present value of expected future cash flows based on management's best estimate of brand-specific growth rates for the following four years applied to the Board-approved FY19 budget.

Note that the long-term perpetuity growth rate in stages 1 and 2 applied for years five onwards is 1.5% (2017: 2.5%), and the growth rate applied for years two to five is 2.5% (2017: 2.5%). Stage 2 is only performed if impairment is indicated at stage 1.

Cash flow projections

The recoverable amounts of all CGUs have been determined from value-in-use calculations based on the pre-tax operating profits before non-cash transactions including amortisation and depreciation taken from the most recent financial budgets approved by management for the next financial year. The Board-approved budgets are based on assumptions of client wins and losses, rate card changes and cost inflation as well as any other one-off items expected in the year for that particular CGU. The cash flow forecasts extrapolate the FY19 budgeted cash flows for the following four years based on estimated growth rates of 2.5% (2017: 2.5%) applied to revenue and costs. This rate does not exceed the average long-term growth rate for the relevant markets. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets. A growth rate of 1.5% (2017: 2.5%) is then applied into perpetuity after five years.

11 Intangible assets continued

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 12.7% (2017: 12.7%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 12.7% to be appropriate as this is already in the higher end of the spectrum amongst its peers, and views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

Change to CGUs

In the current year, as part of a strategic decision, the Bourne CGU has been transferred into the existing Twogether CGU, and the Story CGU has been transferred into the existing M Booth CGU. This is due to Twogether and M Booth being the lowest level at which goodwill is monitored for internal management purposes for those respective businesses. The previous Bourne and Twogether businesses, and the M Booth and Story businesses, now respectively operate as one and are managed as such. It is believed that there are both revenue and cost synergies to be realised immediately now that these agencies are respectively managed together.

Sensitivity to changes in assumptions

While the Twogether CGU did not indicate an impairment at stage 1, it was identified as particularly sensitive to the assumptions.

Financial year	Brand	Key assumptions	Reasonably possible change
Year to January 2018	Twogether	In stage one analysis, the value in use of Twogether exceeds its goodwill, intangible assets and tangible fixed assets. However the headroom is 6% of the goodwill; or £0.5m. On 1 February 2018 the trade and assets of Bourne have been transferred into Twogether, and therefore Twogether and Bourne's goodwill is being assessed together against the cash-flows of the Twogether CGU. Next year, the business has budgeted to continue making solid operating profit, with 16% budgeted for the full-year margin and organic revenue growth of 8% budgeted. Twogether is also investing in growing its US business, with additional costs included in H1 FY19 for this purpose. It is deemed that these models are appropriate given the current growth rates in the Company and it is expected that they will be met. As such, no impairment has been proposed, although management will continue to monitor the position closely.	In order for the carrying amount to exceed the recoverable amount, the revenue growth would need to drop below 2.3% per year from FY20 to FY23 with cost growth of 2.5% per year for an impairment to be required. Alternatively the discount rate would need to increase by 0.5% to 13.2%. These changes are not deemed reasonably possible by management. The budget includes certain one-off costs which are at management's discretion in the forthcoming year. The removal of these costs from FY20 increases headroom to £1.3m or 14% of the goodwill.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2016	9,822	5,990	1,907	76	17,795
Exchange differences	1,280	303	358	6	1,947
Additions	5,754	1,425	1,098	7	8,284
Acquired through business combinations	52	349	63	–	464
Disposals	(1,496)	(1,011)	(877)	(87)	(3,471)
At 31 January 2017	15,412	7,056	2,549	2	25,019
Exchange differences	(1,471)	(593)	(334)	–	(2,398)
Additions	1,236	1,467	271	–	2,974
Acquired through business combinations	127	158	26	–	311
Disposals	(628)	(558)	(107)	–	(1,293)
At 31 January 2018	**14,676**	**7,530**	**2,405**	**2**	**24,613**
Accumulated depreciation					
At 31 January 2016	3,320	3,881	579	27	7,807
Exchange differences	374	474	173	2	1,023
Charge for the year	1,544	1,372	554	12	3,482
Acquired through business combinations	29	239	36	–	304
Disposals	(1,507)	(1,034)	(779)	(41)	(3,361)
At 31 January 2017	3,760	4,932	563	–	9,255
Exchange differences	(436)	(442)	(177)	–	(1,055)
Charge for the year	1,795	1,577	611	2	3,985
Disposals	(610)	(480)	(49)	–	(1,139)
At 31 January 2018	**4,509**	**5,587**	**948**	**2**	**11,046**
Net book value at 31 January 2018	**10,167**	**1,943**	**1,457**	**–**	**13,567**
Net book value at 31 January 2017	11,652	2,124	1,986	2	15,764

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts as follows: £2,000 of office equipment and furniture (2017: £32,000). Depreciation charged in the year in respect of finance leases was £2,000 (2017: £128,000). The Group has contractual commitments for short leasehold improvements of £Nil (2017: £Nil).

13 Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	**35,676**	31,919
Less: provision for impairment of trade receivables	**(492)**	(1,067)
Trade receivables – net	**35,184**	30,852
Balance owing from associate	**–**	130
Other receivables	**2,509**	1,958
Prepayments	**3,491**	2,948
Accrued income	**8,354**	6,255
	49,538	42,143
Non-current		
Rent deposits	**535**	817

13 Trade and other receivables continued

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

As of 31 January 2018, trade receivables of £492,000 (2017: £1,067,000) were impaired. Movements in the provision were as follows:

	2018 £'000	2017 £'000
At start of period	**1,067**	697
Provision for receivables impairment	**126**	432
Receivables written off during the year as uncollectable	**(226)**	(120)
Unused amounts reversed	**(442)**	(24)
Foreign exchange movements	**(33)**	82
At end of period	**492**	1,067

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

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

	2018 £'000	2017 £'000
Not past due	**23,233**	19,813
Up to 30 days	**7,825**	6,223
31 to 60 days	**2,410**	2,495
Greater than 61 days	**1,716**	2,321
At end of period	**35,184**	30,852

