26 September 2023

Next 15 Group plc

("Next 15" or the "Group")

Interim results for the six months ended 31 July 2023

Encouraging performance across all business segments

Resilient outlook; full year performance anticipated to be broadly in line with management expectations

Next 15 Group plc (AIM:NFG), the tech and data-driven growth consultancy, today announces its interim results for the six months ended 31 July 2023.

Financial results for the six months to 31 July 2023 (unaudited)

	Six months ended 31 July 2023 £m	Six months ended 31 July 2022 £m	% change year on year
Adjusted results[1]			
Net revenue	**286.4**	**274.0**	**5%**
Adjusted operating profit after interest on finance lease liabilities	**57.0**	**61.3**	**(7)%**
Adjusted operating profit margin	**19.9%**	**22.4%**	
Adjusted profit before tax	**55.6**	**60.7**	**(8)%**
Adjusted diluted earnings per share (p)	**37.9p**	**44.1p**	**(14)%**
Statutory results			
Revenue	**364.9**	**341.2**	**7%**
Operating profit	**36.9**	**33.6**	**10%**
Profit/(loss) before tax[2]	**24.3**	**(8.5)**	
Diluted earnings/(loss) per share (p)	**13.6p**	**(10.6)p**	
Net cash generated from operations	**24.8**	**18.3**	**35%**
Dividend per share	**4.75p**	**4.5p**	**5%**

[1]Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the Group by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within the appendix.
[2]In the prior period, the statutory loss before tax was principally due to acquisition related accounting, the majority of which relates to the increased earn-out payable over the next five years to Mach49 equity holders.

Financial and Operational Highlights

- Group net revenue growth of 5% to £286.4m and statutory revenue growth of 7%
- Adjusted profit before tax of £55.6m
- Statutory operating profit up 10% to £36.9m
- Adjusted diluted earnings per share of 37.9p and diluted earnings per share of 13.6p
- Interim dividend of 4.75p per share, representing an increase of 5%
- Plan to commence an initial share buy-back programme of up to £30m
- Net cash generated from operations up 35% to £24.8m
- Significant new client wins and expanded assignments with TikTok, Blizzard Entertainment and BBC

Current trading and outlook

The business continues to trade broadly in line with management expectations despite the macro-economic headwinds in certain markets.

Performance continues to be encouraging across all four business segments; underpinned by the integration of Engine which joined the Group in March 2022 and the significant growth of Mach49. We continue to win new client engagements, such as TikTok and BBC, giving us continued confidence for further growth in the year ahead. Whilst we remain mindful of the current economic and geopolitical backdrop, given the underlying strength of our businesses and operating model, we remain confident of delivering full year results broadly in line with management expectations.

The Group's balance sheet and cash generation continue to provide scope for further investments both in the businesses and in M&A to accelerate our longer-term growth ambitions. We also plan to commence a share buy-back programme of up to £30m, allowing us to return excess cash to shareholders.

Commenting on the results, Chair of Next 15, Penny Ladkin-Brand said:

"After an exceptionally strong performance over the previous two years, particularly from our Tech clients, the solid performance in the year to date is testament to the strength of our brands and customer relationships."

Tim Dyson, CEO of Next 15, said:

"I am very pleased with the Group's performance given the continued economic headwinds. It demonstrates the strength of our businesses and that our diversified, agile and de-centralised operating model works. This also gives me confidence that we will deliver another year of solid momentum."

"We are acutely aware that the adoption of AI is going to disrupt and transform almost every business over the next few years. This presents significant long-term opportunities for the Group. We started investing in Machine Learning (ML) and Artificial Intelligence (AI) several years ago. More recently we have initiated a series of groupwide projects to look for efficiencies in our operating models, new products and revenue streams to deepen the relationship with our clients and are actively harnessing our proprietary data to explore commercial opportunities. We will outline our latest perspectives on generative AI and some of the progress made on product development at a Capital Markets Day towards the end of October. Our ambition is to continue to deliver above-market growth and we are aiming to double the size of the business in the next five years."

Webcast for analysts and investors

Next 15 will host an analyst and investor webcast at 9:30 today, Tuesday 26 September 2023.

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

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Notes:

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

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

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

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

About Next 15

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

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

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

Our goal is to deliver above-market growth. Our net revenues have grown by 141% over the last five years and we are aiming to double the size of the business in the next five years. This will be driven by the quality of the businesses, the strength of our customer relationships, the support our model gives them, and strong tech, data and digital tailwinds.

Chairman and Chief Executive's Statement

Review of six months ended 31 July 2023

This has been an encouraging performance with all four segments of our business delivering broadly in line with management expectations. The Group's net revenue increased by 5% to £286.4m whilst adjusted profits were down by 8% to £55.6m, partially reflecting the exceptionally strong prior year comparators driven by the performance delivered by Mach49. Adjusted earnings per share declined to 37.9p from 44.1p in the prior year, reflecting the reduction in adjusted profit before tax and also the rising tax charge due principally to the increase in corporation tax rates in the UK.

The statutory operating profit increased by 10% to £36.9m (2022: £33.6m) and diluted earnings per share was 13.6p, compared with a diluted loss per share of 10.6p in the previous year.

Dividend

We are pleased to announce that the Directors recommend an interim dividend of 4.75p which will be paid to shareholders on 24 November 2023 who hold shares on 20 October 2023. This represents an increase of 5% over the prior period.

