LONDON--(BUSINESS WIRE)--

Next Fifteen Communications Group plc

Finalresults for the year ended 31 January 2017

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its final results for the year ended 31 January 2017.

Adjusted financial results for the year to 31 January 2017

	Year ended 31 January 2017 (Audited)	Year ended 31 January 2016 (Audited)	Growth
Revenue	£171.0m	£129.8m	32%
EBITDA	£29.0m	£19.2m	51%
Operating Profit	£25.0m	£16.5m	52%
Operating Profit Margin	14.6%	12.7%	
PBT	£24.2m	£16.1m	50%
Diluted EPS	23.4p	16.9p	38%
Dividend per share	5.25p	4.2p	25%
Cash generated from operations	£32.8m	£16.3m	101%
Net debt	£11.4m	£6.6m	

In order to help 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. The adjusted results are reconciled to statutory results within notes 2 and 3.

Highlights

- Revenues increased by 32%, with Group organic[1] revenue growth of 10%
- Adjusted operating profit margin improves to 14.6% from 12.7%
- Adjusted diluted earnings per share increased by 38% to 23.4p
- Cash generated from operations increased by 101% to £32.8m
- 25% increase in dividend per share to 5.25p
- Significant clients wins including LinkedIn, GM and KPMG
- Publitek, Twogether, Pinnacle and HPI acquired during the year and performing to management expectations

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

"Next 15 continues to develop its business toward content, data and technology, reflecting the board's view of the future of marketing communications. Content has been at the heart of the business since its PR roots, though today's clients typically require many more creative ideas as they build relationships with customers on multiple platforms. Data has always driven the work we have done for clients but its availability has grown dramatically through online interactions, to a point where selectivity has become as important as analysis. We foresee data services providing a greater share of the Group's revenues in the future. Technology is also playing a greater part in the understanding and meeting of customer needs by brand owners, not least through the use of artificial intelligence to reduce the hit and miss historically associated with marketing.

"The results for the financial year to January 2017 were helped by forex, but reflect strong organic growth, judicious and effective acquisitions and continued organisational efficiencies in an entrepreneurial culture. Current trading reassures the Board that the outlook for Next 15 continues to be positive."

Statutory financial results for the year to 31 January 2017

	Year ended 31 January 2017 (Audited)	Year ended 31 January 2016 (Audited)
Revenue	£171.0m	£129.8m
Profit for the year	£1.7m	£4.5m
Diluted EPS	1.5p	5.6p

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Notes:

[1]Organic

The organic growth is defined as the growth at constant exchange rates excluding the impact of acquisitions and office closures since the beginning of the comparative period (i.e. 1st February 2015).

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

Chairman and Chief Executive's Statement

Review of Adjusted Results to 31 January 2017

The last 12 months has been a period of exceptional progress across the Group. We have again succeeded in growing the revenues at our US businesses at a double-digit organic rate whilst achieving an operating profit margin in excess of 20%. M Booth and Beyond US have had impressive performances whilst OutCast, Connections Media and Bite US have continued to deliver solid results.

In addition, we have benefited from the series of operational improvements we have implemented which have resulted in an increase in the operating margins of our non-US operations. We have improved the efficiency of a number of our UK businesses whilst acquiring high-growth, high-margin agencies in Publitek, Pinnacle and Twogether. We also acquired HPI, which has been merged with Morar to create MIG Global.

We have also benefited significantly from the merger in 2015 of our agencies in APAC and EMEA where trading continued to improve as the year progressed in both markets.

In total for the 12 months to 31 January 2017, the Group delivered 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.

Regional Adjusted Performance

Our US businesses have continued to perform strongly led by our Text 100, Beyond, OutCast, M Booth, Connections Media and Bite agencies. In the year to 31 January 2017 revenues grew by 28.1% to £107.0m from £83.5m which equated to an organic growth rate of 12.6%, taking account of movements in exchange rates. Margins have remained consistently strong at above 20%, but were impacted by the performance of our recent acquisition Story Worldwide, which continued to disappoint. We incurred £0.6m in exceptional restructuring costs as we aligned the cost base with the anticipated revenue and the business has got off to an encouraging start in our new financial year as a result of our actions. The adjusted operating profit from our US businesses was £22.3m compared with £17.5m in the previous 12 months to 31 January 2016.

