27 September 2016

Next Fifteen Communications Group plc

Interim results for the six months ended 31 July 2016

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its interim results for the six months ended 31 July 2016.

Headline financial results for the six months to 31 July 2016

	Six months ended 31 July 2016 (Unaudited)	Six months ended 31 July 2015 (Unaudited)	Growth %
Revenue	£80.5m	£61.8m	30.3
EBITDA	£12.8m	£8.5m	50.6
Operating Profit	£11.1m	£7.2m	54.2
Operating Profit Margin	13.8%	11.7%	
PBT	£10.6m	£7.2m	47.2
Diluted EPS	10.5p	7.3p	43.8
Cash generated from operations	£14.7m	£7.4m	98.7
Dividend per share	1.5p	1.2p	25.0
Net debt	£12.2m	£8.9m	

Headline results represent the performance for the 6 months to 31 July 2016 adjusted to exclude acquisition related costs, one-off and acquisition related share based payment charges, amortisation and certain other non-recurring items. These are reconciled to the statutory numbers in note 3.

Highlights

- Group organic revenue growth of 12.8% with organic growth of 17.2% in the US
- Headline PBT up 47.2% to £10.6m
- Headline operating profit margin increased to 13.8%
- Headline diluted earnings per share increased by 43.8% to 10.5p
- Cash generated from operations increased by 98.7% to £14.7m
- Significant clients wins including Tesco, Softbank Robotics and Johnson & Johnson
- Publitek and Twogether acquired during period and performing ahead of expectations
- Acquisition of Pinnacle announced today

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

Next 15 has had a very encouraging first half with headline profit before tax up almost 50% on revenues up over 30% at a record operating margin of 13.8%. These results have been driven by continued strong organic revenue growth in our North American business of 17.2%. However, we have also seen significant growth in profitability in all of our other regions, due to a combination of organic revenue growth, acquisitions and efficiency measures. Looking forward the Group is well placed to meet its expectations and as such the Board has increased the interim dividend by 25% to 1.5p per share.

Statutory financial results for the six months to 31 July 2016

	Six months ended 31 July 2016 (Unaudited)	Six months ended 31 July 2015 (Unaudited)
Revenue	£80.5m	£61.8m
PBT	£4.2m	£4.2m
Diluted EPS	3.5p	3.9p

For further information contact:

Next Fifteen Communications Group plc
Tim Dyson, Chief Executive Officer
+1 415 350 2801

Peter Harris, Chief Financial Officer
+44 (0) 20 7908 6444

Investec Bank plc
Keith Anderson, Matt Lewis, Dominic Emery
+44 (0) 20 7597 4000

Bite Communications Limited
Tony Faccenda
+44 (0) 20 8834 3485
NextFifteen@biteglobal.com

Notes:

Headline results
In order to help shareholders' understanding of the underlying performance of the business, the headline results have been presented based on the unaudited 6-month periods to 31 July 2016 and 2015.
The 6-month results are reconciled to statutory results within note 3 of this report.
The term 'headline' is not a defined term in IFRS. The items that are excluded from headline results include acquisition related costs, one-off and acquisition related share based payment charges, amortisation and certain other non-recurring items.

Organic revenue growth
Organic revenue growth is defined as the revenue growth at constant currency excluding acquisitions made since the start of the prior reporting period.

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

Chairman and Chief Executive's Statement

Next 15 has made a strong start to the financial year with headline profit before tax up 47% to £10.6m, headline EBITDA up 51% to £12.8m and revenues up 30% to £80.5m. These results have been driven by continued, strong, organic revenue growth in our North American business of 17.2%. We continue to benefit from a reduction in our underlying tax rate. This, coupled with our profit growth, has resulted in a 44% improvement in our headline diluted earnings per share to 10.5p.

The Group has also announced the acquisition of Pinnacle, a technical content and digital marketing agency, which will be managed as one business alongside Publitek. The initial consideration for the acquisition is approximately £4.4m, of which approximately £4.0m is to be satisfied in cash with the balance to be satisfied by the issue to the vendors of 119,706 new ordinary shares in Next 15. As part of this acquisition the Group will settle £1.7m of the Publitek contingent consideration early in order to align the earn-outs of these two businesses.

The Group reported a statutory profit before tax of £4.2m compared with a statutory profit before tax of £4.2m in the prior period, while reported diluted earnings per share were 3.5p (2015 3.9p).

Looking forward, the Group is well placed to meet its expectations and as such the Board has increased the interim dividend by 25% to 1.5p per share.