Review of adjusted results to 31 July 2023

In order to assist shareholders' understanding of the performance of the business, the following commentary is focused on the adjusted performance for the six months to 31 July 2023, compared with the 6 months to 31 July 2022. The Directors consider these adjusted measures to be highly relevant as they reflect the trading performance of the business and align with how shareholders value the business. They also give shareholders more information to allow for understandable like-for-like year-on-year comparisons and more closely correlate with the cash and working capital position of the Group.

Net revenue bridge

	Net Revenue (£'m)	Movement (% of prior year net revenue)
6 months to 31 July 2022	**274.0**	
Organic growth	(2.9)	(1)%
Acquisitions	11.9	4%
Impact of FX	3.4	1%
6 months to 31 July 2023	**286.4**	

The Group has continued to trade well over the last six months despite macro-economic headwinds, with all parts of the business making a positive contribution to the Group's performance. Last year, we had a particularly encouraging first half year result from the businesses which joined the Group following the acquisition of Engine, and the significant contract win for Mach49, which we announced in March 2022, contributed to a strong revenue performance from that business.

Profitability was impacted compared with the first half of last year due to the nature of the Mach49 contract win, whereby we accounted for the contracted revenue equally across last year, but as disclosed in our prior year results, the costs were phased in the second half, as we geared up for a significant increase in the revenue and deliverables in our current financial year. This had the impact of increasing the Group's underlying profit in the first half of last year by approximately £5m, which we reinvested in the second half of last year.

The organic revenue performance was positive in our Customer Delivery, Business Transformation and Consumer Insights segments as clients focused their spend on areas which delivered short term and measurable results, whilst our Customer Engage segment saw a modest organic decline in revenue, in part due to some delays in client spend.

Our total Group net revenues increased by 5% (2022: 65%) whilst we saw an organic net revenue decline of 1% (2022: growth of 31%). We had an extra month of trading this year from the ex-Engine brands as they were acquired in March 2022 and we had a modest favourable currency movement in the first half of FY24.

The Group operating profit declined by 7% to £57.0m as an encouraging profit performance from the majority of our brands was offset by a tough comparable in relation to the exceptional profit performance from Mach49 in the prior year. This resulted in our operating margin decreasing to 19.9% (2022: 22.4%).

Our tax rate on adjusted profit increased to 27.0% (2022: 23.3%) due to the increased proportion of our profit coming from our higher taxed overseas operations and also due to the recent increase in the corporation tax rate in the UK to 25%. The reduced profitability and the higher tax rate on our adjusted profit resulted in our adjusted diluted EPS declining by 14% to 37.9p (2022: 44.1p). The Group reported a statutory operating profit of £36.9m compared with a profit of £33.6m in the prior period, while reported diluted earnings per share was 13.6p compared with a loss per share of 10.6p in the prior period.

Our net debt excluding lease liabilities as at 31 July 2023 was £21.6m. This is after the payment of £52m of earn-out obligations in the first half, leaving the Group well placed to make further investments and acquisitions. We continue to be highly cash generative.

The integration of the ex-Engine businesses has gone well and we have closed our offices in Bermondsey and all Next 15's London based staff have moved into Engine's offices in Great Portland Street. Similar property consolidations have happened in our other key operational hubs in New York and San Francisco and this has led to a permanent reduction of our property costs as a percentage of revenue of 3% compared with the position pre Covid.

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000
Net revenue	**286,411**	**273,993**
Total operating charges	(221,892)	(205,067)
Depreciation and amortisation	(6,982)	(6,952)
Operating profit	**57,537**	**61,974**
Interest on finance lease liabilities	(572)	(706)
Operating profit after interest on finance lease liabilities	**56,965**	**61,268**
Operating profit margin	*19.9%*	*22.4%*
Net finance expense excluding interest on finance lease liabilities	(1,347)	(614)
Profit before income tax	**55,618**	**60,654**
Tax	(15,013)	(14,147)
Retained profit	**40,605**	**46,507**
Non-controlling interests	(957)	(649)
Earnings attributable to ordinary shareholders	**39,648**	**45,858**

Weighted average number of ordinary shares	98,849,157	96,845,504
Diluted weighted average number of ordinary shares	104,647,230	103,977,271

Adjusted earnings per share	40.1p	47.4p
Adjusted diluted earnings per share	37.9p	44.1p

Cash inflow from operating activities before working capital changes	48,386	60,509
Cash outflow on acquisition related payments	(52,618)	(102,799)
Net debt	(21,642)	(18,073)
Dividend (per share)	4.75p	4.5p

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

Reconciliation between statutory and adjusted profit

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000
Profit/(loss) before income tax	**24,262**	**(8,515)**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	13,101	11,713
Change in estimate of future contingent consideration and share purchase obligation payable	(2,411)	29,046
One-off charge for employee incentive schemes	5,159	396
Employment linked acquisition payments	2,857	6,745
Restructuring costs	1,407	3,086
Deal costs	216	2,737
Property impairment	-	3,880
Amortisation of acquired intangibles	11,027	11,566
Adjusted profit before income tax	**55,618**	**60,654**

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

We had a net credit of £2.4m in relation to our estimate of future contingent consideration. This is due to the reassessment of management's estimate of future amounts payable, and an increase in our calculated discount rate.

We incurred £1.4m of restructuring costs as we pro-actively reduced our cost base/headcount to take account of macro-economic trends and anticipated efficiencies arising out of the increased adoption of AI. We expect this sum to be approximately £3.5m for the full year with an expected payback period of less than 6 months.