The UK businesses have delivered a very encouraging performance over the last 12 months, with revenue increasing by 52.7% to £42.6m from £27.9m in the prior period. Adjusted operating profit increased to £8.0m from £3.8m in the prior year with the adjusted operating margin increasing to 18.9% from 13.6% in the prior period.

The improved performance in the UK has been delivered due to the acquisition of a number of high-growth, high-margin agencies, alongside a number of self-help measures. In March 2016, we acquired Publitek, a digital content marketing agency focused on the electronic components sector, and then in September 2016 we acquired Pinnacle, a competitor to Publitek, and merged them under the Publitek brand name. In March 2016 we acquired Twogether, a digital agency focused on helping technology clients with their channel marketing. Finally, in November 2016, we acquired HPI, a market research agency, and merged it with Morar.

We have delivered an improved trading performance in EMEA as we have continued to focus our efforts on markets of potential scale. Revenue increased by 11.5% to £7.2m and operating profit increased to £0.6m at an improved operating margin of 9.0%.

APAC produced an encouraging performance as we continued to benefit from the operational restructuring we undertook in 2015. Revenue increased by 18.4% to £14.2m, the operating margin improved to 15.2% from 11.5% in the prior period and the operating profit increased by 56.7% to £2.2m.

Balance Sheet and Net Debt

The Group's balance sheet remains in a healthy position with net debt as at 31 January 2017 of £11.4m (2016: £6.6m), reflecting 0.4x adjusted EBITDA. The Group benefited from cash generated from operations of £32.8m, up 101% on the prior year following strong management of working capital.

Over the period we invested £21.6m in acquisition related payments of which £9.0m fell in the second half.

Cash flow KPIs	**Year to 31 January 2017 £m**	Year to 31 January 2016 £m
Net cash inflow from operating activities	**26.5**	16.1
Working capital movement	**6.3**	0.2
Net cash generated from operations	**32.8**	16.3
Income tax paid	**(2.0)**	(3.0)
Investing activities	**(30.6)**	(20.2)
Dividend paid to shareholders	**(3.3)**	(2.4)

In March 2016 the Group entered into a new extended four-year £30m 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 dependent upon the level of gearing in the business. The Group also has a US facility of $6m, which is available for property rental guarantees and US-based working capital needs.

As part of the facility Next 15 is required 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.

Current Trading and Outlook

Looking ahead, the Group has made a good start to the new financial year with encouraging signs across our brands.

The Board is recommending the payment of a final dividend for the 12 months to 31 January 2017 of 3.75p per share, which would represent a total dividend of 5.25p for the year to 31 January 2017 which reflects an increase of 25% on the dividend in the prior year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: INCOME STATEMENT

	Year Ended 31 January 2017 £'000 (Audited)	Year Ended 31 January 2016 £'000 (Audited)
Revenue	**171,013**	129,757
Total operating charges	**(142,049)**	(110,581)
EBITDA	**28,964**	19,176
Depreciation and amortisation	**(3,994)**	(2,657)
Operating profit	**24,970**	16,519
Net finance expense	**(498)**	(422)
Share of loss from associate	**(272)**	(5)
Profit before income tax	**24,200**	16,092
Tax	**(5,324)**	(3,540)
Retained profit	**18,876**	12,552
Profit attributable to owners	**18,346**	12,082
Profit attributable to minorities	**530**	470
Weighted average number of ordinary shares	**72,306,063**	66,298,503
Dilutive weighted average number of ordinary shares	**78,289,119**	71,637,907
Adjusted earnings per share	**25.4p**	18.2p
Diluted adjusted earnings per share	**23.4p**	16.9p

ADJUSTED RESULTS: CASH FLOW

	Year Ended 31 January 2017 £'000 (Audited)	Year Ended 31 January 2016 £'000 (Audited)
Cash and cash equivalents at beginning of the year	**14,132**	9,315
Net cash inflow from operating activities	**32,844**	16,288
Income taxes paid	**(1,978)**	(2,954)
Net cash outflow from investing activities	**(30,592)**	(20,158)
Net cash inflow from financing activities	**6,500**	11,459
Exchange gains on cash held	**1,166**	182
Cash and cash equivalents at end of the year	**22,072**	14,132

