26 September 2017

Next Fifteen Communications Group plc

Interim results for the six months ended 31 July 2017

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its interim results for the six months ended 31 July 2017.

Adjusted financial results for the six months to 31 July 2017

	Six months ended 31 July 2017 (Unaudited)	Six months ended 31 July 2016 (Unaudited)	Growth
Revenue	£93.5m	£80.5m	16%
EBITDA	£14.5m	£12.8m	13%
Operating Profit	£12.3m	£11.1m	11%
Operating Profit Margin	13.2%	13.8%	
PBT	£12.0m	£10.6m	13%
Diluted EPS	11.4p	10.5p	9%
Dividend per share	1.8p	1.5p	20%
Net debt	£20.8m	£12.2m	

In order to assist shareholders' understanding of the underlying performance of the business, adjusted results have been presented. The items that are excluded from adjusted results include acquisition related costs, one-off and acquisition related share based payment charges, amortisation and certain other non-recurring items, consistent with previous periods. The adjusted results are reconciled to statutory results within notes 2 and 3.

Highlights

- Group revenue growth of 16%, with organic revenue growth of 2%
- Strong August and September trading with high single digit organic revenue growth
- Adjusted PBT up 13% to £12m
- Adjusted diluted earnings per share increased by 9% to 11.4p
- Significant clients wins including LG Electronics, Grubhub, Marvell and NTT Data
- Velocity, a B2B content marketing agency, and Circle, a B2B market research consultancy, acquired in July
- Elvis, an integrated digital agency, acquired in September
- Acquisition of Charterhouse, a market research agency, announced today

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

Technology continues to change the business of marketing, opening up more and more channels between brands and audiences. Content can be highly-targeted and directly shoppable in a way not possible through traditional media. Today's marketing deploys mountains of data, with a growing role for technology to understand and use it effectively. Next 15 agencies are well-placed to take advantage of this industry shift.

The Group has continued to invest in agile companies operating in this augmented value chain and in the first half, Group revenue grew by 16%. The addition of several businesses to the Group has been matched by some important client wins including LG Electronics, Grubhub, Marvell and NTT Data.

A 20% increase in the dividend reflects the Board's confidence in the Group's performance for this financial year.

Statutory financial results for the six months to 31 July 2017

	Six months ended 31 July 2017 (Unaudited)	Six months ended 31 July 2016 (Unaudited)
Revenue	£93.5m	£80.5m
PBT	£5.2m	£4.2m
Diluted EPS	4.8p	3.5p

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Notes:

Organic revenue growth
Organic revenue growth is defined as the revenue growth at constant currency excluding the impact of acquisitions.

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

Chairman and Chief Executive's Statement

Next 15, the digital communications group, is pleased to report its interim results for the six months ended 31st July 2017. During the period the Group's revenues increased by 16% to £93.5m (2016: £80.5m), while adjusted profit before tax increased by 13% to £12.0m (2016: £10.6m). Adjusted EBITDA for the six month period increased by 13% to £14.5m (2016: £12.8m) and net debt remained relatively modest at £20.8m, following the acquisitions of Velocity, a content marketing agency and Circle, a B2B market research agency, during the period.

Organic revenue growth of 2% was held back in Q1 partly by geopolitical uncertainty but also several large one-off projects in the corresponding period last year. The Group is pleased to report that improved trading in Q2 and Q3 has seen organic growth for August and September move back to high single digits which is expected to continue for the rest of the year.

The Group reported a statutory profit before tax of £5.2m compared with a statutory profit before tax of £4.2m in the prior period, while reported diluted earnings per share were 4.8p compared with 3.5p in the prior period, a growth of 37%.

The improvement in trading over the last three months has provided the Group with confidence that it is well placed to meet its expectations for the full year and as such the Board has increased the interim dividend by 20% to 1.8p per share.

Operational Review

Our US businesses have increased revenues by 12.5% to £57.0m from £50.7m. Beyond and M Booth have continued to perform very strongly, whilst our other brands were held back due to a combination of very strong trading in the comparable period and an uncertain political environment. Operating margins have reduced to 18.1% in large part due to the investment in taking some of our UK brands to the US. Trading in the July to September quarter has been much improved and we are expecting operating margins in the US to be in excess of 20% in the second half of our financial year.