As a Group, we have moved towards the inclusion of employment conditions for certain acquisition-related payments. As a result, we are required to build up a provision relating to these payments over time and therefore this has led to an accounting charge of £2.9m (2022: £6.7m). We also incurred a one-off £5.2m charge related to new incentive schemes principally for the ex-Engine brands which we acquired in March 2022.

We incurred £0.2m of deal costs, and the amortisation of acquired intangibles was £11.0m in the period compared with £11.6m in the prior period.

Segment adjusted performance

	Customer Engage £'000	**Customer Delivery £'000**	**Customer Insight £'000**	**Business Transformation £'000**	**Head Office £'000**	**Total £'000**
6 months ended 31 July 2023						
Net revenue	**131,081**	**51,805**	**27,336**	**76,189**	**-**	**286,411**
Adjusted operating profit/(loss) after interest on finance lease liabilities	**26,481**	**14,131**	**4,710**	**22,627**	**(10,984)**	**56,965**
Adjusted operating profit margin[1]	**20.2%**	**27.3%**	**17.2%**	**29.7%**	**-**	**19.9%**
Organic net revenue (decline)/growth	**(6.4)%**	**2.4%**	**2.4%**	**5.8%**	**-**	**(1.0)%**
6 months ended 31 July 2022						
Net revenue	133,255	48,806	24,706	67,226	-	273,993
Adjusted operating profit/(loss) after interest on finance lease liabilities	26,726	15,756	5,270	26,494	(12,978)	61,268
Adjusted operating profit margin[1]	20.1%	32.3%	21.3%	39.4%	-	22.4%
Organic net revenue growth	12.6%	16.9%	15.6%	157.0%	-	31.0%

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

The **Customer Engage** segment includes M Booth, M Booth Health, Outcast, Archetype, Brandwidth, along with MHP and House 337 both of which were acquired as part of the acquisition of Engine in March 2022. M Booth, M Booth Health, MHP and Brandwidth expanded their relationships with a broad cross-section of clients including P&G, Google, Astra-Zeneca and Dow Chemicals. The segment produced a resilient performance overall with net revenue declining by 1.6% to £131.1m, with an organic revenue decline of 6.4%, and delivered an adjusted operating profit of £26.5m at an improved adjusted operating margin of 20.2%.

The **Customer Delivery** segment includes Activate, Agent3, Twogether, Velocity and SMG agencies. Activate has continued to gain market share against its immediate competitors whilst SMG has benefitted from the significant growth in retail media and has won its first US client. This segment is focused on solving short-term revenue challenges for its clients usually through digital products which are easier to determine their return on investment. The Covid pandemic and its immediate aftermath brought an exceptional performance as online growth was often the only route to market for our clients. Growth has moderated somewhat as more traditional routes to market have resumed, but the segment still delivered net revenue growth of 6.1% to £51.8m with organic revenue growth of 2.4%. The adjusted operating profit declined to £14.1m at an adjusted operating profit margin of 27.3% as Twogether and Velocity experienced some delays in client spend.

The **Customer Insights** segment includes Savanta and Planning-inc. Savanta performed well as it continued to expand its footprint in North America which now represents approximately 30% of Savanta's net revenue. Their UK business continued to expand it's customer base, whilst Savanta US is forecast to grow by over 10% year on year. Planning-inc continued to grow it's retail client base and invested in a sales function for their suite of products which should accelerate their growth over the next couple of years. Total net revenue increased by 10.6% to £27.3m with organic growth of 2.4%, whilst the adjusted operating profit declined by 10.6% to £4.7m, principally due to the investment in Planning-inc's sales operation, at an adjusted operating margin of 17.2%.

The **Business Transformation** segment includes Mach49, Blueshirt, Palladium, and Transform, which was acquired as part of the Engine acquisition. We saw continued strong revenue growth from this segment as the contract win for Mach49, which we announced in February 2022, contributed significant revenue growth during the period. The year on year profit performance was distorted by the exceptional profit Mach49 made in the prior period. Transform has made an excellent start to life at Next 15, supported by a major expansion of its relationship with the Department of Education, and its operating margin has improved materially post acquisition. Overall, the segment delivered net revenue growth of 13.3% to £76.2m with organic revenue growth of 5.8%. The adjusted operating profit declined by 14.6% to £22.6m at an adjusted operating profit margin of 29.7%.

Balance Sheet

The Group's balance sheet remains strong with net assets of £117.1m (£103.6m at 31 July 2022 and £114.4m at 31 January 2023). Since the previous year end, non-current assets have reduced primarily due to the amortisation of acquired intangible assets during the period. Net debt increased to £21.6m as at 31 July 2023 compared with the net cash position of £26.1m at the previous year end, primarily due to £52.6m settlement of acquisition related liabilities as well as staff bonuses paid during the period. Contingent consideration also saw a significant decrease because of these settlements which was offset by the unwinding of discount. The estimates around the contingent consideration are considered by management to be an area of significant judgement, which could result in a material adjustment to the value of these liabilities in the future years.

Cashflow

The encouraging revenue performance during the period, together with our normal seasonal working capital outflow has negatively impacted our working capital in the first half of our financial year. Cash inflows from operating activities before working capital changes reduced to £48.4m for the 6 months to 31 July 2023 when compared to £60.5m for the 6 months to 31 July 2022. This was primarily due to £13.2m settlement of employment linked acquisition payments during the period, as well as partial settlement of LTIPs in cash of £2.6m. We also saw a working capital outflow in the first half of the financial year, as annual staff bonuses were paid as well as an increase in receivables from the increase in revenue performance during the period.