14 Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade creditors	**9,591**	5,195
Finance lease obligation	**5**	14
Other taxation and social security	**2,876**	2,608
Short-term compensated absences	**1,625**	2,192
Other creditors	**4,161**	2,415
Accruals	**12,030**	15,187
Deferred income	**14,715**	11,798
	45,003	39,409
Non-current		
Finance lease obligation	**–**	10
Rental lease liabilities	**4,290**	5,527
	4,290	5,537

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

15 Provisions

	Onerous lease £'000	Property £'000	Other[1] £'000	Total £'000
At 31 January 2016	52	335	1,052	1,439
Additions	–	92	1,467	1,559
On acquisition of subsidiary	192	101	57	350
Used during the year	(55)	(79)	(579)	(713)
Exchange differences	3	15	48	66
At 31 January 2017	192	464	2,045	2,701
Additions	446	62	162	670
On acquisition of subsidiary	–	122	653	775
Used during the year	(362)	(133)	(2,082)	(2,577)
Exchange differences	(20)	(2)	(1)	(23)
At 31 January 2018	**256**	**513**	**777**	**1,546**
Current	**256**	**372**	**777**	**1,405**
Non-current	**–**	**141**	**–**	**141**

1 Other includes provisions for potential tax liabilities and redundancy provisions. In the prior year it included provisions for employment related acquisition liabilities which were settled during the current year.

16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts payable:				
Within one year	**5**	16	**5**	14
In two to five years	**–**	10	**–**	10
	5	26	**5**	24
Less: finance charges allocated to future periods	**–**	(2)	**–**	–
Present value of lease obligations	**5**	24	**5**	24

17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration[1] £'000	Share purchase obligation £'000	Total £'000
At 31 January 2016	–	8,344	3,734	12,078
Arising during the period	–	7,936	400	8,336
Changes in assumptions[2]	–	1,606	456	2,062
Exchange differences	–	312	144	456
Utilised	–	(5,080)	(1,509)	(6,589)
Written off as sold	–	–	(187)	(187)
Unwinding of discount	–	1,787	395	2,182
At 31 January 2017	–	14,905	3,433	18,338
Arising during the year[1]	500	8,286	–	8,786
Changes in assumptions[2]	–	1,140	(409)	731
Exchange differences	–	(105)	(127)	(232)
Utilised[3]	(360)	(3,719)	(400)	(4,479)
Written off	–	(21)	–	(21)
Reclassification[4]	5,586	(3,789)	(1,797)	–
Unwinding of discount	313	1,942	255	2,510
At 31 January 2018	**6,039**	**18,639**	**955**	**25,633**
Current	**4,255**	**5,368**	**–**	**9,623**
Non-current	**1,784**	**13,271**	**955**	**16,010**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Elvis, Velocity, Circle and Charterhouse (2017: HPI, Pinnacle, Publitek and Twogether). See note 26 for additional information on these acquisitions.

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

3 The amounts utilised were settled £3.4m in cash and £1.1m in shares. The difference to the cash flow statement is due to employment dependent acquisition payments made in cash of £1.7m which were recognised as provisions over the required employment term.

4 The contingent consideration and share purchase obligation in relation to Encore were reclassified to the deferred consideration due to a fixing of the amounts due on amendment of their deal to purchase the remaining 25% non-controlling interest in September 2017.

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY19 budget with further consideration being given to current and forecast wider market conditions. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earn-out period and discounted back to present value using a pre-tax discount rate.

Sensitivity analysis

A 5 percentage point increase or decrease in the estimated future revenue growth rate, estimated future profit margin, and the discount rate used would increase or decrease the combined liabilities due to earn-out agreements by approximately £955,000, £2,193,000, and £1,513,000, respectively. There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing on the earn-out agreements would have approximately a £288,000 impact on the liabilities. An increase in the liability would result in a reduction in the revaluation of financial instruments, while a decrease would result in a further gain.

18 Deferred taxation

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

	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 January 2016	(233)	564	2,090	89	392	3,095	488	6,485
(Charge)/credit to income	(253)	(59)	2,463	3	990	(152)	(98)	2,894
Exchange differences	(68)	64	–	11	291	402	39	739
Acquisition of subsidiaries	(16)	–	–	–	(2,999)	(67)	62	(3,020)
Taken to equity	–	–	197	–	–	–	–	197
At 31 January 2017	(570)	569	4,750	103	(1,326)	3,278	491	7,295
Credit/(charge) to income	159	(276)	376	1	1,023	(564)	553	1,272
Exchange differences	145	(4)	–	(12)	(353)	(513)	(38)	(775)
Acquisition of subsidiaries	20	–	–	–	(2,287)	184	–	(2,083)
Taken to equity	–	–	216	–	–	–	–	216
At 31 January 2018	**(246)**	**289**	**5,342**	**92**	**(2,943)**	**2,385**	**1,006**	**5,925**

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

	2018 £'000	2017 £'000
Net deferred tax balance		
Deferred tax assets	**9,794**	9,987
Deferred tax liabilities	**(3,869)**	(2,692)
Net deferred tax asset	**5,925**	7,295

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

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £0.9m (2017: £1.9m).

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £6m (2017: £6m). No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

19 Financial instruments

Financial risk management, policies and strategies

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

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax at 31 January 2018, based on period-end balances and rates.

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

	Movement in basis points	**2018 £'000**	2017 £'000
Group	+200	**(717)**	(669)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities. On 5 July 2017 the Group extended its revolving loan credit facility agreement ("RCF") with HSBC Bank available in multiple currencies to be available for five years and up to £40m (previously four years and £30m). The interest rate is variable dependent on the net debt: EBITDA ratio and the facility is available until 5 July 2022. The Group also has a $7m facility available in the US.

At 31 January 2018 the Group had an undrawn amount of £4,968,341 (2017: £443,099) on the RCF in the UK and $2,029,557 available on the $7m US facility (this allows for the letters of credit in place).

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2018 and 31 January 2017, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	More than five years £'000	Total £'000
As at 31 January 2018				
Financial liabilities	**39,846**	**56,812**	**3,968**	**100,626**
As at 31 January 2017				
Financial liabilities	49,657	59,899	–	109,556

19 Financial instruments continued

Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe and the Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates; however, the Group has not held derivative financial instruments at the end of either period.