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: SEGMENTAL

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 January 2017 (Audited)						
Revenue	**42,638**	**7,166**	**107,008**	**14,201**	**–**	**171,013**
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%**
Year ended 31 January 2016 (Audited)						
Revenue	27,885	6,426	83,456	11,990	–	129,757
Operating profit / (loss)	3,805	452	17,492	1,380	(6,610)	16,519
Operating profit margin	13.6%	7.0%	21.0%	11.5%	–	12.7%
Organic revenue growth	(0.6%)	(8.1%)	14.1%	(2.4%)	–	7.8%

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

	Note	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Billings		200,745	151,658
Revenue	2	171,013	129,757
Staff costs		126,756	92,721
Depreciation		3,482	2,348
Amortisation		6,017	3,796
Other operating charges		26,844	22,463
Total operating charges		(163,099)	(121,328)
Operating profit	2	**7,914**	**8,429**
Finance expense	6	(5,607)	(4,905)
Finance income	7	865	2,059
Share of loss from associate		(272)	(5)
Profit before income tax	3	**2,900**	**5,578**
Income tax expense	4	(1,232)	(1,116)
Profit for the period		**1,668**	**4,462**
Attributable to:			
Owners of the parent		1,138	3,992
Non-controlling interests		530	470

		1,668	**4,462**
Earnings per share			
Basic (pence)	8	1.6	6.0p
Diluted (pence)	8	1.5	5.6p

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Profit for the period	**1,668**	**4,462**
Other comprehensive income / (expense):		
Items that may be reclassified into profit or loss		
Exchange differences on translating foreign operations	5,128	1,585
Loss on net investment hedge	(1,378)	(662)
	3,750	923
Amounts reclassified and reported in the Income Statement		
Profit on net investment hedge	-	4
Other Comprehensive income for the period	3,750	927
Total comprehensive income for the period	**5,418**	**5,389**
Attributable to:		
Owners of the parent	4,888	4,919
Non-controlling interests	530	470
	5,418	**5,389**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2017 AND 2016

	Note	31 January 2017 (Audited) £'000	31 January 2016 (Audited) £'000
Assets			
Property, plant and equipment		15,764	9,988
Intangible assets		79,979	53,555
Investment in equity accounted associate		120	465
Trade investment		743	235
Deferred tax asset		9,987	6,485
Other receivables		817	702
Total non-current assets		107,410	71,430
Trade and other receivables		42,143	40,924
Cash and cash equivalents	9	22,072	14,132
Corporation tax asset		601	1,097
Total current assets		64,816	56,153

Total assets		**172,226**	**127,583**
Liabilities			
Loans and borrowings	9	31,869	20,683
Deferred tax liabilities		2,692	-
Other payables		5,537	5,739
Provisions		54	450
Contingent consideration	10	10,971	5,701
Share purchase obligation	10	3,033	2,225
Total non-current liabilities		(54,156)	(34,798)
Loans and borrowings	9	1,589	-
Trade and other payables		39,409	34,088
Provisions		2,647	989
Corporation tax liability		1,594	765
Share purchase obligation	10	400	1,509
Contingent consideration	10	3,934	2,643
Total current liabilities		(49,573)	(39,994)
Total liabilities		**(103,729)**	**(74,792)**
TOTAL NET ASSETS		**68,497**	**52,791**
Equity			
Share capital		1,834	1,763
Share premium reserve		25,681	21,523
Share purchase reserve		(2,673)	(2,673)
Foreign currency translation reserve		10,238	5,110
Other reserves		529	1,907
Retained earnings		31,962	24,418
Total equity attributable to owners of the parent		67,571	52,048
Non-controlling interests		926	743
TOTAL EQUITY		**68,497**	**52,791**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

	Share capital	Share premium reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves[1]	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2015 (audited)	**1,545**	**8,272**	**(2,673)**	**3,525**	**2,565**	**24,741**	**37,975**	**(773)**	**37,202**
Profit for the year	-	-	-	-	-	3,992	**3,992**	470	**4,462**

