Anatomy of a growth consultancy

NEXT15

Next Fifteen Communications Group plc
Annual Report 2022

We are growth consultants.

In August 2021, in the midst of the pandemic, Next 15 turned 40. In an era where many companies have relatively short lives, we're quietly proud of that. We took a moment to look back over four decades and celebrate the people and the work that have made us who we are today.

We have also been looking forward. For this year's report we have revised our strategy section to provide a clearer, simpler insight into what we do and who we do it for. We've also introduced a new Environmental, Social and Governance ('ESG') section that brings together our efforts to be good corporate citizens for our people, the environment and the communities in which we participate.

This improved report demonstrates and supports our purpose to strive constantly to make our people and our customers the best versions of themselves they can possibly be.

More about our business
www.next15.com

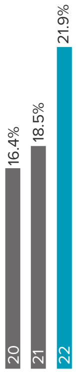
More about growth
www.next15.com/growth

Financial highlights

Net revenue◆

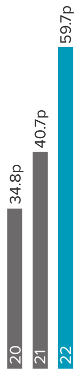
£362.1m

+36%



Adjusted operating profit margin◆

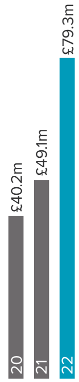
21.9%



Adjusted diluted earnings per share◆

59.7p

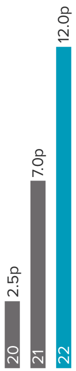
+47%



Adjusted profit before tax◆

£79.3m

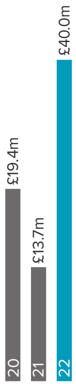
+62%



Dividend per share

12.0p

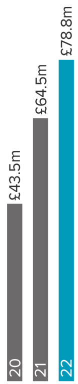
+71%



Statutory operating profit

£40.0m

+192%



Net cash from operating activities

£78.8m

+22%

Alternative Performance Measures

The report provides alternative performance measures ('APMs') which are not defined or specified under IFRS.

◆ Measures with this symbol are defined in the Glossary section on page 196.

Contents

About us

NEXT15 40YEARS

Top: The founders of Next 15, Mark Adams and Tom Lewis, in 1984.
Above: A company photo taken in the summer of 1984, shortly before Tim Dyson joined.

Next 15 has turned 40. I read recently that most companies these days only last 17 years. To have lasted this long and to be thriving is a fantastic achievement, and is in large part because the Company was founded on some simple but really powerful principles; meritocracy, integrity, doing the best work you can possibly do and, of course, being incredibly competitive.

The first five years were insane, I don't think there's another word for it. The computer industry was in its infancy, we were still figuring everything out, learning what to do and how to run a company. As the years rolled by, we made some really good decisions and we made decisions that in hindsight were terrible. We started offices around the world, often with the wrong people and often at absolutely the wrong time. We hired people that were amazing and some people who were not amazing. We made decisions that were terrible, like Microsoft offered us friends and family stock in lieu of fees just before they went public and we didn't get around to it – big mistake. We made huge bets on people that nobody else would, which was a really good decision. Most of these people turned out to be brilliant and have stayed with us for a very long period of time. In short, we were really measured by our willingness to take risks and our faith in people, and I don't think those things have changed. I think what it really taught us was that hiring the right people is the most important decision you'll ever make.

In the last 40 years, I've seen us evolve from a start-up into a business that's very much owning its future. The last decade has seen the most growth and arguably the most innovation, but the values that Next 15's founders, Tom Lewis and Mark Adams, instilled 40 years ago are very much alive and kicking.

I'm really excited about the next chapter. We're building a completely new kind of growth consulting business and we've really only just got started with that. We also have a purpose that is just starting to be lived. Lastly, we are very much hoping to become a B Corp.

In short, the future is exciting, fascinating and challenging, and I for one cannot wait to see what the next chapter looks like.

Tim Dyson
Chief Executive Officer

Watch our 40th anniversary employee video

Watch our 40th anniversary interview with Clive Armitage, CEO of Agent3

Brands	Employees	Countries
0 ⟶ 22	6 ⟶ 2,983	1 ⟶ 15

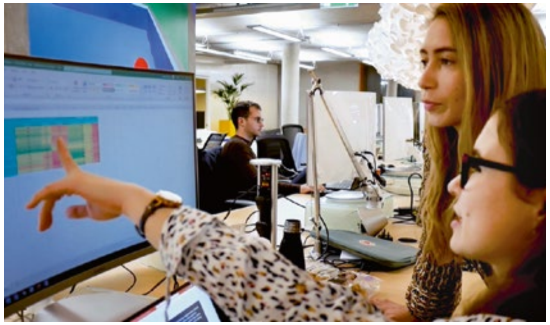
Our business

We are a technology and data-based growth consultancy that delivers value to its clients through best in class specialists.