Our UK businesses have increased revenues by 27.9% to £25.5m from £20.0m. Operating margins have increased to 20.2% from 17.8% in the prior period due to a combination of high margin, high revenue growth acquisitions in Publitek, Twogether and Encore and operational improvements at our other UK businesses.

In EMEA we have seen a continued improvement in both revenue and profitability, whilst in APAC we have invested heavily in talent, infrastructure and technology, which we anticipate will lead to a much improved second half profit performance.

The Group is particularly pleased by the performance of its data and insight business, MIG Global which now accounts for approximately 6% of the Group's revenues having been less than 2% of the Group's revenues just two years ago.

The Group added LG Electronics, Grubhub, Marvell and NTT Data as clients.

The Group has undergone some minor restructuring to better serve customers and to address certain structural weaknesses in its portfolio of businesses. Our consumer PR agency Lexis has been merged into Text, while we have formally aligned Bite US and Bite UK to create one global brand. At the same time, BDA is being merged with Twogether. A small restructuring charge is being recognized as a part of these changes.

Continued Investment

On 11th July we announced the acquisition of Velocity, a B2B content marketing agency with a focus on technology clients which include multi-national technology groups, such as Sprint, Xerox and Informatica.

On 12th July we announced the acquisition of Circle, a B2B market research consultancy, through our data and insights subsidiary, MIG Global. Clients include Vodafone, Google, MasterCard, BSI, SITA, Maersk and Facebook.

On 15th September we announced the acquisition of Elvis, a UK based integrated digital agency with a focus on consumer brands, and today we announce the acquisition of Charterhouse, a market research agency focused on the financial services sector.

These investments are being financed out of our trading cash flows and we anticipate that our net debt will be below £15m by the year end unless the Group opts to make additional investments or acquisitions. This will represent less than 0.5x adjusted EBITDA.

Dividend

The Board has declared an interim dividend of 1.8p per share, which is a 20% increase on the interim dividend for last year. This will be paid to shareholders on 24 November 2017 who are registered on 27 October 2017.

Current Trading and Outlook

Looking to the full year, the Board is encouraged by trading in our third quarter and the prospects for the second half remain good. As a result, the Board remains optimistic about the outlook for the Group and is confident that it will meet its expectations for the full year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: INCOME STATEMENT

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000
Revenue	**93,466**	80,471
Total operating charges	**(79,008)**	(67,655)
EBITDA	**14,458**	12,816
Depreciation and Amortisation	**(2,146)**	(1,737)
Operating profit	**12,312**	11,079
Net finance expense	**(333)**	(281)
Share of profits / (losses) of associate	**24**	(163)
Profit before income tax	**12,003**	10,635
Tax	**(2,401)**	(2,327)
Retained profit	**9,602**	8,308
Profit Attributable to Owners	**9,281**	8,064
Profit Attributable to Minorities	**321**	244

Weighted average number of ordinary shares	**73,561,342**	71,039,309
Diluted weighted average number of ordinary shares	**81,544,242**	76,480,282

Adjusted earnings per share	**12.6p**	11.4p
Diluted adjusted earnings per share	**11.4p**	10.5p

ADJUSTED RESULTS: CASH FLOW

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000
Cash and cash equivalents at beginning of the period	**22,072**	14,132
Net cash from operating activities	**6,082**	15,430
Income taxes paid	**(1,905)**	(692)
Net cash outflow from investing activities	**(11,775)**	(19,432)
Net cash inflow from financing activities	**2,452**	10,333
Exchange (losses) / gains on cash held	**(337)**	830
Cash and cash equivalents at end of the period	**16,589**	20,601

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: SEGMENTAL **(Unaudited)**

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
6 months ended 31 July 2017						
Revenue	**25,542**	**3,773**	**57,040**	**7,111**	**-**	**93,466**
Operating profit	**5,165**	**287**	**10,321**	**602**	**(4,063)**	**12,312**
Operating profit margin	**20.2%**	**7.6%**	**18.1%**	**8.5%**	**-**	**13.2%**
Organic revenue growth	***3.5%***	***4.4%***	***1.5%***	***(0.8%)***	***-***	***1.9%***
6 months ended 31 July 2016						
Revenue	19,977	3,320	50,706	6,468	-	80,471
Operating profit	3,555	160	10,161	874	(3,671)	11,079
Operating profit margin	17.8%	4.8%	20.0%	13.5%	-	13.8%
Organic revenue growth	*2.9%*	*4.0%*	*17.2%*	*6.6%*	-	*12.8%*