Other comprehensive income / (expense) for the year	-	-	-	1,585	(658)	-	**927**	-	**927**
Total comprehensive income / (expense) for the year	-	-	-	1,585	(658)	3,992	**4,919**	470	**5,389**
Shares issued on satisfaction of vested share options	38	-	-	-	-	-	**38**	-	**38**
Shares issued on acquisitions	19	1,331	-	-	-	-	**1,350**	-	**1,350**
Shares issued on placing	161	11,920	-	-	-	-	**12,081**	-	**12,081**
Movement in relation to share-based payments	-	-	-	-	-	1,274	**1,274**	-	**1,274**
Tax on share-based payments	-	-	-	-	-	239	**239**	-	**239**
Dividends to owners of the parent	-	-	-	-	-	(2,441)	**(2,441)**	-	**(2,441)**
Movement due to ESOP share purchases	-	-	-	-	(38)	-	**(38)**	-	**(38)**
Movement due to ESOP share option exercises	-	-	-	-	38	-	**38**	-	**38**
Movement on reserves for non-controlling interests	-	-	-	-	-	(3,494)	**(3,494)**	3,494	**-**
Share options issued on acquisition of subsidiary	-	-	-	-	-	107	**107**	-	**107**
Non-controlling interest arising on acquisition	-	-	-	-	-	-	**-**	(1,888)	**(1,888)**
Non-controlling interest dividend	-	-	-	-	-	-	**-**	(560)	**(560)**
At 31 January 2016 (audited)	**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	27	-	-	-	-	(265)	**(238)**	-	**(238)**
Shares issued on acquisitions	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	-	-	-	-	-	1,239	**1,239**	-	**1,239**
Dividends to owners of the parent	-	-	-	-	-	(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 interest dividend	-	-	-	-	-	-	**-**	(1,075)	**(1,075)**
At 31 January 2017 (audited)	**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.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Cash flows from operating activities		
Profit for the year	1,668	4,462
Adjustments for:		
Depreciation	3,482	2,348
Amortisation	6,017	3,796
Finance expense	5,607	4,905
Finance income	(865)	(2,059)
Share of loss from equity-accounted associate	272	5
Loss on sale of property, plant and equipment	110	156
Income tax expense	1,232	1,116
Share-based payment charge	8,989	1,393
Net cash inflow from operating activities before changes in working capital	**26,512**	**16,122**
Change in trade and other receivables	8,430	(6,740)
Change in trade and other payables	(2,861)	6,447
Change in provision	763	459
	6,332	166
Net cash generated from operations	**32,844**	**16,288**
Income taxes paid	(1,978)	(2,954)
Net cash inflow from operating activities	**30,866**	**13,334**
Cash flows from investing activities		
Acquisition of subsidiaries and trade and assets, net of cash acquired	(14,546)	(4,190)
Payment of contingent consideration	(6,622)	(9,160)
Acquisition of investments and associates	(777)	-
Proceeds on disposal of associates	330	-
Acquisition of property, plant and equipment	(8,284)	(6,411)
Proceeds on disposal of property, plant and equipment	7	7
Acquisition of intangible assets	(612)	(562)
Net movement in long-term cash deposits	(292)	109
Interest received	204	49
Net cash outflow from investing activities	**(30,592)**	**(20,158)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW ***(Continued)***

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Cash flows from financing activities		
Proceeds from sale of own shares	-	12,540
Issue costs on issue of ordinary shares	-	(457)
Capital element of finance lease rental repayment	(55)	(23)
Increase in bank borrowings and overdrafts	11,589	6,661
Repayment of bank borrowings and overdrafts	-	(3,790)
Interest paid	(695)	(471)
Non-controlling interest dividend paid	(1,075)	(560)
Dividends paid to shareholders of the parent	(3,264)	(2,441)
Net cash inflow from financing activities	**6,500**	**11,459**
Net increase in cash and cash equivalents	**6,774**	**4,635**
Cash and cash equivalents at beginning of the period	14,132	9,315
Exchange gains on cash held	1,166	182
Cash and cash equivalents at end of the period	**22,072**	**14,132**

NOTES TO THE YEAR END RESULTS

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

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 period ending 31 January 2017. The comparative financial information for the year ended 31 January 2016 has been derived from the audited statutory financial statements for that year. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' 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 fair value accounting charges, amortisation of acquired intangibles, brand equity incentive scheme charges and other exceptional one-off costs. 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	EMEA	US	Asia Pacific	Head Office	Total