Current trading and outlook

The business continues to trade broadly in line with management expectations, despite the macro-economic headwinds in certain markets.

Performance continues to be encouraging across all four business segments; underpinned by the integration of Engine which joined the Group in March 2022 and the significant growth of Mach49. We continue to win new client engagements, such as TikTok and BBC, giving us continued confidence for further growth in the year ahead. Whilst we remain mindful of the current economic and geopolitical backdrop, given the underlying strength of our businesses and operating model, we remain confident of delivering full year results broadly in line with management expectations.

The Group's balance sheet and cash generation continue to provide scope for further investments both in the businesses and in M&A to accelerate our longer-term growth ambitions. We also plan to commence a share buy-back programme of up to £30m, allowing us to return excess cash to shareholders.

NEXT 15 GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED 31 July 2023

	Note	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	12 months ended 31 January 2023 (Audited) £'000
Revenue		364,917	341,228	720,500
Direct costs		(78,506)	(67,235)	(156,701)
Net revenue	2	**286,411**	**273,993**	**563,799**
Staff costs		(204,250)	(188,580)	(391,798)
Depreciation		(5,923)	(6,072)	(12,187)
Amortisation		(12,086)	(12,446)	(25,053)
Other operating charges		(27,281)	(33,331)	(67,554)
Total operating charges		(249,540)	(240,429)	(496,592)
Operating profit		**36,871**	**33,564**	**67,207**
Finance expense	5	(16,281)	(43,055)	(63,735)
Finance income	6	3,672	976	6,637
Profit/(loss) before income tax		**24,262**	**(8,515)**	**10,109**
Income tax expense	3	(9,042)	(1,148)	(7,123)
Profit/(loss) for the period		**15,220**	**(9,663)**	**2,986**
Attributable to:				
Owners of the parent		14,263	(10,312)	1,623
Non-controlling interests		957	649	1,363
		15,220	**(9,663)**	**2,986**
Earnings/(loss) per share				
Basic (pence)	7	14.4	(10.6)	1.7
Diluted (pence)	7	13.6	(10.6)	1.5

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 July 2023

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	12 months ended 31 January 2023 (Audited) £'000
Profit/(loss) for the period	**15,220**	**(9,663)**	**2,986**
Other comprehensive expense:			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	(176)	(70)	(1,323)
	(176)	(70)	(1,323)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of investments	(27)	(334)	(448)
Total other comprehensive expense for the period	(203)	(404)	(1,771)
Total comprehensive income/(expense) for the period	**15,017**	**(10,067)**	**1,215**
Attributable to:			
Owners of the parent	14,060	(10,716)	(148)
Non-controlling interests	957	649	1,363
	15,017	**(10,067)**	**1,215**

NEXT 15 GROUP PLC
CONSOLIDATED BALANCE SHEET AS AT 31 July 2023

	Note	31 July 2023 (Unaudited) £'000	31 July 2022 (Unaudited) £'000	31 January 2023 (Audited) £'000
Assets				
Property, plant and equipment		9,947	11,226	10,882
Right-of-use assets		25,740	33,159	28,675
Intangible assets		260,963	285,749	274,067
Investments in financial assets		560	705	590
Deferred tax asset		65,917	65,720	67,058
Other receivables		779	780	830
Total non-current assets		363,906	397,339	382,102
Trade and other receivables		173,016	184,509	164,175
Cash and cash equivalents	8	18,983	29,005	47,320
Corporation tax asset		1,225	990	829
Total current assets		193,224	214,504	212,324
Total assets		**557,130**	**611,843**	**594,426**
Liabilities				
Loans and borrowings	8	40,625	47,078	21,250
Deferred tax liabilities		14,952	15,346	14,152
Lease liabilities		25,875	35,122	29,482
Other payables		232	-	169
Provisions		12,360	13,627	14,150
Contingent consideration	9	86,863	140,051	151,237
Additional contingent incentive	9	1,453	3,406	3,829
Share purchase obligation	9	6,995	5,208	6,729
Total non-current liabilities		189,355	259,838	240,998
Trade and other payables		154,790	163,716	160,006
Lease liabilities		10,910	14,370	12,286
Provisions		4,508	11,548	15,673
Corporation tax liability		8,032	6,078	8,159
Additional contingent incentive	9	2,543	2,487	2,480
Contingent consideration	9	67,626	42,949	38,169
Share purchase obligation	9	2,301	7,211	2,255
Total current liabilities		250,710	248,359	239,028
Total liabilities		**440,065**	**508,197**	**480,026**
TOTAL NET ASSETS		**117,065**	**103,646**	**114,400**
Equity				
Share capital		2,484	2,455	2,462
Share premium reserve		170,924	163,706	166,174
Foreign currency translation reserve		3,704	5,133	3,880
Other reserves		(2,065)	(2,065)	(2,065)
Retained earnings		(58,485)	(65,961)	(56,503)
Total equity attributable to owners of the parent		**116,562**	**103,268**	**113,948**
Non-controlling interests		503	378	452
TOTAL EQUITY		**117,065**	**103,646**	**114,400**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 July 2023