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2017

	Note	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	12 months ended 31 January 2017 (Audited) £'000
Billings		113,921	94,625	200,745
Revenue	2	93,466	80,471	171,013
Staff costs		65,880	54,559	126,756
Depreciation		1,978	1,564	3,482
Amortisation		3,381	2,550	6,017
Other operating charges		15,075	15,167	26,844
Total operating charges		(86,314)	(73,840)	(163,099)
Operating profit	2	**7,152**	**6,631**	**7,914**
Finance expense	6	(2,405)	(2,469)	(5,607)
Finance income	7	468	163	865
Share of profits / (losses) of associate		24	(163)	(272)
Profit before income tax	3	**5,239**	**4,162**	**2,900**
Income tax expense	4	(1,044)	(1,273)	(1,232)
Profit for the period		**4,195**	**2,889**	**1,668**
Attributable to:				
Owners of the parent		3,874	2,645	1,138
Non-controlling interests		321	244	530
		4,195	**2,889**	**1,668**
Earnings per share				
Basic (pence)	8	5.3	3.7	1.6
Diluted (pence)	8	4.8	3.5	1.5

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JULY 2017

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	12 months ended 31 January 2016 (Audited) £'000
Profit for the period	**4,195**	**2,889**	**1,668**
Other comprehensive income / (expense):			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	(1,804)	2,583	5,128
Net investment hedge	551	(753)	(1,378)
	(1,253)	1,830	3,750
Amounts reclassified and reported in the Income Statement			
Net investment hedge	-	-	-
Other comprehensive (expense) / income for the period	(1,253)	1,830	3,750
Total comprehensive income for the period	**2,942**	**4,719**	**5,418**
Attributable to:			
Owners of the parent	2,621	4,475	4,888
Non-controlling interests	321	244	530
	2,942	**4,719**	**5,418**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2017

	Note	31 July 2017 (Unaudited) £'000	31 July 2016 (Unaudited) £'000	31 January 2017 (Audited) £'000
Assets				
Property, plant and equipment		14,819	15,548	15,764
Intangible assets		91,926	73,574	79,979
Investment in equity accounted associate		139	485	120
Trade investment		1,216	736	743
Deferred tax asset		10,515	4,693	9,987
Other receivables		540	1,034	817
Total non-current assets		119,155	96,070	107,410
Trade and other receivables		54,762	42,928	42,143
Cash and cash equivalents	9	16,589	20,601	22,072
Corporation tax asset		940	1,317	601
Total current assets		72,291	64,846	64,816
Total assets		**191,446**	**160,916**	**172,226**
Liabilities				
Loans and borrowings	9	35,911	31,231	31,869
Deferred tax liabilities		3,426	-	2,692
Other payables		4,683	6,156	5,537
Provisions		116	54	54
Contingent consideration	10	15,228	9,816	10,971
Share purchase obligation	10	2,839	2,740	3,033
Total non-current liabilities		62,203	49,997	54,156
Loans and borrowings	9	1,517	1,507	1,589
Trade and other payables		46,128	40,527	39,409
Provisions		699	2,499	2,647
Corporation tax liability		2,617	1,451	1,594
Share purchase obligation	10	-	-	400
Contingent consideration	10	6,053	5,210	3,934
Total current liabilities		57,014	51,194	49,573
Total liabilities		**119,217**	**101,191**	**103,729**
TOTAL NET ASSETS		**72,229**	**59,725**	**68,497**
Equity				
Share capital		1,848	1,804	1,834
Share premium reserve		27,856	24,976	25,681
Foreign currency translation reserve		8,434	7,693	10,238
Other reserves		(1,593)	(1,519)	(2,144)
Retained earnings		35,335	25,847	31,962
Total equity attributable to owners of the parent		**71,880**	**58,801**	**67,571**
Non-controlling interests		349	924	926
TOTAL EQUITY		**72,229**	**59,725**	**68,497**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2017