	£'000	£'000	£'000	£'000	£'000	£'000
Year 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**
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%**
Year ended 31 January 2016 (Audited)						
Revenue	27,885	6,426	83,456	11,990	–	129,757
Adjusted operating profit / (loss)	3,805	452	17,492	1,380	(6,610)	16,519
Operating profit margin	13.6%	7.0%	21.0%	11.5%	–	12.7%
Organic revenue growth	(0.6%)	(8.1%)	14.1%	(2.4%)	–	7.8%

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

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Segment adjusted operating profit	**24,970**	**16,519**
Amortisation of acquired intangibles	(5,505)	(3,487)
Share based payment charge and charges associated with equity transactions accounted for as share-based payments (note 3)	(10,507)	(1,549)
Charge associated with office moves	-	(1,354)
Current period restructure (note 3)	(676)	(1,492)
Deal costs (note 3)	(368)	(208)
Total operating profit	**7,914**	**8,429**

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

3)RECONCILIATION OF ADJUSTED RESULTS

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Profit before income tax	**2,900**	**5,578**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,182	1,512
Change in estimate of future contingent consideration and share purchase obligation payable	2,062	912
Share based payment charge and charges associated with equity transactions accounted for as share-based payments [1]	10,507	1,549
Charge associated with current period restructure	676	1,492
Charge associated with office moves	-	1,354
Deal costs[2]	368	208
Amortisation of acquired intangibles	5,505	3,487
Adjusted profit before income tax	**24,200**	**16,092**

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.

[1] This charge relates to the acquisition of the 20% minority interest in Bourne whereby performance shares were issued as partial consideration, and transactions whereby a restricted grant of Brand equity was given to key management in Agent3 Limited, BYND Limited, MIG Global Limited, The Lexis Agency Limited, Twogether Creative Limited, BYND LLC, Vrge Strategies LLC and M Booth LLC (2016: Bite Communications Limited, Bite Communications LLC and The OutCast Agency 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. It also includes charges associated with equity transactions accounted for as share based payments.

[2] This charge relates to third party professional fees incurred during acquisitions and restructures, note 11.

4)TAXATION

The tax charge on adjusted profit for the year ended 31 January 2017 is £5,324,000, equating to an effective tax rate of 22%, which is consistent with the prior year. The Group's corporation tax rate is expected to remain higher than the standard UK rate for the foreseeable future due to the higher rate of tax the Group suffers on its overseas profits.

5)DIVIDENDS

A final dividend of 3.75p (2016: 3.00p) per ordinary share will be paid on 4 August 2017 to shareholders listed on the register of members on 30 June 2017. Shares will go ex-dividend on 29 June 2017.

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

6)FINANCE EXPENSE

	Year ended 31 January 2017 (Audited)	Year ended 31 January 2016 (Audited)
	£'000	£'000
Financial liabilities at amortised cost		
Bank interest payable	685	445
Financial liabilities at fair value through profit and loss		
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,182	1,512
Change in estimate of future contingent consideration and share purchase obligation payable	2,723	2,922
Other		
Finance lease interest	7	8
Other interest payable	10	18
Finance expense	**5,607**	**4,905**

7)FINANCE INCOME

	Year ended	Year ended

	31 January 2017 (Audited)	31 January 2016 (Audited)
	£'000	£'000
Financial assets at amortised cost		
Bank interest receivable	40	42
Financial assets at fair value through profit and loss		
Change in estimate of future contingent consideration and share purchase obligation payable	661	2,010
Other interest receivable	164	7
Finance income	**865**	**2,059**

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

8)EARNINGS PER SHARE

	Year ended 31 January 2017 (Audited) £'000	Year ended 31 January 2016 (Audited) £'000
Earnings attributable to ordinary shareholders	1,138	3,992
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable after tax	2,028	1,312
Change in estimate of future contingent consideration and share purchase obligation payable after tax	2,070	912
Share based payment charge	8,075	1,237
Costs associated with current period restructure	511	995
Costs associated with office moves	-	863
Amortisation of acquired intangibles	4,187	2,563
Deal costs	337	208
Adjusted earnings attributable to ordinary shareholders	18,346	12,082
	Number	**Number**
Weighted average number of ordinary shares	72,306,063	66,298,503
Dilutive LTIP shares	2,103,789	2,904,335
Dilutive Growth Deal shares	2,905,385	1,689,729
Other potentially issuable shares	973,882	745,340
Diluted weighted average number of ordinary shares	78,289,119	71,637,907
Basic earnings per share	1.6p	6.0p
Diluted earnings per share	1.5p	5.6p
Adjusted earnings per share	25.4p	18.2p
Diluted adjusted earnings per share	23.4p	16.9p

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 note 3 is the tax effect of those adjusting items.