The following table demonstrates the sensitivity to reasonably possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax based on period-end balances, year average and period-end rates.

	Weakening against sterling	**2018 £'000**	2017 £'000
US dollar	20%	**(2,428)**	(2,078)
Euro	20%	**(393)**	(497)
Australian dollar	20%	**(387)**	(441)
Indian rupee	20%	**(123)**	(126)

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

	Weakening against sterling	**2018 £'000**	2017 £'000
US dollar	20%	**(5,371)**	(4,499)
Euro	20%	**(701)**	(726)
Australian dollar	20%	**(634)**	(580)
Indian rupee	20%	**(411)**	(378)

Credit risk

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

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

Maximum exposure to credit risk

	2018 £'000	2017 £'000
Total trade and other receivables	**49,538**	42,143
Cash and cash equivalents	**24,283**	22,072

19 Financial instruments continued

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings and finance leases, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2018 to 2022.

	2018 £'000	2017 £'000
Total loans and borrowings[1]	**35,871**	33,458
Obligations under finance leases	**5**	26
Less: cash and cash equivalents	**(24,283)**	(22,072)
Net debt	**11,593**	11,412
Total equity	**76,321**	68,497
Total capital	**87,914**	79,909

1 Total loans and borrowings is made up of current obligations (£34,465,000) and non-current obligations (£1,406,000).

	2018 £'000	2017 £'000
Net debt	**11,593**	11,412
Share purchase obligation	**955**	3,433
Contingent consideration	**18,639**	14,905
Deferred consideration	**6,039**	–
	37,226	29,750

The movement in net debt is as follows:

	At 1 February 2016 £'000	Cash flow from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2017 £'000	Cash flow from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	**At 1 February 2018 £'000**
Total loans and borrowings	20,683	–	11,589	1,186	33,458	–	4,484	(2,071)	**35,871**
Obligations under finance leases	72	(55)	–	9	26	(17)	–	(4)	**5**
Less: cash and cash equivalents	(14,132)	(28,719)	21,945	(1,166)	(22,072)	(18,498)	15,350	937	**(24,283)**
Net debt	6,623	(28,774)	33,534	29	11,412	(18,515)	19,834	(1,138)	**11,593**

Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on the ratio of net debt to adjusted EBITDA; net debt plus earn-out liabilities (note 17) to adjusted EBITDA; and adjusted net finance charges to adjusted EBITDA. The Group maintains long-term cash forecasts which incorporate forecast covenant positions as part of the Group's capital and cash management. There have been no breaches of the banking covenants in the current or prior period.

Fair values of financial assets and liabilities

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

The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 January 2018, with the exception of obligations under finance leases. The book value of obligations under finance leases is £5,000 (2017: £24,000) and the fair value is £5,000 (2017: £26,000). The fair value of obligations under finance lease is estimated by discounting future cash flows to net present value and is Level 3 within the fair value hierarchy.

19 Financial instruments continued

Financial instruments – detailed disclosures

Financial instruments recognised in the balance sheet

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

As at 31 January 2018	At fair value through profit or loss £'000	Financial liabilities at mortised cost £'000	Loans and receivables £'000	Total £'000
Non-current financial assets				
Other receivables	–	–	535	535
	–	–	535	535
Current financial assets				
Cash and cash equivalents	–	–	24,283	24,283
Trade and other receivables	–	–	46,047	46,047
	–	–	70,330	70,330
Current financial liabilities				
Loans and borrowings	–	1,406	–	1,406
Trade and other payables	–	27,412	–	27,412
Provisions	–	1,405	–	1,405
Contingent consideration[1]	5,368	–	–	5,368
Deferred consideration[1]	–	4,255	–	4,255
	5,368	34,478	–	39,846
Non-current financial liabilities				
Loans and borrowings	–	34,465	–	34,465
Provisions	–	141	–	141
Other payables	–	4,290	–	4,290
Contingent consideration[1]	13,271	–	–	13,271
Share purchase obligation[1]	955	–	–	955
Deferred consideration[1]	–	1,784	–	1,784
	14,226	40,680	–	54,906

1 See note 17.

The Group has no fair value Level 1 or 2 instruments (2017: none). All instruments at fair value through profit of loss were Level 3 instruments as per the table above in the current year and were as per the table overleaf in the prior year.

Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data.

19 Financial instruments continued

Financial instruments – detailed disclosures continued

Financial instruments recognised in the balance sheet continued

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

1 See note 17.

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2018:

	Effective interest rate	**2018 £'000**	2017 £'000
Current			
Variable rate bank loan	3.56%	**1,406**	1,589
Obligations under finance leases	8.00%	**5**	14
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**34,465**	31,869
Obligations under finance leases	8.00%	**–**	10

Hedge of net investment in foreign entity

A proportion of the Group's US dollar-denominated borrowings amounting to US$6,100,000 is designated as a hedge of the net investment in the Group's US subsidiary M Booth LLC. An additional US$4,300,000 has been designated as a hedge of the net investment in the Group's US subsidiary Text 100 LLC.

The fair value of the borrowings at 31 January 2018 is US$10,400,000 (£7,313,000) (2017: US$15,400,000 (£12,233,000)). The foreign exchange gain of £1,190,000 (2017: loss of £1,378,000) on translation of the borrowing to functional currency at the end of the reporting period is recognised in a hedging reserve in shareholders' equity. As a result of ineffectiveness, £Nil was transferred during the period from the hedging reserve to the income statement (2017: £Nil).

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2018 Number	2017 Number
Authorised, allotted, called up and fully paid		
At start of period	**73,352,214**	70,525,701
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	**726,081**	1,765,751
Issued in the year in satisfaction of vested LTIPs (note 21)	**1,366,792**	1,027,932
Issued in the year in respect of growth share sales	**240,263**	32,830
At end of period	**75,685,350**	73,352,214

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

21 Share-based payments

The Group uses the Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications for LTIPs. At each period end the cumulative expense is adjusted to take into account any changes in the estimate of the likely number of shares expected to vest. Details of the relevant LTIP schemes are given in the following note. All the share-based payment plans are subject to non-market performance conditions such as adjusted earnings per share targets and continued employment. All schemes are equity settled. The Group uses a weighted average probability model to value the brand appreciation rights as permitted under IFRS 2.