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2016 (audited)	1,763	21,523	5,110	(766)	24,418	52,048	743	52,791
Profit for the period	-	-	-	-	2,645	2,645	244	2,889
Other comprehensive income / (expense) for the period	-	-	2,583	(753)	-	1,830	-	1,830
Total comprehensive income / (expense) for the period	-	-	2,583	(753)	2,645	4,475	244	4,719
Shares issued on satisfaction of vested share options	3	-	-	-	-	3	-	3
Shares issued on acquisitions	38	3,453	-	-	-	3,491	-	3,491
Movement in relation to share-based payments	-	-	-	-	1,498	1,498	-	1,498
Dividends to owners of the parent	-	-	-	-	(2,165)	(2,165)	-	(2,165)
Movement on reserves for non-controlling interests	-	-	-	-	(549)	(549)	549	-
Non-controlling interest dividend	-	-	-	-	-	-	(612)	(612)
At 31 July 2016 (unaudited)	1,804	24,976	7,693	(1,519)	25,847	58,801	924	59,725
Profit for the period	-	-	-	-	(1,507)	(1,507)	286	(1,221)
Other comprehensive income / (expense) for the period	-	-	2,545	(625)	-	1,920	-	1,920
Total comprehensive income / (expense) for the period	-	-	2,545	(625)	(1,507)	413	286	699
Shares issued on satisfaction of vested share options	24	-	-	-	(265)	(241)	-	(241)
Shares issued on acquisitions	6	705	-	-	-	711	-	711
Movement in relation to share-based payments	-	-	-	-	8,729	8,729	-	8,729
Dividends to owners of the parent	-	-	-	-	(1,099)	(1,099)	-	(1,099)
Movement on reserves for non-controlling interests	-	-	-	-	257	257	(257)	-
Non-controlling interest arising on acquisition	-	-	-	-	-	-	436	436
Non-controlling interest dividend	-	-	-	-	-	-	(463)	(463)
At 31 January 2017 (audited)	1,834	25,681	10,238	(2,144)	31,962	67,571	926	68,497
Profit for the period	-	-	-	-	3,874	3,874	321	4,195
Other comprehensive income / (expense) for the period	-	-	(1,804)	551	-	(1,253)	-	(1,253)
Total comprehensive income / (expense) for the period	-	-	(1,804)	551	3,874	2,621	321	2,942
Shares issued on satisfaction of vested share options	1	-	-	-	(1)	-	-	-
Shares issued on acquisitions	13	2,175	-	-	-	2,188	-	2,188
Movement in relation to share-based payments	-	-	-	-	2,493	2,493	-	2,493
Dividends to owners of the parent	-	-	-	-	(2,761)	(2,761)	-	(2,761)
Movement on reserves for non-controlling interests	-	-	-	-	(232)	(232)	232	-
Non-controlling interest dividend	-	-	-	-	-	-	(1,130)	(1,130)
At 31 July 2017 (unaudited)	**1,848**	**27,856**	**8,434**	**(1,593)**	**35,335**	**71,880**	**349**	**72,229**

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

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2017

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Cash flows from operating activities			
Profit for the period	4,195	2,889	1,668
Adjustments for:			
Depreciation	1,978	1,564	3,482
Amortisation	3,381	2,550	6,017
Finance expense	2,405	2,469	5,607
Finance income	(468)	(163)	(865)
Share of (profit) / loss from equity accounted associate	(24)	163	272
Loss on sale of property, plant and equipment	10	139	110
Income tax expense	1,044	1,273	1,232
Share-based payment charge	2,019	1,025	8,989
Net cash inflow from operating activities before changes in working capital	**14,540**	**11,909**	**26,512**
Change in trade and other receivables	(11,514)	3,363	8,430
Change in trade and other payables	795	(858)	(2,861)
Change in other liabilities	2,261	1,016	763
	(8,458)	3,521	6,332
Net cash generated from operations before tax outflows	**6,082**	**15,430**	**32,844**
Income taxes paid	(1,905)	(692)	(1,978)
Net cash inflow from operating activities	**4,177**	**14,738**	**30,866**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(5,073)	(9,718)	(14,546)
Payment of contingent and deferred consideration	(4,439)	(2,216)	(6,622)
Purchase of investment	(464)	(662)	(777)
Proceeds on disposal of associates	-	-	330
Acquisition of property, plant and equipment	(1,460)	(6,453)	(8,284)
Proceeds on disposal of property, plant and equipment	3	-	7
Acquisition of intangible assets	(504)	(95)	(612)
Net movement in long-term cash deposits	120	(332)	(292)
Interest received	42	44	204
Net cash outflow from investing activities	**(11,775)**	**(19,432)**	**(30,592)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2017