We divide Next 15 into 4 groups of growth consulting capabilities that work individually or together to solve customers' problems.

Employees	Offices	Countries
2,983	41	15
2021: 2,077 2020: 2,183	2021: 47 2020: 49	2021: 15 2020: 15

More about our brands
next15.com/portfolio



Above: Savanta

Customer Insight

Data and analytics, and the insights they reveal, are critical for helping our customers make the best growth decisions. We apply this thinking not only to our customers, we actively foster innovation and the development of products and tools in our businesses so that we can do (and prove that we do) the best possible work for clients. Our continued, significant investment in data-driven growth consulting is at the heart of our ability to help clients solve problems, innovate and spot new opportunities.

What we do
- Carry out primary market research
- Track opinion about brands and politics
- Manage transaction data to surface trends
- Use data to predict behaviours and recommend actions

Case study

A large UK-based multi-category retailer approached Planning-inc with a common business challenge. They were looking to consistently measure the revenue impact of their large-scale, complex CRM program; the more they could prove performance, the more budget would be open to them. However they lacked the analytical resource to cover every campaign in a high-frequency program, and also to ensure that the insight for the campaigns they did analyse reached the marketing teams fast enough for them to react or report in a timely fashion.

To solve this issue, Planning-inc implemented their proprietary Campaign Analyser solution. Integrating with the client's MarTech stack, Campaign Analyser automates measurement of cross-channel campaigns. Advanced data science processes measure the incremental revenue generated by the campaigns to show the true benefit of marketing. The solution continues to automate the work of senior analysts by showing which customer groups engaged with each comm and through which channel. Crucially, live data flows meant marketers could rapidly access the insight they needed.

By using the automation of Campaign Analyser, this client saw a 5x increase in the number of campaigns measured, saw a 15x reduction in insight to action timelines and saved an estimated £6 of analyst resource for every £1 spent on the solution.

Our brands in Customer Insight

Savanta planning inc

Our business continued

Above: ELVIS

Customer Engagement

The body of content, ideas and expectations surrounding a product is what constitutes a brand. Developing digital content that travels gracefully across technology platform, application and language is essential to consistent brand marketing. Creativity doesn't just apply to content creation though; it also applies to the development of the digital assets that will be used to engage with customers. For many of today's businesses, these digital points of engagement are now their most valuable assets.

Case study

In 2020, Brandwidth were asked to rapidly transform Dow's customer experience to unlock the full potential of direct to customer ('D2C') commerce and digitally transact 50% of their sales by 2023. To put that into perspective, Dow's annual revenue is c.US$43b, with a significant contribution derived from traditional channels. So a co-ordinated, global strategy was required to elevate the end-to-end customer journey, improving metrics at every touchpoint on the path to purchase.

The success criteria called for both a cultural and measurable digital experience shift, remodelling the way sales and marketing functions apply digital practices. This involved a professional development programme; a foundational re-structuring of data architecture; the harnessing of Dow's MarTech stack to deliver personalised content and a transition to immersive product exploration and selection as components of a unified customer experience.

Through a single-point relationship with Brandwidth, Dow could access the specialist expertise of brands in three of Next 15's segments, exactly tailored to their needs and scalable globally. Savanta (Customer Insight) provided market intelligence, Conversion Rate Experts (Customer Delivery) focused on transaction completion rates and Archetype (Customer Engagement) deployed specialist regional expertise in APAC.

The long-term outlook for our partnership with Dow is to further accelerate to digital innovation, commerce and operational capabilities as they continue to invest in growth, whilst remaining committed to their target of becoming a net-zero enterprise by 2050.

What we do

- Create and amplify brands
- Manage reputations and deal with crises
- Build digital brand assets such as websites and apps
- Create brand content and thought leadership

Our brands in Customer Engagement

ELVIS, M BOOTH, Bynd, mhp mischief, Conversion Rate Experts, ODD, M BOOTH HEALTH, ENGINE Creative, Brandwidth, Archetype, PUBLITEK, nectar communications, OUTCAST

Above: SMG

Customer Delivery

Building brands is a long-term process and requires a rich set of skills and programmes. But as sales and marketing converge our clients are looking for ways to identify people ready and willing to buy their products and services, and to harness that intent. A well-engineered mixture of first party data, content and algorithms provides much needed fuel for corporate growth.

Case study

Splunk had historically faced a tough battle in dislodging an incumbent competitor in the cloud monitoring and observability space.

However, following an acquisition, its solutions were sufficiently bolstered to be able to offer customers the same level of monitoring capabilities for native cloud applications as it historically had on-premise. Splunk needed to persuade on-premises customers that it could compete in the cloud, so they approached Agent3 to solve this challenge and help drive cross-sell deals into a targeted account list of existing on-premise customers who would be ripe targets for Splunk's expanded cloud proposition.