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2022 (audited)	**2,320**	**104,800**	**5,203**	**(2,065)**	**(50,429)**	**59,829**	**1,630**	**61,459**
(Loss) / profit for the period	-	-	-	-	(10,312)	(10,312)	649	(9,663)
Other comprehensive expense for the period	-	-	(70)	-	(334)	(404)	-	(404)
Total comprehensive (expense) / income for the period	-	-	(70)	-	(10,646)	(10,716)	649	(10,067)
Shares issued on satisfaction of vested share options	3	524	-	-	(1,505)	(978)	-	(978)
Shares issued on acquisitions	19	9,855	-	-	-	9,874	-	9,874
Shares issued on placing	113	48,527	-	-	-	48,640	-	48,640
Movement in relation to share-based payments	-	-	-	-	5,083	5,083	-	5,083
Dividends to owners of the parent	-	-	-	-	(8,251)	(8,251)	-	(8,251)
Movement on reserves for non-controlling interests	-	-	-	-	(213)	(213)	213	-
Non-controlling interest dividend	-	-	-	-	-	-	(2,114)	(2,114)
At 31 July 2022 (unaudited)	**2,455**	**163,706**	**5,133**	**(2,065)**	**(65,961)**	**103,268**	**378**	**103,646**
Profit for the period	-	-	-	-	11,935	11,935	714	12,649
Other comprehensive expense for the period	-	-	(1,253)	-	(114)	(1,367)	-	(1,367)
Total comprehensive (expense) / income for the period	-	-	(1,253)	-	11,821	10,568	714	11,282
Shares issued on satisfaction of vested share options	5	1,543	-	-	(1,548)	-	-	-
Shares issued on acquisitions	2	925	-	-	-	927	-	927
Movement in relation to share-based payments	-	-	-	-	3,526	3,526	-	3,526
Dividends to owners of the Parent	-	-	-	-	(4,428)	(4,428)	-	(4,428)
Movement due to ESOP share purchases	-	-	-	(3)	-	(3)	-	(3)
Movement due to ESOP share option exercises	-	-	-	3	-	3	-	3
Movement on reserves for non-controlling interests	-	-	-	-	87	87	(87)	-
Non-controlling interest dividend	-	-	-	-	-	-	(553)	(553)
At 31 January 2023 (audited)	**2,462**	**166,174**	**3,880**	**(2,065)**	**(56,503)**	**113,948**	**452**	**114,400**
Profit for the period	-	-	-	-	14,263	14,263	957	15,220
Other comprehensive expense for the period	-	-	(176)	-	(27)	(203)	-	(203)
Total comprehensive (expense) / income for the period	-	-	(176)	-	14,236	14,060	957	15,017
Shares issued on satisfaction of vested share options	14	2,248	-	-	(4,859)	(2,597)	-	(2,597)
Shares issued on acquisitions	8	2,502	-	-	-	2,510	-	2,510
Movement in relation to share-based payments	-	-	-	-	3,824	3,824	-	3,824
Dividends to owners of the parent	-	-	-	-	(10,028)	(10,028)	-	(10,028)
Movement on reserves for non-controlling interests	-	-	-	-	(348)	(348)	348	-
Non-controlling interest purchased in the period	-	-	-	-	(4,807)	(4,807)	(201)	(5,008)
Non-controlling interest reversed in the period	-	-	-	-	-	-	29	29
Non-controlling interest dividend	-	-	-	-	-	-	(1,082)	(1,082)
At 31 July 2023 (unaudited)	**2,484**	**170,924**	**3,704**	**(2,065)**	**(58,485)**	**116,562**	**503**	**117,065**

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

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 July 2023

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Cash flows from operating activities			
Profit/(loss) for the period	15,220	(9,663)	2,986
Adjustments for:			
Depreciation	5,923	6,072	12,187
Amortisation	12,086	12,446	25,053
Finance expense	16,281	43,055	63,735
Finance income	(3,672)	(976)	(6,637)
Impairment of property, plant and equipment	-	1,163	1,172
Loss/(gain) on sale of property, plant and equipment	12	(3)	68
(Gain)/loss on exit of finance lease	(1,385)	2,718	2,811
Income tax expense	9,042	1,148	7,123
Employment linked acquisition provision charge	2,857	6,745	11,971
Settlement of employment linked acquisition payments	(13,216)	(5,713)	(6,649)
Share-based payment charges	7,835	3,517	6,711
Settlement of share-based payment in cash	(2,597)	-	(971)
Net cash inflow from operating activities before changes in working capital	**48,386**	**60,509**	**119,560**
Change in trade and other receivables	(10,540)	(35,230)	(16,995)
Change in trade and other payables	(13,002)	(7,030)	(7,307)
Change in other liabilities	(75)	36	(52)
	(23,617)	(42,224)	(24,354)
Net cash generated from operations before tax and interest outflows	**24,769**	**18,285**	**95,206**
Income taxes paid	(13,784)	(14,024)	(20,301)
Net cash inflow from operating activities	**10,985**	**4,261**	**74,905**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(605)	(69,239)	(70,268)
Purchase of non-controlling interest in subsidiary	(5,008)	-	-
Proceeds on sale of non-controlling interest in subsidiary	29	-	-
Proceeds on disposal of investments in financial assets	-	-	7,452
Acquisition of property, plant and equipment	(1,402)	(1,878)	(3,485)
Proceeds on disposal of property, plant and equipment	3	9	2
Acquisition of intangible assets	(1,572)	(1,580)	(3,491)
Net movement in long-term cash deposits	(96)	(39)	(13)
Income from finance lease receivables	958	1,233	2,228
Interest received	459	55	113
Net cash outflow from investing activities	**(7,234)**	**(71,439)**	**(67,462)**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 July 2023