In the period ended 31 January 2018 the Group recognised a charge of £4,355,000 (2017: £11,346,000) made up of £1,305,000 (2017: £839,000) in respect of employment-related LTIP shares; £3,050,000 (2017: £10,507,000) given in respect of the disposal of growth participating interests of 1% in OutCast LLC, 2% in Bite LLC, 11% in Text 100 LLC and 32% in Encore Digital Media Limited (2017: 2% in M Booth, 30% in Vrge, 2% in Agent3, 35% in Beyond Group, 49% in Morar, 13.5% in Lexis and 10% in Twogether).

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

	Outstanding 31 January 2017 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	**Outstanding 31 January 2018 Number ('000)**	**Exercisable 31 January 2018 Number ('000)**
Long-Term Incentive Plan – performance shares	2,167	388	(84)	(972)	**1,499**	**460**
Bourne Acquisition Grant	526	–	(132)	(394)	**–**	**–**
	2,693	388	(216)	(1,366)	**1,499**	**460**

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

	May 2017	May 2017
Fair value of performance shares granted under the LTIP (p)	350	359
Share price at date of grant (p)	408	408
Risk-free rate (%)	1.94	1.94
Expected life (years)	5	3
Expected volatility (%)	26.9	26.9
Dividend yield (%)	1.29	1.29

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

Performance shares issued by the Company under the Next Fifteen Communications Group plc Long-Term Incentive Plan are granted at a nil exercise price. The weighted average share price at the date of exercise for share options exercised in the year was 400p (2017: 345p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2017: two years).

22 Performance shares

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

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications Group plc				
Long-Term Incentive Plan	460,000	1 February 2014	31 January 2018	14 November 2014
	21,500	1 February 2015	31 January 2019	6 May 2015
	630,000	1 February 2016	31 January 2019	17 October 2016
	150,000	1 February 2017	31 January 2020	2 May 2017
	237,964	1 February 2017	31 January 2022	2 May 2017
	1,499,464			

During the period the Company issued 972,463 shares to satisfy the vesting under the Next 15 LTIPs and 394,329 shares to satisfy the Bourne acquisition grant. These were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23).

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

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

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

(b) a key performance indicator ('KPI') target, which will determine 30% of the total vesting. Each participant will have a number of KPIs relating to his or her role. The Remuneration Committee will determine the extent to which the KPIs have been met over the performance period. 100% of 30% of the total award will vest if the KPIs have been met in full. A smaller percentage of 30% of the total award will vest if the Committee determines that the KPIs have been substantially met.

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

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 2018 the ESOP held Nil (2017: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 1,578,271 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting for £Nil consideration (2017: 985,402 shares for £Nil consideration). Nil shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2017: Nil shares for £Nil proceeds).

Treasury shares

At 31 January 2018, the Group held Nil treasury shares (2017: Nil) at a cost of £Nil (2017: £Nil).

24 Other reserves

	Merger reserve £'000	ESOP reserve[1] £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2016	3,075	–	(1,168)	1,907
Total comprehensive income for the year	–	–	(1,378)	(1,378)
Purchase and take on of shares	–	(25)	–	(25)
Movement due to ESOP LTIP and growth shares exercises	–	25	–	25
At 31 January 2017	3,075	–	(2,546)	529
Total comprehensive income for the year	–	–	1,190	1,190
Purchase and take on of shares	–	(39)	–	(39)
Movement due to ESOP LTIP and growth shares exercises	–	39	–	39
At 31 January 2018	**3,075**	**–**	**(1,356)**	**1,719**

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

25 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 January 2018, the Group's total future minimum lease rentals are as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	**8,595**	**27**	8,680	81
In two to five years	**29,459**	**40**	29,135	43
After five years	**13,360**	**–**	17,401	–
	51,414	**67**	55,216	124

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Velocity Partners Limited;
2. the acquisition of UK-based Circle Research Limited;
3. the acquisition of UK-based Elvis Communications Limited;
4. the acquisition of UK-based Charterhouse Research Limited; and
5. the purchase of the remaining non-controlling interest in Encore Digital Media Limited.

More details on each transaction are provided below.

1. Velocity Partners Limited

On 10 July 2017, Next 15 purchased the entire share capital of Velocity Partners Limited ('Velocity'), a B2B digital agency that services multi-national technology groups and adds more data-driven content marketing capabilities to the Group.

Goodwill of £5,726,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Velocity has contributed £3,540,000 to revenue and £831,000 to profit before tax. If acquired on 1 February 2017 Velocity would have contributed revenue of £5,965,000 and profit before tax of £1,626,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group. The due diligence over the identifiable assets acquired is still in progress; therefore the fair value of the assets used below are provisional.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	5,577	5,577
Property, plant and equipment	109	–	109
Current assets			
Cash and cash equivalents	2,324	–	2,324
Other current assets[1]	1,339	–	1,339
Current liabilities	(1,834)	–	(1,834)
Deferred tax liability	–	(1,006)	(1,006)
Net assets acquired	1,938	4,571	6,509
Goodwill			5,726
			12,235
Consideration			
Initial consideration settled in cash[2]			4,886
Initial consideration settled in Ordinary Shares of the Parent			1,032
Total discounted contingent consideration			6,317
			12,235

1 The fair value of receivables acquired is £1,198,000.

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

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £47,000. Contingent consideration is payable based on a share of the average profit of Velocity in the year to 30 April 2018, and then based on the average EBITDA for FY19 and FY20, and then on the average EBITDA on FY21 and FY22, and a contractual multiple determined by average profit margin and average revenue growth.

26 Acquisitions and equity transactions continued

2. Circle Research Limited

On 11 July 2017, Next 15 purchased the entire share capital of Circle Research Limited ('Circle'), a B2B market research consultancy, broadening our data and insight capabilities as a Group.