The strategy was to focus on the unique differentiators of the Splunk+acquisition story in order to arm its sales teams to better pitch to on-premise customers. By using account-specific propensity data, Agent3 was able to point Splunk at the accounts where they would win biggest and fastest. Most importantly, by implementing a scalable approach to deep account-by-account personalisation, Agent3 left those target accounts feeling like Splunk was much, much more invested in their business.

- Pipeline was driven across 244 accounts, while still supporting individual accounts with unique insights and content. In addition, the campaign:
- Delivered 751,500 impressions
- Generated 1,291 combined contacts and leads
- Generated 725 net new leads

Ultimately, this ABM campaign represented an incredible 116x ROI for Splunk, exceeding all expectations and winning three major industry awards:

- ANA B2 Awards, Best Use of ABM: Gold award
- ITSMA MEA Awards, Optimising ABM campaigns, Diamond award
- B2B Marketing Elevation Awards, Best Use of Account-Based Marketing: Gold award

What we do

- Demand generation
- Account-centric marketing
- Conversion rate optimisation
- Media buying and selling
- ecommerce

Our brands in Customer Delivery

velocity activate twogether SMG. encore Mighty Social Agent3

Our business continued

Above: The Blueshirt Group

Business Transformation

Our marketing heritage helps customers build desire for their products. But the pace of change is such that it is no longer enough simply to paint the best face on a brand through clever marketing. To be effective we have to stand back, think like founders and help redesign the Company and its products for success in fast-changing markets. Our consulting capability is now helping our customers transform their existing businesses or create entirely new ones to grasp emerging opportunities.

What we do

- Create new, scale businesses
- Build corporate venture funds
- Help private equity companies optimise the value of their portfolios
- Help companies launch on the public markets
- Redesign public services for the digital era

Case study

Boston Scientific approached Palladium for help with optimising their supply chain and system for delivering TheraSphere, a low-toxicity cancer therapy that is designed to effectively treat liver cancer while minimising side effects.

The main issues they were facing were: a highly complex supply chain and short half-life of the product; low level of in-house technology maturity and primarily manual processes; and legacy systems, processes and structures that were not fit-for-purpose and susceptible to error.

Boston Scientific needed a digital solution to scale existing ordering processes through technology rather than people, delivered using agile methodology and new ways of working to reduce time to market and cost of delivery. The answer was to design and build a new user-focused and streamlined ordering and supply chain platform called 'TOP'.

For Boston Scientific, the main goal was to reduce patients' waiting times for life-saving treatment.

The implementation of TOP resulted in:

- A tripling of TheraSphere orders processed per year with the same headcount.
- 0 missed patient treatments in the last two years, down from 204 per year previously.
- Onboarding and training new employees in the ordering process is 9.5 days faster than before.
- Shortens manufacturing process from three days effort per week to 0.5.
- 160,000 minutes saved per year in order processing.
- An annual opportunity cost saving of US$3.2m.

24,000 successful orders have been processed through TOP to date, improving the lives of the many receivers of TheraSphere.

Our brands in Business Transformation

MACH49 TheBlueshirtGroup

PALLADIUM ENGINE Transformation

Chair's statement

Being intentional

"Once again our people rose to the challenge and delivered amazing results."

Penny Ladkin-Brand
Chair

Dear Shareholders,

If 2020 was about being cautious in the face of the pandemic, this last year has been about being intentional and using the valuable lessons learned during that time to seize the very real opportunities in front of us. In 2020 we reorganised the Group around the challenge of how we help our customers grow. This year we have delivered growth in every sense of the word. Net revenue growth has been impressive. We delivered £362m up from £267m last year, a pleasing 36%, of which 26% was organic. Growth in adjusted profit before tax was also strong at 62% higher at £79.3m. Statutory revenue rose by 45% to £470m (2021: £324m) and statutory operating profit increased by 192% to £40m (2021: £13.7m). Fully diluted adjusted earnings per share showed growth of 47% to 59.7p. The Group also had net cash of £35.7m (2021: £14.0m). When you compare these figures against any major player in our sector, these are excellent results. But our financial growth has been matched by significant steps to build a stronger, more resilient business model, capable of sustaining this type of growth in the future.

The Board has spent a considerable amount of time in the last year on the long-term ambitions of the Group. This has resulted in investments in building new products, access to data and in our own infrastructure. We have also recently expanded the Board by adding Jonathan Peachey, our COO. Jonathan has made a huge contribution to the business in the last few years by bringing his considerable experience of managing data-driven product businesses. He has also helped significantly expand the central team's ability to support the needs of the Group's portfolio of businesses. We have also appointed Dianna Jones as an additional Non-Executive director. She brings not just additional bandwidth, but an important North American perspective to the Board. I encourage you to read their profiles in the Board section on page 65.