Regional Headline Performance

Our US businesses have again performed strongly, led by our Outcast, M Booth, Beyond and Bite agencies. In total, our US revenues grew by 27% to £50.7m from £39.9m, which equated to an organic growth rate of 17.2%. US operating profit was £10.2m compared with £8.4m in the comparable six-month period. Operating margins have remained strong at 20.0% but were diluted by the acquisition of Story Worldwide, which made a loss during the six-month period.

The progress outside the US has continued since the end of the last full financial year. The UK business saw total revenue growth of 56% and operating profit growing to £3.6m from £1.5m as the operating margin improved from 11.5% to 17.8%. This was the result of strong performances by Morar and Encore in particular. The acquisitions of Publitek and Twogether in the period should see the UK business continue to deliver strong growth in the year ahead.

In EMEA and APAC we have seen a continued improvement in both revenue and profitability. EMEA has rebounded from a loss in the same period last year to deliver a 4.8% profit margin with 4.0% organic growth. APAC has delivered 6.6% organic growth and has seen margins improve from 13.2% to 13.5%.

Continued Investment

This has been another active period for business investment for the Group. At the end of the prior year we acquired the Digital Creative agency ODD, and in the current period we have acquired Twogether, a B2B digital content agency, and Publitek, a technical content marketing agency. All three businesses are UK-based but will be expanded in to the US market in the coming year. As referenced above, the Group has also just announced the acquisition of Pinnacle, a complimentary business to Publitek. These two firms will now be managed as one business going forwards. For the year ended March 31 2016, Pinnacle had revenues of £2.2m and adjusted profit before tax of £1.1m.

In addition to the initial consideration referenced above, further consideration may become payable based on the performance of Pinnacle in the next five years. Any deferred consideration that becomes payable may be satisfied by cash or up to 25 per cent in new ordinary shares, at the option of Next 15. The acquisition is expected to be earnings enhancing for the Group in the current financial year.

Like prior investments, the main benefits of all these investments should start to come through in the next financial year. We continue to actively review other investment opportunities with a focus on our chosen areas of content, insight and technology.

Balance Sheet and Net Debt

The Group generated cash flow of £14.7m from its trading operations during the six months to 31 July 2016 and ended the period with net debt of £12.2m.

Dividend

The Board has declared an interim dividend of 1.5p per share, which is a 25% increase on the interim dividend for last year. This will be paid to shareholders on 25 November 2016 who are registered on 28 October 2016.

Current Trading and Outlook

As stated earlier, the Group has made a good start to the financial year ending 31 January 2017. Current trading is encouraging with good activity levels across the Group and the benefit of recent acquisitions coming through. The Group is also benefitting from the relative strength of the US dollar. Given the Group derives 63% of revenues from its US businesses we anticipate a noticeable benefit from foreign exchange during the next six months. As a result of these factors, the board is confident that the Group is on track to meet expectations for the full year.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

HEADLINE RESULTS: INCOME STATEMENT

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000
Revenue	**80,471**	61,759
Total operating charges	**(67,655)**	(53,272)
EBITDA	**12,816**	8,487
Depreciation and Amortisation	**(1,737)**	(1,241)
Operating profit	**11,079**	7,246
Net finance expense	**(281)**	(200)
Share of (losses) / profits of associate	**(163)**	177
Profit before income tax	**10,635**	7,223
Tax	**(2,327)**	(1,628)
Retained profit	**8,308**	5,595
Profit Attributable to Owners	**8,064**	5,215
Profit Attributable to Minorities	**244**	380

Weighted average number of ordinary shares	**71,039,309**	64,654,163
Dilutive weighted average number of ordinary shares	**76,480,282**	71,257,417

Adjusted earnings per share	**11.4p**	8.1p
Diluted adjusted earnings per share	**10.5p**	7.3p

HEADLINE RESULTS: CASH FLOW

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000
Cash and cash equivalents at beginning of the period	**14,132**	9,315
Net cash from operating activities	**15,430**	8,670
Income taxes paid	**(692)**	(1,301)
Net cash outflow from investing activities	**(19,432)**	(11,107)
Net cash inflow from financing activities	**10,333**	5,568
Exchange gains / (losses) on cash held	**830**	(325)
Cash and cash equivalents at end of the period	**20,601**	10,820