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Cash flows from financing activities			
Capital element of finance lease rental repayment	(13)	(29)	(55)
Net movement in bank borrowings	3,970	11,302	11,589
Interest paid	(375)	(328)	(695)
Dividend and profit share paid to non-controlling interest partners	(1,130)	(612)	(1,075)
Dividends paid to shareholders of the parent	-	-	(3,264)
Net cash inflow from financing activities	**2,452**	**10,333**	**6,500**
Net increase in cash and cash equivalents	**(5,146)**	**5,639**	**6,774**
Cash and cash equivalents at beginning of the period	22,072	14,132	14,132
Exchange (losses) / gains on cash held	(337)	830	1,166
Cash and cash equivalents at end of the period	**16,589**	**20,601**	**22,072**

NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JULY 2017

1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2017. The comparative financial information for the year ended 31 January 2017 has been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

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

	UK	**Europe and Africa**	**US**	**Asia Pacific**	**Head Office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Six months ended 31 July 2017 (Unaudited)						
Revenue	**25,542**	**3,773**	**57,040**	**7,111**	**-**	**93,466**
Adjusted operating profit / (loss)	**5,165**	**287**	**10,321**	**602**	**(4,063)**	**12,312**
Six months ended 31 July 2016 (Unaudited)						
Revenue	19,977	3,320	50,706	6,468	-	80,471
Adjusted operating profit / (loss)	3,555	160	10,161	874	(3,671)	11,079
Twelve months ended 31 January 2017 (Audited)						
Revenue	42,638	7,166	107,008	14,201	-	171,013
Adjusted operating profit / (loss)	8,042	647	22,347	2,162	(8,228)	24,970

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

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Segment adjusted operating profit	**12,312**	**11,079**	**24,970**
Amortisation of acquired intangibles	(3,212)	(2,378)	(5,505)
Share based payment charge (note 3)	(1,452)	(1,883)	(10,507)
Restructuring costs	(427)	-	(676)
Deal costs (note 3)	(69)	(187)	(368)
Total operating profit	**7,152**	**6,631**	**7,914**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2017

3) RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Profit before income tax	5,239	4,162	2,900
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,068	1,032	2,182
Change in estimate of future contingent consideration and share purchase obligation payable	536	993	2,062
Share-based payment charge[1]	1,452	1,883	10,507
Restructuring costs	427	-	676
Deal costs[2]	69	187	368
Amortisation of acquired intangibles	3,212	2,378	5,505
Adjusted profit before income tax	12,003	10,635	24,200

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and it is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered to best represent the underlying performance of the business and so it is used for the vesting of employee performance shares. The adjusting items are consistent with those in the prior period.

[1] This charge relates to a transaction whereby a restricted grant of Brand equity was given to key management in Text LLC, The Outcast Agency LLC and Bite LLC (6 months to 31 July 2016: Agent3 Limited, The Lexis Agency Limited, M Booth & Associates LLC and Vrge Strategies LLC) at nil cost. This value is recognised as a one-off share-based payment in the Income Statement. The charge also includes acquisition related payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. In the prior period it also included a charge for the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration.
[2] This charge relates to third party professional fees incurred during acquisitions, see note 11.

4) TAXATION

The tax charge for the six months ended 31 July 2017 is based on the Group's estimated effective tax rate for the year ending 31 January 2018 (20%). This is 2% lower than the Group's effective tax rate for the previous period (22%), due to the increasing proportion of profits the Group expects to realise in lower tax jurisdictions such as the U.K.

5) DIVIDENDS

An interim dividend of 1.8p (six months ended 31 July 2016: 1.5p) per ordinary share will be paid on 24 November 2017 to shareholders listed on the register of members on 27 October 2017. Shares will go ex-dividend on 26 October 2017.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2017

6) FINANCE EXPENSE

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	375	313	685
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future contingent consideration and share purchase obligation payable	1,068	1,032	2,182
Change in estimate of future contingent consideration and share purchase obligation payable	962	1,110	2,723
Other			
Finance lease interest	-	4	7
Other interest payable	-	10	10
Finance expense	2,405	2,469	5,607

7) FINANCE INCOME

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	29	23	40
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable	426	117	661
Other interest receivable	13	23	164
Finance income	468	163	865