Our impressive results were driven by strong performances from all four areas in which the Company does business. Our Customer Insight business, which uses data tools to help customers understand the challenges and opportunities they face, saw growth of 18.6%. Customer Engagement, which helps businesses build the digital brand assets that drive brand reputation, customer awareness and loyalty, saw growth of 15.7%. Customer Delivery, which is the part of our business that uses data to help drive sales, saw growth of 40%. Lastly, Business Transformation saw growth of 99.9%. This part of the group uses products and consulting services to help customers build or reinvent part of the business to maximise their value.

During the year the Group continued to make strategic investments in talent, technology and data products. We also made further acquisitions to expand our capabilities in key areas. Of note was the acquisition of Shopper Media Group, a business that works with ecommerce and physical retailers to maximise their digital and physical media assets. In addition, they work with businesses selling through these channels to help them understand where and how their promotional efforts should show up in these places to be most effective.

Chair's statement continued

Since the year-end, we announced the Group's largest acquisition, Engine UK. Engine's assets comprise three businesses with roughly equal revenues that on a combined basis total approximately £88m. The businesses add a significant strategic communications business in the UK through MHP Mischief, an innovation consulting business through Engine Transformation and digital creative business through Engine Creative. The latter of these is being combined with our ODD agency to create a powerful new digital creative offering in the UK. This acquisition was funded through a placing that raised approximately £50m, leaving the Group with a robust balance sheet and the flexibility to make further acquisitions in the coming year.

As we look to the year ahead, the Board remains optimistic about the prospects for the Group. I said last year that the pandemic tested the character of the team that leads Next 15 and the 2,000+ (now 3,000+) people that work for the Group across the world. Once again our people rose to the challenge and delivered amazing results. Like many organisations, we are reshaping the way we work as new team models emerge. No longer are we running teams by location. While this does bring some challenges it also opens up new ways of building teams that better serve the needs of our customers. It is also creating a more flexible way of working for the talent in our businesses.

The last thing I want to note is the progress we have made with regards to ESG. We are making a much fuller ESG disclosure in this year's annual report in line with the Group's stated aim to become B Corp Certified. This move has been embraced by the brands, all of whom are participating in the necessary changes to the way we operate. While our staff see this as simply the right thing to do, we also appreciate that for our customers and many investors it is also of increasing importance.

I want to close by thanking all the people that make up Next 15. You have once again gone above and beyond, and I know the Board greatly appreciates the incredible work you've delivered over the last year. Thank you!

Penny Ladkin-Brand
Chair
4 April 2022

Our values

Our culture is a key component of our success

At the end of the financial year, we formally articulated our values. Whilst Next 15's values were implicit, management recognised the importance of clearly defined values that inform everything we do. During FY23 these values will be embedded into our processes, including who we hire, who we do business with and how we measure and reward performance.

Be human

In a technology-driven world, we put the 'who' before the 'what'. We strive to be compassionate, inclusive and kind. We bring our whole selves to work every day. We support and encourage each other. We listen to and respect each other's ideas, regardless of seniority or tenure.

Make it better

We aim to work in a sustainable and responsible way, aiming to create a healthy and positive legacy. We pursue growth that we are proud of for our brands, each other and ourselves. We use creativity and innovation to find a better way.

Leave your mark

We use our own initiative to make decisions. We take ownership and personal responsibility for our work. We are not afraid of making mistakes – we test and learn as we go. We are proactive and have an entrepreneurial spirit. We don't stick to the status quo – we try to shape the future.

"We believe we are building a set of businesses that can solve the most important growth challenges our customers face."

The Big Shift

"Performance like this doesn't happen by accident and it doesn't come easily."

Tim Dyson
Chief Executive Officer

The pandemic has changed the world as we knew it. It has forced every business and organisation to rethink the way they interact with customers, shareholders, employees, partners and the various government agencies they might deal with. And, as with every discontinuous change, major problems have come in its wake. The phrase 'supply chain management' was an arcane and rather dry topic that rarely got a mention in the news pre-Covid. Now, it's mentioned daily as ships line up at ports around the world to load or unload their cargo. This is a highly tangible sign of the 'big shift' businesses are going through but there are many more that are less newsworthy but just as profound: the process of hiring and training staff; the way physical retail stores have become an extension of ecommerce rather than an alternative; the way we consume content; and the way we receive professional services. All of these have changed in ways that would have seemed incredulous a few years ago.

It is against this background that Next 15 and its four groups of businesses have been operating. It has been a stellar year for the Group in financial terms with record revenues and profits, and exceptional levels of organic and absolute growth. Performance like this doesn't happen by accident and it doesn't come easily. It has come by offering the products and services our customers need and by demonstrating that our work is helping solve the challenge they came to us with. In almost every case the challenges we've been tasked with solving have been growth challenges.