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

HEADLINE RESULTS: SEGMENTAL **(Unaudited)**

	UK £'000	Europe & Africa £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
6 months ended 31 July 2016						
Revenue	**19,977**	**3,320**	**50,706**	**6,468**	**-**	**80,471**
Operating profit	**3,555**	**160**	**10,161**	**874**	**(3,671)**	**11,079**
Operating profit margin	**17.8%**	**4.8%**	**20.0%**	**13.5%**	**-**	**13.8%**
Organic revenue growth	***2.9%***	***4.0%***	***17.2%***	***6.6%***	**-**	***12.8%***
6 months ended 31 July 2015						
Revenue	12,799	3,207	39,917	5,836	-	61,759
Operating profit	1,478	(113)	8,355	768	(3,242)	7,246
Operating profit margin	11.5%	(3.5)%	20.9%	13.2%	-	11.7%
Organic revenue growth	*(0.9)%*	*(9.0)%*	*10.3%*	*(8.4)%*	-	*4.1%*

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2016

	Note	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	12 months ended 31 January 2016 (Audited) £'000
Billings		94,625	70,696	151,658
Revenue	2	80,471	61,759	129,757
Staff costs		54,559	42,877	92,721
Depreciation		1,564	1,098	2,348
Amortisation		2,550	1,344	3,796
Other operating charges		15,167	11,658	22,463
Total operating charges		(73,840)	(56,977)	(121,328)
Operating profit	2	**6,631**	**4,782**	**8,429**
Finance expense	6	(2,469)	(1,463)	(4,905)
Finance income	7	163	734	2,059
Share of (losses) / profits of associate		(163)	177	(5)
Profit before income tax	2,3	**4,162**	**4,230**	**5,578**
Income tax expense	4	(1,273)	(1,062)	(1,116)
Profit for the period		**2,889**	**3,168**	**4,462**
Attributable to:				
Owners of the parent		2,645	2,788	3,992
Non-controlling interests		244	380	470
		2,889	**3,168**	**4,462**
Earnings per share				
Basic (pence)	8	3.7p	4.3p	6.0
Diluted (pence)	8	3.5p	3.9p	5.6

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JULY 2016

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	12 months ended 31 January 2016 (Audited) £'000
Profit for the period	**2,889**	**3,168**	**4,462**
Other comprehensive income / (expense):			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	2,583	(1,379)	1,585
Net investment hedge	(753)	237	(662)
	1,830	(1,142)	923
Amounts reclassified and reported in the Income Statement			
Net Investment Hedge	-	-	4
Other Comprehensive (expense) / income for the period	-	(1,142)	927
Total comprehensive income for the period	**4,719**	**2,026**	**5,389**
Attributable to:			
Owners of the parent	4,475	1,646	4,919
Non-controlling interests	244	380	470
	4,719	**2,026**	**5,389**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2016

	Note	31 July 2016 (Unaudited) £'000	31 July 2015 (Unaudited) £'000	31 January 2016 (Audited) £'000
Assets				
Property, plant and equipment		15,548	7,275	9,988
Intangible assets		73,574	47,500	53,555
Investment in equity accounted associate		485	877	465
Trade investment		736	276	235
Deferred tax asset		4,693	5,538	6,485
Other receivables		1,034	989	702
Total non-current assets		96,070	62,455	71,430
Trade and other receivables		42,928	33,616	40,924
Cash and cash equivalents	9	20,601	10,820	14,132
Corporation tax asset		1,317	729	1,097
Total current assets		64,846	45,165	56,153
Total assets		**160,916**	**107,620**	**127,583**
Liabilities				
Loans and borrowings	9	31,231	19,669	20,683
Deferred tax liabilities		-	159	-
Other payables		6,156	56	5,739
Provisions		54	341	450
Contingent consideration	10	9,816	4,902	5,701
Share purchase obligation	10	2,740	3,572	2,225
Total non-current liabilities		49,997	28,699	34,798
Loans and borrowings	9	1,507	-	-
Trade and other payables		40,527	32,301	34,088
Provisions		2,499	-	989
Corporation tax liability		1,451	770	765
Share purchase obligation	10	-	181	1,509
Contingent consideration	10	5,210	2,420	2,643
Total current liabilities		51,194	35,672	39,994
Total liabilities		**101,191**	**64,371**	**74,792**
TOTAL NET ASSETS		**59,725**	**43,249**	**52,791**
Equity				
Share capital		1,804	1,639	1,763
Share premium reserve		24,976	13,678	21,523
Foreign currency translation reserve		7,693	2,146	5,110
Other reserves		(1,519)	129	(766)
Retained earnings		25,847	26,116	24,418
Total equity attributable to owners of the parent		**58,801**	**43,708**	**52,048**
Non-controlling interests		924	(459)	743
TOTAL EQUITY		**59,725**	**43,249**	**52,791**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2016