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

9)NET DEBT

The HSBC Bank revolving credit facility expires in 2020 and therefore the outstanding balance has been classified in non-current borrowings.

	31 January 2017 (Audited)	31 January 2016 (Audited)
	£'000	£'000
Total loans and borrowings	33,458	20,683
Obligations under finance leases	26	72
Less: cash and cash equivalents	(22,072)	(14,132)
Net debt	**11,412**	**6,623**
Share purchase obligation	3,433	3,734
Contingent consideration	14,905	8,344
	29,750	**18,701**

10)OTHER FINANCIAL LIABILITIES

	Deferred consideration	Contingent consideration	Share purchase obligation
	£'000	£'000	£'000
At 31 January 2015 (Audited)	94	7,174	5,842
Arising during the year	-	4,092	916
Exchange differences	-	223	93
Utilised	(95)	(4,519)	(4,166)
Unwinding of discount	1	935	576
Change in estimate	-	439	473
At 31 January 2016 (Audited)	-	8,344	3,734
Arising during the year	-	7,936	400
Exchange differences	-	312	144
Utilised	-	(5,080)	(1,509)
Written off as sold	-	-	(187)
Unwinding of discount	-	1,787	395
Change in estimate	-	1,606	456
At 31 January 2017 (Audited)	**-**	**14,905**	**3,433**
Current	**-**	**3,934**	**400**
Non-current	**-**	**10,971**	**3,033**

NOTES TO THE YEAR END RESULTS (*Continued)*

FOR THE YEARS ENDED 31 JANUARY 2017 AND 31 JANUARY 2016

11)ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

Morar

On 26 February 2016, Next 15 acquired the remaining 25% minority interest in MIG Global Limited (formerly Morar Consulting Limited), its research and advisory agency and settled in full the remaining obligation for the original purchase of 75% of the issued share capital made on 3 December 2014. The aggregate consideration for the minority interest and remaining obligation was £3.55m of which £1.5m was paid in February 2017.

HSBC Facility

On 8 March 2016 the Group entered into a new extended four year £30m 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 dependent on the level of gearing in the business.

Publitek

On 10 March 2016, Next 15 purchased the entire share capital of Publitek Limited ("Publitek"), a specialist technical content marketing business that services customers in the global semiconductor and electronic component market, for initial consideration of £6.2m. As part of the acquisition of Pinnacle in September 2016 Next 15 settled £1.7m of the Publitek contingent consideration early in order to align the earn-outs of these two businesses which will be managed as one business going forward. Further consideration is payable based on a proportion of average profits of the combined Pinnacle and Publitek Group, for the years ending 31 January 2018, 2019, 2020 and 2021.

Twogether

On 31 March 2016, Next 15 purchased the entire share capital of Twogether Creative Limited ("Twogether"), a B2B creative and digital marketing agency with a focus on technology clients, for initial consideration of £6.6m. Further consideration is payable based on the average profits of Twogether for the years ending 31 January 2018, 2019, 2020 and 2021.

Phrasee

On 14 July 2016 Next 15 purchased 10% of the share capital in Phrasee Limited ("Phrasee"), a marketing software company for consideration of £0.7m.

Pinnacle

On 26 September 2016 Next 15 purchased the entire share capital of Pinnacle, a technical content and digital marketing agency, for initial consideration of £4.4m. Further consideration is payable based on a proportion of the combined Pinnacle and Publitek Group, for the years ending 31 January 2018, 2019, 2020 and 2021.

HPI

On 9 November 2016, Morar purchased an 85% interest in HPI Research Limited, a market research business, for £1.3m with an obligation to purchase the remaining 15% based on the performance for the year to 31 January 2018.

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Next Fifteen Communications Plc

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