Our customers are anxious to solve obvious financial growth challenges but connected to that are the ways that they reach and interact with customers in an increasingly digital world. Equally, they want to understand how to shift their organisations from ones that are designed to work with customers in person, to ones that may have little, or no, human interaction. Likewise, they are grappling with how to use data more effectively while also using it ethically to figure out how they can better interact with the groups of people connected to their business. These are changes that were happening anyway but, in many cases, have happened seemingly overnight – another sign of the seismic shift I referenced earlier.

As a Group designed to help companies solve their growth challenges and opportunities, we are organised around four divisions. The first of these is **Customer Insights**. Here we are helping customers understand through data the world in which they operate. They need to know what problems their customers face and whether what they are doing is working. The next area is **Customer Engagement** where we build the digital assets that make a customer aware of a brand and drive loyalty to it. Thirdly we have **Customer Delivery**. In this part of our business we are helping customers drive sales. Marketing programmes are nothing if customers don't sign on the bottom line. Lead/demand generation tools and Account-based Marketing ('ABM') are the areas seeing explosive growth in this part of our business. Lastly, we have **Business Transformation**.

Chief Executive's statement continued

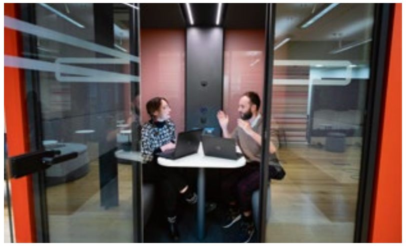
As the name would suggest, these are a set of consulting services and products designed to help customers build or reinvent parts of their business to maximise their value. Not surprisingly this part of our business has seen exceptional growth as the pandemic has endured.

Structurally you are unlikely to see the Group change any time soon. We believe we are building a set of businesses that can solve the most important growth challenges our customers face. However, that doesn't mean we have finished building out our offering. Going forward you can expect us to continue to invest in each of the four areas. In some cases, these will be investments in data tools and the development of technologies that can automate aspects of the services we currently deliver. A good example of this is a software tool that was developed by our Palladium business so that its private equity customers can do their own due diligence on potential acquisition targets. Historically this time-consuming work was important but repetitive. Now a large part of that work can be done far more quickly and without tying up valuable resources. We will also continue to invest further in talent as an underpin for our success. Planned further investment will mean bringing in new digital and data capabilities, but it will also mean developing the talent we already have by giving them new skills.

Looking forward you can expect us to remain organised around the four areas I described earlier. However, the way that we deliver products and services to customers will continue to evolve at pace. We see most of our revenues coming from what we called Packaged Services and TaPaaS. Packaged Services are service offerings based around structured methodologies that enable them to be delivered at optimal pace while also maintaining the quality of delivery. TaPaaS is an acronym for Technology and People as a Service. This is where we embed technology into our processes to speed up delivery and in some cases enable our customers to have self-service tools that can solve aspects of their challenges.

Putting ESG considerations at the heart of our business is central to succeeding in this fast-moving environment. It will still require us to focus on delivering strong financial returns to shareholders but this will be an outcome of the time and resources we put behind supporting our customers, environment, people and communities, reinforced by effective governance. Using the B Corp framework as part of our journey towards an effective ESG strategy has already had some positive impacts. For example, employees can see that a diverse workforce produces a better set of ideas and solutions for customers. Equally, customers want solutions that reach real world audiences, and this requires solutions developed by diverse teams.

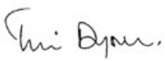
"Putting ESG considerations at the heart of our business is central to succeeding in this fast-moving environment."



Watch our results video
ar22.next15.com

As we announced on 2 March 2022, we have now acquired Engine UK. This adds significant capabilities for Next 15 to offer growth consultancy services to UK and international clients and fits well with our track record and strategy of adding growth businesses which then contribute to our target of doubling the size of the Group in the next three to five years.

To close I want to thank our amazing teams and everyone connected to Next 15 for their help in making the last year so successful. They have done an incredible job despite the challenges of the pandemic, especially because their workplace has so often been the challenging world of Google Meet, Microsoft Teams and Zoom. I would also like to thank the children and pets that have appeared on the many video links I've been on this last year. You may not have done any work, but you have put a much-needed smile on my face.



Tim Dyson
Chief Executive Officer
4 April 2022

"I want to thank our amazing teams and everyone connected to Next 15 for their help in making the last year so successful."

There have never been so many conflicting pressures on businesses. How do they grow with sustainability in mind?