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2015 (unaudited)	1,545	8,272	3,525	(108)	24,741	37,975	(773)	37,202
Profit for the period	-	-	-	-	2,788	2,788	380	3,168
Other comprehensive income / (expense) for the period	-	-	(1,379)	237	-	(1,142)	-	(1,142)
Total comprehensive income / (expense) for the period	-	-	(1,379)	237	2,788	1,646	380	2,026
Shares issued on acquisitions	17	1,178	-	-	-	1,195	-	1,195
Shares issued on placing	77	4,228	-	-	-	4,305	-	4,305
Movement in relation to share-based payments	-	-	-	-	1,104	1,104	-	1,104
Movement on reserves for non-controlling interests	-	-	-	-	(2,517)	(2,517)	2,517	-
Non-controlling interest on acquisition	-	-	-	-	-	-	(2,236)	(2,236)
Non-controlling interest dividend	-	-	-	-	-	-	(347)	(347)
At 31 July 2015 (unaudited)	1,639	13,678	2,146	129	26,116	43,708	(459)	43,249
Profit for the period	-	-	-	-	1,204	1,204	90	1,294
Other comprehensive income / (expense) for the period	-	-	2,964	(895)	-	2,069	-	2,069
Total comprehensive income / (expense) for the period	-	-	2,964	(895)	1,204	3,273	90	3,363
Shares issued on satisfaction of vested share options	38	-	-	-	-	38	-	38
Shares issued on acquisitions	2	153	-	-	-	155	-	155
Shares issued on placing	84	7,692	-	-	-	7,776	-	7,776
Movement in relation to share-based payments	-	-	-	-	170	170	-	170
Deferred 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 exercise	-	-	-	38	-	38	-	38
Movement on reserves for non-controlling interests	-	-	-	-	(977)	(977)	977	-
Share options issued on acquisition of subsidiary	-	-	-	-	107	107	-	107
Non-controlling interest arising on acquisition	-	-	-	-	-	-	348	348
Non-controlling interest dividend	-	-	-	-	-	-	(213)	(213)
At 31 January 2016 (audited)	1,763	21,523	5,110	(766)	24,418	52,048	743	52,791
Profit for the period	-	-	-	-	2,645	2,645	244	2,889
Other comprehensive income / (expense) for the period	-	-	2,583	(753)	-	1,830	-	1,830
Total comprehensive income / (expense) for the period	-	-	2,583	(753)	2,645	4,475	244	4,719
Shares issued on satisfaction of vested share options	3	-	-	-	-	3	-	3
Shares issued on acquisitions	38	3,453	-	-	-	3,491	-	3,491
Movement in relation to share-based payments	-	-	-	-	1,498	1,498	-	1,498
Dividends to owners of the parent	-	-	-	-	(2,165)	(2,165)	-	(2,165)
Movement on reserves for non-controlling interests	-	-	-	-	(549)	(549)	549	-
Non-controlling interest dividend	-	-	-	-	-	-	(612)	(612)
At 31 July 2016 (unaudited)	1,804	24,976	7,693	(1,519)	25,847	58,801	924	59,725

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

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2016

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Cash flows from operating activities			
Profit for the period	2,889	3,168	4,462
Adjustments for:			
Depreciation	1,564	1,098	2,348
Amortisation	2,550	1,344	3,796
Finance expense	2,469	1,463	4,905
Finance income	(163)	(734)	(2,059)
Share of loss / (profit) from equity accounted associate	163	(177)	5
Loss on sale of property, plant and equipment	139	49	156
Income tax expense	1,273	1,062	1,116
Share-based payment charge	1,025	1,362	1,393
Net cash inflow from operating activities before changes in working capital	**11,909**	**8,635**	**16,122**
Change in trade and other receivables	3,363	(2,427)	(6,740)
Change in trade and other payables	(858)	2,819	6,447
Change in provision	1,016	(357)	459
	3,521	35	166
Net cash generated from operations before tax outflows	**15,430**	**8,670**	**16,288**
Income taxes paid	(692)	(1,301)	(2,954)
Net cash inflow from operating activities	**14,738**	**7,369**	**13,334**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(9,718)	(1,647)	(4,190)
Payment of contingent and deferred consideration	(2,216)	(6,461)	(9,160)
Purchase of investment	(662)	-	-
Acquisition of property, plant and equipment	(6,453)	(2,676)	(6,411)
Proceeds on disposal of property, plant and equipment	-	-	7
Acquisition of intangible assets	(95)	(171)	(562)
Net movement in long-term cash deposits	(332)	(177)	109
Interest received	44	25	49
Net cash outflow from investing activities	**(19,432)**	**(11,107)**	**(20,158)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 JULY 2016