Goodwill of £2,281,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Circle has contributed £1,271,000 to revenue and £441,000 to profit before tax. If acquired on 1 February 2017 Circle would have contributed revenue of £2,338,000 and profit before tax of £848,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	2,585	2,585
Property, plant and equipment	21	–	21
Current assets			
Cash and cash equivalents	2,446	–	2,446
Other current assets[1]	683	–	683
Current liabilities	(1,075)	–	(1,075)
Deferred tax liability	–	(467)	(467)
Net assets acquired	2,075	2,118	4,193
Goodwill			2,281
			6,474
Consideration			
Initial consideration settled in cash			4,938
Initial consideration settled in Ordinary Shares of the Parent			275
Total discounted contingent consideration			1,261
			6,474

1 The fair value of receivables acquired is £422,000.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £93,000. Contingent consideration is payable based on the profit of the business in FY19 and then FY20, and a contractual multiple determined by profit margin and revenue in the same financial years.

26 Acquisitions and equity transactions continued

3. Elvis Communications Limited

On 14 September 2017, Next 15 purchased the entire share capital of Elvis Communications Limited ('Elvis'), a digital agency focused on consumer brands which brings both creative and technology skills to the Group. Goodwill of £2,179,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Elvis has contributed £2,269,000 to revenue and £264,000 to profit before tax. If acquired on 1 February 2017 Elvis would have contributed revenue of £5,522,000 and profit before tax of £706,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	2,735	2,735
Property, plant and equipment	199	–	199
Current assets			
Cash and cash equivalents	570	–	570
Other current assets[1]	1,950	–	1,950
Current liabilities	(2,709)	–	(2,709)
Deferred tax liability	–	(492)	(492)
Net assets acquired	10	2,243	2,253
Goodwill			2,179
			4,432
Consideration			
Initial consideration settled in cash[2]			3,932
Total deferred consideration			500
			4,432

1 The fair value of receivables acquired is £1,641,000.

2 This includes initial consideration paid for the business and cash paid for working capital. £5m initial consideration was paid in total of which £1.1m went directly to Elvis to settle pre-existing liabilities and £3.9m to the sellers.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £99,000.

Deferred consideration is payable in March 2018 and subject to any deductions for irrecoverable debtors and other liabilities which have arisen relating to the pre-acquisition period.

26 Acquisitions and equity transactions continued

4. Charterhouse Research Limited

On 26 September 2017, Next 15 purchased the entire share capital of Charterhouse Research Limited ('Charterhouse'), a specialist financial market research agency which broadens our data and insight offering as a Group. Goodwill of £973,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Charterhouse has contributed £1,221,000 to revenue and £105,000 to profit before tax. If acquired on 1 February 2017 Charterhouse would have contributed revenue of £2,256,000 and profit before tax of £473,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	1,779	1,779
Property, plant and equipment	6	–	6
Current assets			
Cash and cash equivalents	1,187	–	1,187
Other current assets[1]	568	–	568
Current liabilities	(729)	–	(729)
Deferred tax liability	–	(322)	(322)
Net assets acquired	1,032	1,457	2,489
Goodwill			973
			3,462
Consideration			
Initial consideration settled in cash[2]			2,578
Initial consideration settled in Ordinary Shares of the Parent			176
Total discounted contingent consideration			708
			3,462

1 The fair value of receivables acquired is £568,000.

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

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in operating costs) amount to £94,000.

Contingent consideration is payable based on the profit of the business in FY19 and then FY20, and a contractual multiple determined by profit margin and revenue in the same financial years.

5. Encore Digital Media Limited

On 27 September 2017, Next 15 acquired the remaining 25% minority interest in Encore Digital Media Limited ('Encore'), its B2B programmatic business, and agreed a final settlement amount for the remaining obligation for the original purchase of 75% of the issued share capital made on 27 April 2015. The aggregate consideration for the minority interest and remaining obligation is £6.55m of which £0.36m was paid in October 2017, £3.75m is payable in April 2018, £0.36m is payable in April 2019 and £2.07m is payable in April 2020.

27 Subsidiaries
The Group's subsidiaries at 31 January 2018 are listed below.

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Agent3 Limited	England	✓	54	75 Bermondsey Street, London SE1 3XF
Agent3 LLC	USA		54	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
August One Communications International Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Beijing Text 100 Consulting Services Limited	China		100	7F, Room 819, Tower 2, No. 22 Guanghua Road, Chaoyang District, Beijing, 100020 China
BYND Limited	England	✓	95	75 Bermondsey Street, London SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Bite Communications LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Bite Communications Group Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Bite Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF
Bite Communications Hong Kong Limited	Hong Kong		100	26F & 25F, 46 Lyndhurst Terrace, Central, Hong Kong
Bite Consulting GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
BITEDA Limited	England		100	111 Bell Street, Glasgow G4 0TQ
The Blueshirt Group LLC	USA		89.3	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Circle Research Limited	England		100	75 Bermondsey Street, London SE1 3XF
Charterhouse Research Limited	England		100	75 Bermondsey Street, London SE1 3XF
Connections Media LLC	USA		80	CT Corporation System, 1015 15th Street, NW, Suite 1000, Washington, DC 20005
Elvis Communications Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Encore Digital Media Limited	Scotland	✓	76.2	1 Spiersbridge Way, Spiersbridge Business Park, Thornliebank, Glasgow G46 8NG
HPI Research Limited	England		100	75 Bermondsey Street, London SE1 3XF
Hypertext Communications Private Ltd	India		100	Unit 506, 5th Floor, Tower B, Millennium Plaza, Sector 27, Gurgaon – 122002, Haryana
Hypertext Pte Ltd	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
The Lexis Agency Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
M Booth & Associates, Inc.	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
MIG Global Limited	Scotland	✓	76.2	c/o BiteDA Ltd, 111 Bell Street, Glasgow G4 0TQ
Morar Consulting LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Communications (US Holdings) LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Communications Hong Kong Limited	Hong Kong	✓	100	26F & 25F, 46 Lyndhurst Terrace, Central, Hong Kong
Next Fifteen Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF

27 Subsidiaries continued

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Next Fifteen LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
ODD Communications Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
ODD London Limited	England		100	75 Bermondsey Street, London SE1 3XF
The OutCast Agency LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Partnermarketing.com Limited	England		100	75 Bermondsey Street, London SE1 3XF
PMC Investments Limited	England		100	75 Bermondsey Street, London SE1 3XF
Publitek Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Pinnacle Marketing Communications Limited	England		100	75 Bermondsey Street, London SE1 3XF
Story Worldwide LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Test 100 (Proprietary) Limited	South Africa		100	13 Wellington Road, Parktown, 2193, (Private Bag x60500), Houghton, Johannesburg 2041
Text 100 AB	Sweden		100	Västmannagatan 4, 111 24 Stockholm
Text 100 BV	Netherlands		100	Silodam 1D, 1013 AL Amsterdam, Netherlands
Text 100 Communications Pty Ltd	Australia		100	Level 6, 77 Berry Street, North Sydney NSW 2060
Text 100 LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Text 100 GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Text 100 Holding GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Text 100 International Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Text 100 Italy S.R.L	Italy		100	Piazzale Principessa Clotilde, 8 20121 Milano
Text 100 Limited	England		100	6th Floor, 110 High Holborn, London WC1V 6JS
Text 100 Malaysia SDN. BHD	Malaysia		100	Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 KL, Malaysia
Text 100 Pte Limited	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
Text 100 Pty Limited	Australia		100	Level 17,383 Kent Street, Sydney NSW 2000
Text 100 SARL	France		100	17 rue de la Banque, 75002 Paris
Text 100 S.L	Spain		100	c/ Prim, 19 5ª Planta, Madrid 28004
Text Hundred India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Twogether Creative Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Twogether Creative LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Velocity Partners Limited	England	✓	100	75 Bermondsey Street, London SE1 3XF
Velocity Partners US Inc	USA		100	CT Corporation System, 111 Eighth Avenue, New York, NY 10011
Viga Research LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE, 19801
Vox Public Relations India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Vrge Strategies LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

27 Subsidiaries continued

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

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

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

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2018 by virtue of section 479A of the Companies Act 2006: Bite Communications Group Limited (04131879), BITEDA Limited (SC364548), HPI Research Limited (05816194), The Lexis Agency Limited (04404752), Next Fifteen Communications Limited (03938880), ODD Communications Limited (07861569), PMC Investments Limited (08782601), Pinnacle Marketing Communications Limited (03152867), Text 100 International Limited (02433862), August.One Communications International Limited (03224261) and Partnermarketing.com Limited (07545480).

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in the United Kingdom and registered in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. During the period to 31 January 2018 there were the following related-party transactions:

Brand	Services	Related party	**Income/ (expense) impact 2018 £'000**	**Asset/ (liability) at year end 2018 £'000**	Income/ (expense) impact 2017 £'000	Asset/ (liability) at year end 2017 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors is an associate of Next 15	**29**	**–**	(35)	121
Bite DA	Consultancy	Animl was an associate of Next 15 for part of the prior year	**–**	**–**	4	–

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris and Richard Eyre received dividends of £281,829, £4,152 and £10,125 respectively (2017: £228,510, £1,906 and £8,910). Key management personnel compensation is disclosed in note 3.

During the year, Beyond performed consumer experience work for Moneysupermarket.com, for which Genevieve Shore has a non-executive directorship. The total value of the transaction during FY18 was £427,000 (2017: £1,095,000) and the amount outstanding at the year end is £Nil (2017: £236,000).

29 Operating lease rental receivables

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

	2018 £'000	2017 £'000
In respect of operating leases which will be receivable in the period		
Within one year	**554**	27
In two to five years	**1,768**	–
	2,322	27

30 Events after the balance sheet date

HSBC Facility

On 5 February 2018 the Group extended its facilities agreement with HSBC to include a loan of £20m in addition to the RCF of £40m which is available until 5 July 2022. The £20m loan was drawn down on 9 February 2018 and is repayable in equal annual instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF.

Brandwidth

On 6 February 2018 Next 15 purchased the entire issued share capital of Brandwidth Group Limited and its subsidiaries ('Brandwidth'), a UK-based innovation agency bringing significant digital skills to the Group, for initial consideration of £6.2m. Further consideration is payable based on the profit before interest and tax of Brandwidth for the year to 30 June 2018 of up to £3.3m in September 2018 and £0.8m in April 2020. We expect there to be goodwill arising as a result of this acquisition due to the anticipated profitability and operating synergies.

COMPANY BALANCE SHEET
as at 31 January 2018 and 31 January 2017

	Note	**2018 £'000**	**2018 £'000**	2017 £'000	2017 £'000
Non-current assets					
Intangible assets	2	**900**		905	
Tangible assets	3	**1,543**		1,327	
Investments in subsidiaries	4	**130,784**		114,117	
Trade investments		**1,142**		665	
Deferred tax assets	9	**–**		17	
			134,369		117,031
Current assets					
Trade and other receivables	5	**23,938**		15,554	
Current tax asset		**685**		96	
			24,623		15,650
Current liabilities					
Trade and other payables	6	**21,113**		16,860	
Provisions	8	**–**		1,812	
Contingent consideration		**3,899**		3,047	
Deferred consideration		**4,255**		–	
			(29,267)		(21,719)
Net current liabilities			**(4,644)**		(6,069)
Total assets less current liabilities			**129,725**		110,962
Non-current liabilities					
Borrowings	7	**34,465**		31,869	
Other financial liabilities	7	**13,941**		10,994	
Deferred tax liability	9	**3**		–	
			(48,409)		(42,863)
Net assets			**81,316**		68,099
Equity					
Share capital	10	**1,892**		1,834	
Share premium account		**28,611**		25,681	
Merger reserve		**3,075**		3,075	
Share-based payment reserve		**6,404**		5,174	
Other reserve		**27,571**		26,381	
Retained earnings		**13,763**		5,954	
Equity attributable to owners of the Company			**81,316**		68,099

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

The Company reported a profit for the financial year ended 31 January 2018 of £11,930,000 (2017: £6,817,000).