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2017

8) EARNINGS PER SHARE

	Six months ended 31 July 2017 (Unaudited) £'000	Six months ended 31 July 2016 (Unaudited) £'000	Twelve months ended 31 January 2017 (Audited) £'000
Earnings attributable to ordinary shareholders	3,874	2,645	1,138
Unwinding of discount on future contingent consideration and share purchase obligation payable	1,019	935	2,028
Change in estimate of future contingent consideration and share purchase obligation payable	607	825	2,070
Share based payment charge	899	1,651	8,075
Restructuring costs	345	-	511
Amortisation of acquired intangibles	2,468	1,821	4,187
Deal costs	69	187	337
Adjusted earnings attributable to ordinary shareholders	9,281	8,064	18,346
	Number	**Number**	**Number**
Weighted average number of ordinary shares	73,561,342	71,039,309	72,306,063
Dilutive LTIP shares	2,737,223	2,483,255	2,103,789
Dilutive Growth Deal shares	4,338,031	1,755,159	2,905,385
Other potentially issuable shares	907,646	1,202,559	973,882
Diluted weighted average number of ordinary shares	81,544,242	76,480,282	78,289,119
Basic earnings per share	5.3p	3.7p	1.6p
Diluted earnings per share	4.8p	3.5p	1.5p
Adjusted earnings per share	12.6p	11.4p	25.4p
Diluted adjusted earnings per share	11.4p	10.5p	23.4p

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 performance shares. The only difference between the adjusting items in this note and the figures in notes 2 and 3 is the tax effect of those adjusting items.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2017

9) NET DEBT

The HSBC Bank revolving credit facility expires in 2022 and therefore the outstanding balance has been classified in non-current borrowings with the exception of £1.5m which is due for repayment within one year.

	31 July 2017 (Unaudited)	31 July 2016 (Unaudited)	31 January 2017 (Audited)
	£'000	£'000	£'000
Total loans and borrowings	37,428	32,738	33,458
Obligations under finance leases	9	46	26
Less: cash and cash equivalents	(16,589)	(20,601)	(22,072)
Net debt	20,848	12,183	11,412
Share purchase obligation	2,839	2,740	3,433
Contingent consideration	21,281	15,026	14,905
	44,968	29,949	29,750

10) OTHER FINANCIAL LIABILITIES

	Contingent consideration	Share purchase obligation
	£'000	£'000
At 1 February 2016 (Audited)	8,344	3,734
Arising during the period	5,951	-
Change in estimate	779	214
Exchange differences	192	88
Utilised	(1,059)	(1,509)
Unwinding of discount	819	213
At 31 July 2016 (Unaudited)	15,026	2,740
Arising during the period	1,985	400
Change in estimate	827	242
Exchange differences	120	56
Utilised	(4,021)	-
Written off as sold	-	(187)
Unwinding of discount	968	182
At 31 January 2017 (Audited)	14,905	3,433
Arising during the period	7,578	-
Change in estimate	859	(323)
Exchange differences	(40)	(50)
Utilised	(2,910)	(400)
Unwinding of discount	889	179
At 31 July 2017 (Unaudited)	**21,281**	**2,839**
Current	6,053	-
Non-current	15,228	2,839

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2017

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

HSBC Facility

On 5 July 2017, the Group entered a new extended five year £40m revolving credit facility with HSBC. The facility is primarily used for acquisitions and is due to be repaid out of the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin ranging from 1.5% to 1.9% dependent on the level of gearing in the business.

Velocity

On 10 July 2017, Next 15 purchased the entire share capital of Velocity Partners Limited ("Velocity"), a B2B content marketing agency with a focus on technology clients, for initial consideration of £5.9m. Further consideration is payable based on the average profits of Velocity for the years ending 31 April 2018, and 31 January 2019, 2020, 2021 and 2022.

Circle

On 11 July 2017, Next 15 purchased the entire share capital of Circle Research Limited ("Circle"), a B2B market research consultancy, for initial consideration of £5.2m which includes £2.2m for the net assets of the business. Further consideration is payable based on the average profits of Circle for the years ending 31 January 2019 and 2020.

12) EVENTS AFTER THE BALANCE SHEET DATE

Elvis

On 14 September 2017, Next 15 purchased the entire share capital of Elvis Communications Limited ("Elvis"), an integrated digital agency, for initial consideration of £5.0m. Up to £0.5m is payable as deferred consideration.

Charterhouse

Today we announce that Next 15 have purchased the entire share capital of Charterhouse Research Limited ("Charterhouse"), a market research consultancy, for initial consideration of £1.8m. Further consideration is payable based on the profits of Charterhouse for the years ending 31 January 2019 and 2020.