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Cash flows from financing activities			
Proceeds from sale of own shares	-	4,480	12,540
Issue costs on issue of ordinary shares	-	(175)	(457)
Capital element of finance lease rental repayment	(29)	(21)	(23)
Net movement in bank borrowings	11,302	1,857	2,871
Interest paid	(328)	(226)	(471)
Dividend and profit share paid to non-controlling interest partners	(612)	(347)	(560)
Dividends paid to shareholders of the parent	-	-	(2,441)
Net cash inflow from financing activities	**10,333**	**5,568**	**11,459**
Net increase in cash and cash equivalents	**5,639**	**1,830**	**4,635**
Cash and cash equivalents at beginning of the period	14,132	9,315	9,315
Exchange gains / (losses) on cash held	830	(325)	182
Cash and cash equivalents at end of the period	**20,601**	**10,820**	**14,132**

NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JULY 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 2016. The comparative financial information for the period ended 31 January 2016 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 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 acquisition related costs and goodwill impairment charges. Other information provided to them is measured in a manner consistent with that in the financial statements. Head office costs relate to group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	UK	Europe and Africa	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 July 2016 (Unaudited)						
Revenue	**19,977**	**3,320**	**50,706**	**6,468**	**-**	**80,471**
Adjusted operating profit / (loss)	**3,555**	**160**	**10,161**	**874**	**(3,671)**	**11,079**
Six months ended 31 July 2015 (Unaudited)						
Revenue	**12,799**	**3,207**	**39,917**	**5,836**	**-**	**61,759**
Adjusted operating profit / (loss)	**1,478**	**(113)**	**8,355**	**768**	**(3,242)**	**7,246**
Twelve months 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

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

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Segment adjusted operating profit	**11,079**	**7,246**	**16,519**
Amortisation of acquired intangibles	(2,378)	(1,201)	(3,487)
Charge associated with prior period restructure	-	-	(1,492)
Share based payment charge (note 3)	(1,883)	(1,059)	(1,549)
Charge associated with office moves	-	-	(1,354)
Deal costs (note 3)	(187)	(204)	(208)
Total operating profit	**6,631**	**4,782**	**8,429**
Unwinding of discount on acquisition related liabilities	(1,032)	(756)	(1,512)
Change in estimate on acquisition related liabilities	(993)	227	(912)
Share of (loss) / profit from associate	(163)	177	(5)
Other finance expense	(327)	(225)	(471)
Other finance income	46	25	49
Profit before income tax	**4,162**	**4,230**	**5,578**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2016

3) RECONCILIATION OF PRO-FORMA FINANCIAL MEASURES

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Profit before income tax	4,162	4,230	5,578
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,032	756	1,512
Change in estimate of future contingent consideration and share purchase obligation payable	993	(227)	912
Share-based payment charge[1]	1,883	1,059	1,549
Charge associated with prior period restructure	-	-	1,492
Charge associated with office moves	-	-	1,354
Deal costs[2]	187	204	208
Amortisation of acquired intangibles	2,378	1,201	3,487
Adjusted profit before income tax	10,635	7,223	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 a transaction whereby a restricted grant of Brand equity was given to key management in Agent3 Limited, The Lexis Agency Limited, M Booth & Associates LLC and Vrge Strategies LLC (6 months to 31 July 2015: Bite Communications Limited 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. The charge also includes acquisition related payments linked to the continuing employment of the sellers which is being recognised over the required period of employment.

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

4) TAXATION

The headline tax rate for the period was 22 per cent (six months ended 31 July 2015: 23 per cent). The headline rate has fallen slightly from 2015, largely as a result of the resolution of a number of historic tax issues.

In future periods we would expect the headline tax rate to be slightly higher, due to the increasing proportion of Group profits realised in overseas tax jurisdictions with higher rates of tax, combined with the impact of legislative change.