These financial statements were approved and authorised for issue by the Board on 12 April 2018.

Peter Harris
Chief Financial Officer

Company number 01579589

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 January 2018 and 31 January 2017

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 31 January 2016		1,763	21,523	3,075	4,571	–	27,759	2,401	61,092
Profit for the period		–	–	–	–	–	–	6,817	6,817
Dividends	10	–	–	–	–	–	–	(3,264)	(3,264)
Shares issued in satisfaction of vested share options and performance shares		27	–	–	(248)	–	–	–	(221)
Shares issued on acquisition		44	4,158	–	–	–	–	–	4,202
Movement in hedging reserve		–	–	–	–	–	(1,378)	–	(1,378)
Movement in relation to share-based payments		–	–	–	851	–	–	–	851
Movement due to ESOP share purchases		–	–	–	–	(25)	–	–	(25)
Movement due to ESOP share option exercises		–	–	–	–	25	–	–	25
At 31 January 2017		1,834	25,681	3,075	5,174	–	26,381	5,954	68,099
Profit for the period		–	–	–	–	–	–	11,930	11,930
Dividends	10	–	–	–	–	–	–	(4,121)	(4,121)
Shares issued in satisfaction of vested share options and performance shares		40	–	–	(75)	–	–	–	(35)
Shares issued on acquisition		18	2,930	–	–	–	–	–	2,948
Movement in hedging reserve		–	–	–	–	–	1,190	–	1,190
Movement in relation to share-based payments		–	–	–	1,305	–	–	–	1,305
Movement due to ESOP share purchases		–	–	–	–	(39)	–	–	(39)
Movement due to ESOP share option exercises		–	–	–	–	39	–	–	39
At 31 January 2018		**1,892**	**28,611**	**3,075**	**6,404**	**–**	**27,571**	**13,763**	**81,316**

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

1 Accounting policies

A. Basis of preparation

Next Fifteen Communications Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 101. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 21. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council incorporating the amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments measured at fair value at the end of each reporting period, and are in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

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

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

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Group accounts of Next Fifteen Communications Group plc. The Group accounts of Next Fifteen Communications Group plc are available to the public and are at the beginning of this section.

B. Investments in subsidiaries

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

C. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report section of the annual report, which also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

D. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

I. Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £131m.

II. Contingent consideration, share purchase obligation and valuation of put options

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which, if inappropriate, would result in a material adjustment to the value of these liabilities within the next financial year. Further details are contained in note 17 in the Group financial statements and note 7 in the Company financial statements.

2 Intangible assets

	Computer software £'000
Cost	
At 1 February 2017	3,038
Additions	222
At 31 January 2018	**3,260**
Accumulated depreciation	
At 1 February 2017	2,133
Charge for the year	227
At 31 January 2018	**2,360**
Net book value	
At 31 January 2018	**900**
At 31 January 2017	905

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2017	1,395	487	1,882
Additions	400	148	548
At 31 January 2018	**1,795**	**635**	**2,430**
Accumulated depreciation			
At 1 February 2017	289	266	555
Charge for the year	211	121	332
At 31 January 2018	**500**	**387**	**887**
Net book value			
At 31 January 2018	**1,295**	**248**	**1,543**
At 31 January 2017	1,106	221	1,327

4 Investments

	Total £'000
Cost	
At 1 February 2017	114,117
Acquisitions[1]	16,717
Disposals[2]	(50)
At 31 January 2018	**130,784**

1 On 10 July 2017 the Company purchased 100% of the issued share capital of Velocity Partners Limited. On 14 September 2017, the Company purchased 100% of the issued share capital of Elvis Communications Limited. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

2 The disposal follows the strike off of Joe Public Relations Limited on 5 December 2017.

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

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

5 Trade and other receivables

	Company 2018 £'000	Company 2017 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**21,477**	13,617
Other debtors	**1,954**	1,610
Prepayments and accrued income	**375**	317
Other taxation	**132**	10
Total trade and other receivables	**23,938**	15,554

6 Trade and other payables

	Company 2018 £'000	Company 2017 £'000
Overdraft	**3,977**	3,351
Trade creditors	**223**	139
Amounts owed to subsidiary undertakings	**14,678**	11,630
Other taxation and social security	**91**	78
Other creditors	**89**	11
Accruals and deferred income	**2,055**	1,651
Total trade and other payables	**21,113**	16,860

7 Non-current liabilities

	Company 2018 £'000	Company 2017 £'000
Bank loan[1]	**34,465**	31,869
Between one and two years	**–**	–
Between two and five years	**34,465**	31,869
After five years	**–**	–
Contingent consideration	**12,157**	9,160
Between one and two years	**2,989**	3,668
Between two and five years	**9,168**	5,492
After five years	**–**	–
Deferred consideration	**1,784**	–
Between one and two years	**360**	–
Between two and five years	**1,424**	–
After five years	**–**	–
Share purchase obligation	**–**	1,834
Between one and two years	**–**	–
Between two and five years	**–**	1,834
After five years	**–**	–
Total	**48,406**	42,863

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

7 Non-current liabilities continued

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2018.

The Company has no fair value Level 1 or 2 instruments (2017: none). All instruments at fair value through profit or loss are Level 3 instruments being the contingent consideration and share purchase obligation liabilities.

Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation. They are not based on observable market data.