Our market

**Growth consultancy is a huge and growing market.
We divide it into four major capabilities.**

Customer Insight

2020 market size:
£117.3b

CAGR growth 2020-25:
9.56%

FY22 Next 15 net revenue:
£42.1m

2020 breakdown
(growth 2020-25 CAGR %)

Market research:
£52.4b (5%)

Data management:
£12b (est) (8.5%)

Data analytics & implementation:
£17b (22.8%)

Customer Relationship Management implementation:
£36b (8.0%)

Customer Engagement

2020 market size:
£285.1b

CAGR growth 2020-25:
5.32%

FY22 Next 15 net revenue:
£187.6m

2020 breakdown
(growth 2020-25 CAGR %)

Customer experience:
£12.5b (11.7%)

Content, communications & creative:
£251.92b (4.6%)

Customer Delivery

2020 market size:
£182.6b

CAGR growth 2020-25:
15.51%

FY22 Next 15 net revenue:
£80.0m

2020 breakdown
(growth 2020-25 CAGR %)

E-commerce implementation:
£20.7b (9.1%)

Search Engine Optimisation:
£34b (20%)

Media buying & planning:
£39.9b (6%)

Social media management:
£10.5b (23.6%)

Lead generation:
£98.1b (17% – 2020-27)

Business Transformation

2020 market size:
£698.3b

CAGR growth 2020-25:
7.61%

FY22 Next 15 net revenue:
£52.5m

2020 breakdown
(growth 2020-25 CAGR %)

Strategy consulting:
(inc Environmental, Social and Governance & People Change Management)
£128.3b (10.4%)

Digital transformation:
£42.5b (16.2%)

Big data & analytics:
£53.4b (11%)

Other*:
£510.5b (5.05%)

* 2020 data has been used as a baseline to ensure a uniform comparison across the data given an absence of publicly published data for 2021 in several of the above capabilities.
Sources for this page are on page 210.

Our strategy

Delivering growth for our clients with sustainability in mind

There are four key elements to Next 15's strategy. They boil down to: building or buying the capabilities our clients need to solve their growth challenges, recognising that we can go further together as we grow as a Group, developing our key talent, and leaving the world a better place than we found it.

FY22 saw significant progress on all fronts and FY23 promises even bigger developments.

Build our growth consultancy model

We have a clear vision for the blend of consultancy and marketing execution that will drive exceptional growth for our customers. We will continue to invest in talented, entrepreneur-led businesses that bring new capabilities that our customers need. Our focus remains primarily UK and US.

Progress in 2022

- Acquired Shopper Media Group ('SMG') who bring data-led capabilities to monetise retailers' in-store and online media. SMG also help FMCG companies optimise their ability to activate consumers.
- Acquired several smaller companies that add new capabilities and services to our existing brands.
- Launched our annual Growth Report based on client research that sets out an anatomy of growth and identifies what's going to be important in the future.

Priorities for 2023

- Integrate the UK assets of Engine UK which we acquired just after year end. The Engine UK Group will greatly extend our Business Transformation capabilities in the UK and our ability to service B2C customers in our Engage segment. Engine also adds new communications capabilities to our offer, and diversifies our client base with the addition of significant public sector clients.
- Support Mach49's growth as they start to deliver the largest contract in the history of Next 15: US$400m over five years for a stealth client to build innovation-led, technology-driven, sustainable ventures across the globe.
- Continue to invest in new Growth Consultancy capabilities, particularly in our Business Transformation segment where our brands address clients' most complex growth challenges.
- Continue our productisation initiative so that our brands can offer clients the benefit of smart tech, data and automation led services.

Use the power of Next 15

We will use our shared insight, scale and capabilities to better serve customers without losing our Group's deep specialist expertise. We invest in tech, data and products that our businesses can share.

Progress in 2022

- In FY22 we won a major contract with Dow by bringing together the capabilities of Next 15 brands: Brandwidth, CRE, Archetype and Savanta, to solve a challenge that none of them could have addressed on their own.
- Our brands self-organised to develop NextEFX, a platform that uses insight about inbound client opportunities to find the best Next 15 brand to solve the client's problem.
- Developed a Group-wide productisation strategy that will see us focusing investment in Technology and People as a Service ('TaPaaS') initiatives that allow our brilliant people to have greater capabilities at their fingertips.

Priorities for 2023

- Rollout of our CRM platform so that all existing and new brands have access to our collective insight and networks.
- Join up our thinking on data, productisation, marketing and B2C capabilities through cross-group working parties.
- Consolidate our brands into single London and New York property hubs to enhance collaboration.

Market cap

£575.0m → **£1,141.7m**
FY21 FY22

Brands

21 → **22**
FY21 FY22

Employees

2,077 → **2,879**
FY21 FY22

Our strategy continued

Focus on doing better

Our values are important to us. We want to work with customers, suppliers and staff who share them. More so than ever, we choose our work carefully, look to maximise the positive impact that our work has, and are not afraid to say ‘no’ to work that is financially positive but planet or people negative. Internally, we are now using the internationally recognised B Corp framework to guide our initiatives.