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Cash flows from financing activities			
Payment of contingent and deferred consideration	(38,797)	(27,847)	(34,656)
Issue of share capital	-	50,006	50,006
Issue costs on issue of ordinary shares	-	(1,365)	(1,365)
Capital element of finance lease rental payment	(7,306)	(7,555)	(16,510)
Increase in bank borrowings and overdrafts	68,545	71,216	100,281
Repayment of bank borrowings and overdrafts	(49,612)	(47,148)	(101,795)
Interest paid	(1,836)	(698)	(1,794)
Dividend and profit share paid to non-controlling interest partners	(1,082)	(2,114)	(2,667)
Dividends paid to shareholders of the parent	-	-	(12,679)
Net (outflow)/cash inflow from financing activities	**(30,088)**	**34,495**	**(21,179)**
Net decrease in cash and cash equivalents	**(26,337)**	**(32,683)**	**(13,736)**
Cash and cash equivalents at beginning of the period	47,320	58,216	58,216
Exchange (loss)/gains on cash held	(2,000)	3,472	2,840
Cash and cash equivalents at end of the period	**18,983**	**29,005**	**47,320**

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 July 2023

1) BASIS OF PREPARATION

The unaudited consolidated interim financial statements represent a condensed set of financial information and have been prepared using the recognition and measurement principles of International Accounting Standards, and in accordance with IAS 34, Interim Financial Reporting. The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2023.

The comparative financial information for the year ended 31 January 2023 has been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Measurement of operating segment profit

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

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transfor mation £'000	Head Office £'000	Total £'000
6 months ended 31 July 2023 (Unaudited)						
Net revenue	**131,081**	**51,805**	**27,336**	**76,189**	**-**	**286,411**
Adjusted operating profit/(loss) after interest on finance lease liabilities	**26,481**	**14,131**	**4,710**	**22,627**	**(10,984)**	**56,965**
Adjusted operating profit margin[1]	**20.2%**	**27.3%**	**17.2%**	**29.7%**	**-**	**19.9%**
Organic net revenue (decline)/growth	**(6.4)%**	**2.4%**	**2.4%**	**5.8%**	**-**	**(1.0)%**
6 months ended 31 July 2022 (Unaudited)						
Net revenue	133,255	48,806	24,706	67,226	-	273,993
Adjusted operating profit/(loss) after interest on finance lease liabilities	26,726	15,756	5,270	26,494	(12,978)	61,268
Adjusted operating profit margin[1]	20.1%	32.3%	21.3%	39.4%	-	22.4%
Organic net revenue growth	12.6%	16.9%	15.6%	157.0%	-	31.0%
Year ended 31 January 2023 (Audited)						
Net revenue	274,951	102,096	51,985	134,767	-	563,799
Adjusted operating profit/(loss) after interest on finance lease liabilities	55,432	30,191	11,049	43,855	(26,358)	114,169
Adjusted operating profit margin[1]	20.2%	29.6%	21.3%	32.5%	-	20.2%
Organic net revenue growth	9.3%	12.0%	10.2%	83.3%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2023

2) SEGMENT INFORMATION (continued)

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Six months ended 31 July 2023 (Unaudited)						
Net revenue	127,685	6,190	144,540	7,996	-	286,411
Adjusted operating profit/(loss) after interest on finance lease liabilities	22,373	1,427	43,461	688	(10,984)	56,965
Adjusted operating profit margin[1]	17.5%	23.1%	30.1%	8.6%	-	19.9%
Organic revenue growth/(decline)	1.1%	7.9%	(2.8)%	(6.1)%	-	(1.0)%
Six months ended 31 July 2022 (Unaudited)						
Net revenue	114,943	5,603	144,758	8,689	-	273,993
Adjusted operating profit/(loss) after interest on finance lease liabilities	21,858	1,568	49,999	821	(12,978)	61,268
Adjusted operating profit margin[1]	19.0%	28.0%	34.5%	9.5%	-	22.4%
Organic revenue growth	17.0%	21.8%	43.0%	13.2%	-	31.0%
Twelve months ended 31 January 2022 (Audited)						
Net revenue	240,971	11,626	293,177	18,025	-	563,799
Adjusted operating profit/(loss) after interest on lease liabilities	42,460	2,826	93,463	1,778	(26,358)	114,169
Adjusted operating profit margin[1]	17.6%	24.3%	31.9%	9.9%	-	20.2%
Organic net revenue growth	11.3%	16.3%	28.2%	11.0%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

3) TAXATION

The tax charge on adjusted profit for the six months ended 31 July 2023 is £15,013,000 (six months ended 31 July 2022 of £14,147,000), equating to an adjusted effective tax rate of 27.0%, compared to 23.3% in the prior period.

The Group's adjusted corporation tax rate is expected to remain higher than the standard UK rate (25% effective 1 April 2023) due to differing rates of tax suffered on overseas profits. The Group does not currently anticipate any material changes to its adjusted effective tax rate for the year ending 31 January 2024. The Groups future adjusted tax rate is inherently subject to a degree of uncertainty. This is due to the Groups geographical split of profit across the globe paired with ever changing international tax policy.

The statutory tax charge for the six months ended 31 July 2023 is £9,042,000 (six months ended 31 July 2022 of £1,148,000).