8 Provisions

	Employment dependent acquisition payments £'000	Total £'000
At 31 January 2017	1,812	1,812
Additions	–	–
Used during the year	(1,812)	(1,812)
At 31 January 2018	**–**	**–**

9 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 January 2016	(30)	108	–	78
(Charge)/credit to income	(22)	(41)	2	(61)
At 31 January 2017	(52)	67	2	17
Credit/(charge) to income	46	(67)	1	(20)
At 31 January 2018	**(6)**	**–**	**3**	**(3)**

10 Share capital and reserves

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid		
75,685,350 Ordinary Shares of 2.5p each	**1,892**	1,834

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

11 Operating leases

As at 31 January 2018, the Company's total future minimum lease rentals are as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	**916**	**–**	757	–
In two to five years	**3,664**	**–**	3,737	–
After five years	**913**	**–**	1,877	–
	5,493	**–**	6,371	–

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

12 Related-party transactions

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

	Intercompany interest		Recharges	
	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000	**Year ended 31 January 2018 £'000**	Year ended 31 January 2017 £'000
Agent3 Limited	**–**	–	**623**	642
Blueshirt Group LLC	**–**	–	**191**	218
Connections Media LLC	**–**	–	**93**	104

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

	Year ended 31 January 2018 £'000	Year ended 31 January 2017 £'000
Agent3 Limited	**2,020**	1,688
Blueshirt Group LLC	**(14)**	(71)
Connections Media LLC	**51**	(34)

FIVE-YEAR FINANCIAL INFORMATION

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

	Year ended 2018 IFRS £'000	Year ended 2017 IFRS £'000	Year ended 2016 IFRS £'000	Year ended 2015 IFRS £'000	Year ended 2014 IFRS £'000
Profit and loss					
Billings	**243,485**	200,745	151,658	126,159	118,278
Revenue	**196,811**	171,013	129,757	109,194	98,749
Staff costs	**136,346**	126,756	92,721	77,108	68,988
Operating profit	**17,225**	7,914	8,429	(555)	4,705
Net finance expense	**(3,955)**	(4,742)	(2,846)	(2,577)	(1,382)
Profit before income tax	**13,296**	2,900	5,578	(2,864)	3,313
Income tax expense	**(4,000)**	(1,232)	(1,116)	1,486	(1,802)
Profit for the year	**9,296**	1,668	4,462	(1,378)	1,511
Non-controlling interests	**664**	530	470	589	475
Profit attributable to owners of the Parent	**8,632**	1,138	3,992	(1,967)	1,036
Balance sheet					
Non-current assets	**120,082**	107,410	71,430	57,458	49,868
Net current assets	**15,014**	15,243	16,159	8,893	(1,920)
Non-current liabilities	**(58,775)**	(54,156)	(34,798)	(29,149)	(8,048)
Total equity attributable to owners of the Parent	**76,964**	67,571	52,048	37,974	37,060
Non-controlling interests	**(643)**	926	743	(773)	2,840
Total equity	**76,321**	68,497	52,791	37,202	39,900
Cash flow					
Profit for the year	**9,296**	1,668	4,462	(1,378)	1,511
Non-cash adjustments and working capital movements	**19,569**	31,176	11,826	5,600	(1,493)
Net cash generated from operations	**28,865**	32,844	16,288	17,960	8,976
Income tax paid	**(4,284)**	(1,978)	(2,954)	(2,316)	(1,461)
Net cash from operating activities	**24,581**	30,866	13,334	15,644	7,515
Acquisition of subsidiaries net of cash acquired	**(9,824)**	(14,546)	(4,190)	(5,544)	(616)
Acquisition of property, plant and equipment	**(2,974)**	(8,284)	(6,411)	(3,225)	(1,052)
Net cash outflow from investing activities	**(19,399)**	(30,592)	(20,158)	(14,842)	(4,522)
Net cash movement in bank borrowings	**4,484**	11,589	2,871	6,300	(586)
Dividends paid to owners of the Parent	**(4,121)**	(3,264)	(2,441)	(3,006)	(1,409)
Net cash (outflow)/inflow from financing activities	**(2,034)**	6,500	11,459	2,042	(3,156)
Increase/(decrease) in cash for the year	**3,148**	6,774	4,635	2,844	(163)
Dividend per share (p)	**6.30**	5.25	4.2	3.50	2.63
Basic earnings per share (p)	**11.6**	1.6	6.0	(3.23)	1.73
Diluted earnings per share (p)	**10.5**	1.5	5.6	(2.91)	1.55
Key performance indicator and other non-statutory measures					
Headline staff costs as a % of revenue[1]	**67.0**	67.6	69.3	68.9	69.7
Headline EBITDA[2]	**34,388**	28,964	19,176	14,609	10,556
Headline profit before income tax[3]	**29,338**	24,200	16,092	12,535	8,271
Diluted headline earnings per share (p)[4]	**27.8**	23.4	16.9	13.2	7.4
Net debt[5]	**(11,593)**	(11,412)	(6,618)	(8,567)	(5,367)

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

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

3 See note 5 of the financial statements.

4 See note 10 of the financial statements.

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

Financial calendar

Preliminary results	
2018 full-year results announcement	April 2018

Final dividend	
Ex dividend date	28 June 2018
Record date	29 June 2018
Annual General Meeting	22 June 2018
Payment of 2018 final dividend	3 August 2018

Interim dividend	
Interim results announcement	September 2018
Ex-dividend date	October 2018
Record date	October 2018
Payment of 2019 interim dividend	November 2018

These dates are provisional and may be subject to change.

Annual General Meeting

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

Managing your shares and shareholder communications

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

Registrar

Link Asset Services
The Registry34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone from the UK: 0871 664 0300

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

Telephone from overseas: +44 371 664 0300 Calls outside the UK will be charged at the applicable international rate.

E-mail: enquiries@linkgroup.co.uk

Dividends

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

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

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

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ('DRIP') which enables shareholders to buy the Company's shares on the London Stock Exchange with their cash dividend. Further information about the DRIP is available from Link Asset Services. If shareholders would like their final 2018 and future dividends to qualify for the DRIP, completed application forms must be returned to the registrar by Friday 13 July 2018.

Shareholder fraud

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

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

Advisers

Nominated adviser and brokers

Investec Bank

2 Gresham Street
London EC2V 2QP

Auditors

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Registered office

Next Fifteen Communications Group plc

75 Bermondsey Street
London SE1 3XF
T: +44 (0)20 7908 6444

Company number

01579589

Investor relations contact

Peter Harris

Chief Financial Officer

T: +44 (0)20 7908 6444

Bankers

HSBC Bank plc

8 Canada Square
London E14 5HQ

Next Fifteen Communications Group plc

75 Bermondsey Street
London SE1 3XF

T: +44 (0)20 7908 6444

www.next15.com