Progress in 2022

- Established an Ethics Group to help our brands make values-based choices about which clients and projects to take on.
- Started a major project to better understand our supplier base so that we can make sure they are compliant with laws and regulations and ensure diversity of ownership.
- Pledged apprenticeship funds to help creative industries grow.

Priorities for 2023

- Set out a clear, target-driven ESG strategy for the first time.
- Create a Board ESG committee to oversee development and delivery of our ESG strategy.
- Significantly progress our plans for certifying Next 15 as a B Corp.
- Developing more structured giving programmes through charitable donation, matching staff giving, and encouraging volunteering programmes.

Celebrate and develop our people

We are a group of businesses built on the talent of our people. We use our growth consultancy model internally to attract, develop and retain the best staff. When we acquire new businesses we trust entrepreneurial talent to drive their own businesses and consult with us, we do not tell them what to do.

Progress in 2022

- Started the rollout of the Next 15 Academy, an online learning platform that covers the whole of Next 15 giving staff access to the technical, managerial and soft skills they need to succeed.
- Continued our focus on work to understand and improve our ability to build Equity, Diversity and Inclusion across Next 15.
- Implemented new technology to support cross-group recruitment and reduce bias in the hiring process.
- Launched our first cohort of 'Leader as Coach' training in conjunction with Circl who matched us with underprivileged talent from Future Leaders.

Priorities for 2023

- Partner with external specialist advisers to help us make progress on our ED&I strategy.
- Create a leadership programme that targets our highest potential people to give the skills and experiences they need to accelerate their career development.
- Create a mentorship programme to continually improve knowledge sharing across the Group.
- Board succession planning.

Key performance indicators

How we measure our performance

We have included KPIs in the annual report for the first time this year. They represent the most important metrics we as a management team use to evaluate and compare the performance of Next 15 brands, and of the Group as whole. As described elsewhere in this report we are developing our ESG strategy and, as a result, it may be that KPIs in this area change over FY23 to better reflect the outcomes we want to achieve.

Financial KPIs

Adjusted operating margin◆

21.9%

Operating margin is a key measure of the health of our business that balances our drive to be efficient with the need to continually reinvest in our businesses to grow and evolve their offer.

Performance

In FY22 margins improved significantly for a number of reasons including: efficiency decisions made in FY21, an overall reduction in our property base and reduced travel. Growing pressure on staff pay was a balancing factor.

Organic net revenue growth◆

26.1%

As a Growth Consultancy, organic growth is exceptionally important because it shows that our brands are offering what customers want, and focused on the activities that will allow them to outperform.

Performance

Compared with Covid-impacted FY21, FY22 saw a recovery from customers seeking to kick-start their recovery by spending on marketing and other new initiatives that we are well placed to benefit from.

◆ Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 196.

See also:

Our strategy
p16

Corporate governance
p64

Non-financial KPIs

Clients spending over £2.5m

£25m

Number of £2.5m revenue clients working with more than one Brand

21

Staff retention

76.9%

Average client spend is a good proxy for the depth and importance of our client relationships as it takes time and continual ROI to grow a relationship to the £2.5m+ level and beyond.

Performance

In FY22 we saw a very significant increase in the number of major relationships in Next 15. This is largely driven by our success in helping clients re-engage with their target audiences post-Covid.

As we grow our Growth Consultancy model the number of customer relationships that are serviced by more than one of our brands is becoming more important. As the Dow case study on page 4 shows, we are able to tackle much more strategic problems when Next 15 specialists work together.

Performance

The number of multibrand client relationships has significant increased in FY22. Some of these are the result of deliberate account planning. Others provide us with an opportunity to 'join the dots' and offer a broader range of help to key clients.

We are a people-first business and our ability to attract and retain key talent is paramount.

Performance

Despite the impact of the 'great resignation', FY22 actually saw only minimal falls in staff retention rates compared to Covid-impacted FY21. That is a result of concerted effort by all our CEOs to build cultures and workplaces that encourage talented people to build their career with Next 15.

Financial review

"The Group has traded very strongly over the last 12 months with each of our four segments making a very positive contribution to the Group's performance."

Peter Harris
Chief Financial Officer

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A year of strong trading

The Group has traded very strongly over the last 12 months with each of our four segments making a very positive contribution to the Group's performance. Having produced a resilient trading performance during a Covid impacted FY21, our agencies saw the opportunity to accelerate their growth in FY22 by delivering a range of products and services which helped their clients meet their growth challenges in a post-pandemic world. The trading performance was strongest in our relatively new Customer Delivery and Business Transformation segments as clients focused on maximising their revenue growth and adapting their business models to a digital-first environment, whilst our Customer Insights and Customer Engage segments also saw encouraging revenue growth on the back of their expanding customer base.