4) DIVIDENDS

An interim dividend of 4.75p (six months ended 31 July 2022: 4.5p) per ordinary share will be paid on 24 November 2023 to shareholders listed on the register of members on 20 October 2023. Shares will go ex-dividend on 19 October 2023. The last date for DRIP elections to be returned to the registrar is 3 November 2023.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2023

5) FINANCE EXPENSE

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	1,828	698	1,791
Interest on lease liabilities[1]	572	706	1,365
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable[1]	13,101	11,713	22,885
Change in estimate of future contingent consideration and share purchase obligation payable[1]	772	29,938	37,691
Other			
Other interest payable	8	-	3
Finance expense	**16,281**	**43,055**	**63,735**

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

6) FINANCE INCOME

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	450	53	103
Finance lease interest receivable	30	28	50
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable[1]	3,183	892	6,474
Other interest receivable	9	3	10
Finance income	**3,672**	**976**	**6,637**

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

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2023

7) EARNINGS PER SHARE

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Profit/(loss) attributable to ordinary shareholders	**14,263**	**(10,312)**	**1,623**
	Number	**Number**	**Number**
Weighted average number of ordinary shares	98,849,157	96,845,504	97,635,507
Dilutive LTIP & Options shares	1,148,021	2,182,849	2,279,528
Dilutive Growth Deal shares	3,937,041	1,585,085	2,373,445
Other potentially issuable shares	713,011	3,363,833	3,392,207
Diluted weighted average number of ordinary shares	**104,647,230**	**103,977,271**	**105,680,687**
Basic earnings/(loss) per share	14.4p	(10.6)p	1.7p
Diluted earnings/(loss) per share [1]	13.6p	(10.6)p	1.5p

[1] In the prior period, the weighted average shares used in the basic loss per share calculation has also been used for the reported diluted loss per share due to the anti-dilutive effect of the weighted average shares calculation for the reported diluted loss per share.

8) NET DEBT

On 20 September 2021, the Group agreed a £60m revolving credit facility ("RCF") with HSBC and Bank of Ireland. The facility had a maturity date of September 2024 with an option to extend for a further two years. As part of the arrangement, the Group had a £40m accordion option to facilitate future acquisitions. In the prior year the accordion was committed and available within the RCF.

This £100m RCF facility is available for permitted acquisitions and working capital requirements 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. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2022: $7m) which is available for property rental guarantees and US-based working capital needs.

	31 July 2023 (Unaudited) £'000	31 July 2022 (Unaudited) £'000	31 January 2023 (Audited) £'000
Total loans and borrowings	40,625	47,078	21,250
Less: cash and cash equivalents	(18,983)	(29,005)	(47,320)
Net debt/(cash) excluding lease liabilities	**21,642**	**18,073**	**(26,070)**
Share purchase obligation	9,296	12,419	8,984
Contingent consideration	154,489	183,000	189,406
Additional contingent incentive	3,996	5,893	6,309
Net debt and acquisition related liabilities	**189,423**	**219,385**	**178,629**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2023

9) OTHER FINANCIAL LIABILITIES

	Deferred consideration £'000	Contingent consideration £'000	Additional contingent incentive £'000	Share purchase obligation £'000
At 31 January 2022 (Audited)	133	161,541	5,202	11,252
Arising during the period	-	1,095	-	-
Change in estimate	-	28,735	-	311
Exchange differences	-	17,176	544	184
Utilised	(160)	(36,368)	-	(46)
Unwinding of discount	27	10,821	147	718
At 31 July 2022 (Unaudited)	-	183,000	5,893	12,419
Arising during the period	-	684	-	-
Change in estimate	-	6,409	(144)	(4,094)
Exchange difference	-	(3,874)	(77)	(48)
Utilised	-	(6,641)	-	-
Unwinding of discount	-	9,828	637	707
At 31 January 2023 (Audited)	**-**	**189,406**	**6,309**	**8,984**
Arising during the period	-	44	-	-
Change in estimate	-	(2,890)	688	(209)
Exchange differences	-	(8,446)	(307)	(102)
Utilised	-	(35,757)	(3,040)	-
Unwinding of discount	-	12,132	346	623
At 31 July 2023 (Unaudited)	**-**	**154,489**	**3,996**	**9,296**
Current	-	**67,626**	**2,543**	**2,301**
Non-current	-	**86,863**	**1,453**	**6,995**

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. During the year, earn-out liabilities decreased by a net £36.9m, primarily driven by the amounts settled within the period and exchange differences offset against the unwinding of the discount rate used.

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

For the most significant individual earn-out sensitive to change in the assumed inputs, a 15% reduction in the assumed future net revenue growth rate would lead to a decrease of £15.6m in the value of the associated liability. Whereas a 10% reduction in the assumed future profit margin for the most significant individual earn-out would lead to a decrease of £15.1m in the value of the liability.

9) OTHER FINANCIAL LIABILITIES *(Continued)*

Litigation

During the prior year, a former minority shareholder and employee of the Group's largest US agency filed a legal claim against the other founding shareholders of the subsidiary and the Group amongst others, relating to their entitlement to a share in the business. The claim is still in its early stages of legal proceedings, currently going through the discovery phase. The Group strongly disputes these claims and is defending the claim. Having discussed the claims with the Group's appointed legal advisors, the Group determines a future outflow is not probable and therefore no provision has been made in relation to the claim.