Further to the enactment of Finance Act 2016 on 15 September 2016, the UK corporation tax rate will reduce to 17% from 1 April 2020. As the reduction was not substantively enacted at 31 July 2016, the impact of this is not reflected in the above numbers.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2016

5) DIVIDENDS

An interim dividend of 1.5p (six months ended 31 July 2015: 1.2p) per ordinary share will be paid on 25 November 2016 to shareholders listed on the register of members on 28 October 2016. Shares will go ex-dividend on 27 October 2016.

6) FINANCE EXPENSE

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	313	214	445
Financial liabilities at fair value through profit and loss			
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	1,032	756	1,512
Change in estimate of future contingent consideration and share purchase obligation payable	1,110	482	2,922
Other			
Finance lease interest	4	3	8
Other interest payable	10	8	18
Finance expense	2,469	1,463	4,905

7) FINANCE INCOME

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	23	17	42
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable	117	709	2,010
Other interest receivable	23	8	7
Finance income	163	734	2,059

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2016

8) EARNINGS PER SHARE

	Six months ended 31 July 2016 (Unaudited) £'000	Six months ended 31 July 2015 (Unaudited) £'000	Twelve months ended 31 January 2016 (Audited) £'000
Earnings attributable to ordinary shareholders	2,645	2,788	3,992
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	935	646	1,312
Change in estimate of future contingent consideration and share purchase obligation payable	825	(56)	912
Share based payment charge	1,651	826	1,237
Costs associated with prior period restructure	-	-	995
Costs associated with office moves	-	-	863
Amortisation of acquired intangibles	1,821	878	2,563
Deal costs	187	133	208
Adjusted earnings attributable to ordinary shareholders	8,064	5,215	12,082
	Number	**Number**	**Number**
Weighted average number of ordinary shares	71,039,309	64,654,163	66,298,503
Dilutive LTIP shares	2,483,255	4,603,298	2,904,335
Dilutive Growth Deal shares	1,755,159	1,473,699	1,689,729
Other potentially issuable shares	1,202,559	526,257	745,340
Diluted weighted average number of ordinary shares	76,480,282	71,257,417	71,637,909
Basic earnings per share	3.7p	4.3p	6.0p
Diluted earnings per share	3.5p	3.9p	5.6p
Adjusted earnings per share	11.4p	8.1p	18.2p
Diluted adjusted earnings per share	10.5p	7.3p	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.

9) NET DEBT

The HSBC Bank revolving credit facility expires in 2020 and therefore the outstanding balance has been classified in non-current borrowings with the exception of £1.5m which is due for repayment within one year.

	31 July 2016 (Unaudited)	31 July 2015 (Unaudited)	31 January 2016 (Audited)
	£'000	£'000	£'000
Total loans and borrowings	32,738	19,669	20,683
Obligations under finance leases	46	61	72
Less: cash and cash equivalents	(20,601)	(10,820)	(14,132)
Net debt	12,183	8,910	6,623
Share purchase obligation	2,740	3,753	3,734
Contingent consideration	15,026	7,322	8,344
	29,949	19,985	18,701

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration	Contingent consideration	Share purchase obligation
	£'000	£'000	£'000
At 1 February 2015 (Audited)	94	7,174	5,842
Arising during the year	-	2,426	889
Change in estimate	-	(313)	86
Exchange differences	-	(111)	(49)
Utilised	(95)	(2,254)	(3,370)
Unwinding of discount	1	400	355
At 31 July 2015 (Unaudited)	**-**	**7,322**	**3,753**
Reclassification	-	-	-
Arising during the year	-	1,666	27
Change in estimate	-	752	387
Exchange differences	-	334	142
Utilised	-	(2,265)	(796)
Unwinding of discount	-	535	221
At 31 January 2016 (Audited)	-	8,344	3,734
Arising during the period	-	5,951	-
Change in estimate	-	779	214
Exchange differences	-	192	88
Utilised	-	(1,059)	(1,509)
Unwinding of discount	-	819	213
At 31 July 2016 (Unaudited)	**-**	**15,026**	**2,740**
Current	-	5,210	-
Non-current	-	9,816	2,740

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JULY 2016

11) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

Morar

On 26 February 2016, Next 15 acquired the remaining 25% minority interest in 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 is payable in February 2017 subject to the remaining employment of the sellers.

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. Further consideration is payable based on the average profits of Publitek 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.

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 ranging from 1.6% to 2.0% dependent on the level of gearing in the business.

12) EVENTS AFTER THE BALANCE SHEET DATE

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 average profits of Pinnacle, for the years ending 31 January 2018, 2019, 2020 and 2021. As part of this acquisition Next 15 has 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.