No specific amount has been claimed and at this stage the outcome of this claim is inherently uncertain. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires the disclosure of an estimate of the financial effect of any contingent liability, separate from the effect of any possible reimbursement. Whilst no specific estimate of potential gross outflow can be made given the stage of this claim, the claimant may seek a proportion of the earn-out valuation of this agency. Given the Group is only subject to certain claims, it is not clear what proportion of the earn-out valuation this will represent, and how any such claim would be apportioned between the Group and other parties were it to result in a future outflow.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES

FOR THE SIX MONTHS ENDED 31 JULY 2023

Introduction

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

Purpose

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

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

A1: RECONCILIATION OF STATUTORY OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

A reconciliation of segment adjusted operating profit after interest on finance lease liabilities to segment adjusted operating profit and statutory operating profit is provided as follows:

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Total statutory operating profit	**36,871**	**33,564**	**67,207**
Interest on finance lease liabilities	(572)	(706)	(1,365)
Statutory operating profit after interest on finance lease liabilities	**36,299**	**32,858**	**65,842**
Charge for one-off employee incentive schemes (A2)	5,159	396	596
Employment linked acquisition payments (A2)	2,857	6,745	11,971
Restructuring costs (A2)	1,407	3,086	2,302
Deal costs (A2)	216	2,737	5,521
Property impairment (A2)	-	3,880	4,749
Amortisation of acquired intangibles (A2)	11,027	11,566	23,188
Adjusted operating profit after interest on finance lease liabilities	**56,965**	**61,268**	**114,169**

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2023

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

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Statutory profit/(loss) before income tax	**24,262**	**(8,515)**	**10,109**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1]	13,101	11,713	22,885
Change in estimate of future contingent consideration and share purchase obligation payable[1]	(2,411)	29,046	31,217
Charge for one-off employee incentive scheme [2]	5,159	396	596
Employment linked acquisition payments [3]	2,857	6,745	11,971
Restructuring costs[4]	1,407	3,086	2,302
Deal costs[5]	216	2,737	5,521
Property impairment [6]	-	3,880	4,749
Amortisation of acquired intangibles[7]	11,027	11,566	23,188
Adjusted profit before income tax	**55,618**	**60,654**	**112,538**

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

[2] This charge relates to transactions whereby a restricted grant of brand equity was given to key management in MHP Group Limited, House 337 Limited and Transform UK Consulting Limited (12 months to 31 January 2023: Elvis Communications Limited and Publitek Limited) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off charge in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands.

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

[4]In the current year the Group has incurred restructuring costs all relating to staff redundancies as we are pro-actively reducing our cost base to take account of macro-economic trends and anticipated efficiencies arising out of the adoption of AI. Only costs that relate to roles permanently being eliminated from the business with no intention to replace are adjusted for. In the prior year, the costs primarily related rebranding and redundancy costs for the specific transformational events of creating the three new brands from the acquisition of Engine and were rebranding and redundancy costs taken in respect of the acquisition of Engine Acquisition Limited ("Engine"). In both years, the costs do not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2023

A2: RECONCILIATION OF ADJUSTED RESULTS *(Continued)*

[5]These costs are directly attributable to business combinations and acquisitions made during the period.
[6]In the prior year the Group recognised charges relating to the reorganisation of the property space across the Group. The majority of the charge is impairment of right-of-use assets and leasehold improvements. As a result of the acquisition of Engine and understanding of the ongoing office space required, the Group identified excess property space within the portfolio and therefore took an impairment charge relating to those offices. The Group adjusted for this cost, as the additional one-off impairment charge did not relate to the underlying trading of the business and therefore added back to aid comparability.
[7]In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles been added back to aid comparability.

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

A3: RECONCILIATION OF ADJUSTED TAX EXPENSE

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000
Income tax expense reported in the Consolidated Income Statement	9,042	1,148
Add back tax on adjusting items:		
Costs associated with the current period restructure and office moves	333	1,096
Unwinding of discount on and change in estimates of contingent and deferred consideration	2,706	9,523
Amortisation of acquired intangibles	2,932	2,380
Adjusted tax expense	**15,013**	**14,147**
Adjusted profit before income tax	55,618	60,654
Adjusted effective tax rate	**27.0%**	**23.3%**

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2023

A4: RECONCILIATION OF ADJUSTED EARNINGS PER SHARE

	Six months ended 31 July 2023 (Unaudited) £'000	Six months ended 31 July 2022 (Unaudited) £'000	Twelve months ended 31 January 2023 (Audited) £'000
Profit/(loss) attributable to ordinary shareholders	**14,263**	**(10,312)**	**1,623**
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	13,101	11,713	22,885
Change in estimate of future contingent consideration and share purchase obligation payable	(2,411)	29,046	31,217
Charge for one-off employee incentive scheme	5,159	396	596
Restructuring costs	1,407	3,086	2,302
Property (write back)/impairment	-	3,880	4,749
Amortisation of acquired intangibles	11,027	11,566	23,188
Employment linked acquisition payments	2,857	6,745	11,971
Deal costs	216	2,737	5,521
Tax effect of adjusting items above	(5,971)	(12,999)	(19,131)
Adjusted earnings attributable to ordinary shareholders	**39,648**	**45,858**	**84,921**
	Number	**Number**	**Number**
Weighted average number of ordinary shares	98,849,157	96,845,504	97,635,507
Dilutive LTIP & Options shares	1,148,021	2,182,849	2,279,528
Dilutive Growth Deal shares	3,937,041	1,585,085	2,373,445
Other potentially issuable shares	713,011	3,363,833	3,392,207
Diluted weighted average number of ordinary shares	**104,647,230**	**103,977,271**	**105,680,687**
Adjusted earnings per share	40.1p	47.4p	87.0p
Diluted adjusted earnings per share	37.9p	44.1p	80.4p

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