The Group strategy is to acquire and then enhance entrepreneurially led businesses, where management teams are incentivised to deliver growth over the medium term. This often results in the Group acquiring companies in the early stages of their development where their future performance is uncertain, leading to large changes in the estimates used for future earn-out payments. During the year, we have taken the time to examine the impact of these material changes in estimates on the statutory results, and have created an additional glossary to the annual report to separately show the alternative performance measures used. The glossary section set out at the end of the report and accounts provides reconciliations between the statutory and the adjusted results in order to help the readers of the accounts to interpret the results.

	Year to 31 January 2022 £m	Year to 31 January 2021 £m	Growth/ (decline) %
Adjusted results◆			
Adjusted net revenue	**362.1**	266.9	36%
Adjusted operating profit after interest on finance lease liabilities	**79.3**	49.5	60%
Adjusted operating profit margin	**21.9%**	18.5%	
Adjusted profit before income tax	**79.3**	49.1	62%
Adjusted diluted earnings per share	**59.7p**	40.7p	47%
Statutory results			
Revenue	**470.1**	323.7	45%
Operating profit	**40.0**	13.7	192%
Loss before income tax	**(80.1)**	(1.3)	
Net cash generated from operations	**92.9**	72.9	27%
Diluted loss per share	**(74.9)p**	(5.5)p	

◆ Alternative performance measures. Measures with this symbol are defined and reconciled in the Glossary section on page 196.

A year of strong trading continued

In order to assist shareholders' understanding of the performance of the business, I have focused my comments on the adjusted performance of the business for the 12 months to 31 January 2022, compared with the 12 months to 31 January 2021, in particular the net revenue performance, adjusted operating profit and adjusted diluted earnings per share.

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 allow understandable like-for-like, year-on-year comparisons and more closely correlate with the cash and working capital position of the Group. The Group also presents net revenue which is calculated as statutory revenue less direct costs as shown on the Consolidated Income Statement and is more closely aligned to the fees the Group earns for their product and services.

In line with industry peers, the adjusted profit measures take account of items which are not related to trading in the current year including amortisation of acquired intangibles, property-related impairments, brand equity incentive schemes, costs associated with restructuring, the repayment of furlough grants from the UK Government and certain other items.

In February 2022 we announced that our wholly owned subsidiary Mach49, the growth incubator for global businesses, had entered into a five-year strategic alliance with a global technology and digital company. Over the term of the contract, total fees including third-party expenses are expected to be in excess of $400m, with revenues in the first year to be approximately $50m. This has materially increased the earn-out payable to Mach49's equity holders and the discounted increase in the potential liability has been included in our statutory profit and loss account as a finance expense.

While adjusted operating profit increased by 60% to £79.3m (2021: £49.5m), reflecting the very strong trading of the Group, the statutory loss before tax was £80.1m (statutory loss in 2021: £1.3m). The statutory loss was mostly caused by the significant anticipated increased in the Mach49 earn-out. The statutory operating profit increased by 192% to £40.0m (2021: £13.7m) partly due to the one-off property related impairment charge in the prior year and also due to improved trading in the current year. Diluted loss per share was 74.9p, compared with loss per share of 5.5p in the previous year.

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2022 £m	Year to 31 January 2021 £m
Statutory operating profit	**40.0**	13.7
Interest on lease liabilities	**(1.1)**	(1.4)
One-off charges for employee incentive schemes	**5.9**	2.4
Employment-related acquisition payments	**15.2**	8.0
Deal costs	**0.5**	0.4
Costs associated with restructuring	**—**	2.8
Gains on investment activities	**(0.5)**	—
Property impairment	**0.2**	10.0
UK Furlough	**1.4**	(1.4)
Amortisation of acquired intangibles	**17.7**	15.0
Adjusted operating profit after interest on finance lease liabilities	**79.3**	49.5

Review of adjusted results to 31 January 2022

Group profit and loss account

Our total Group net revenues increased by 36% in total and by 26% on an organic basis, whilst a combination of very high organic revenue growth and our proactive approach to managing our cost base resulted in an increase in the operating profit margin to a record 21.9% from 18.5% in the prior year. All of our agencies performed well last year with the standout performances being from Activate, Mach49, M Booth, Brandwidth and the Blueshirt Group, which each grew their revenue above 30% and showed good margin progression. Our B2B agencies performed very strongly whilst our B2C agencies including Savanta continued to recover from the impact of the pandemic in the prior year.

Financial review continued

As shown in the previous table, we incurred £5.9m of one-off charges for employee incentive schemes on new growth shares for Brandwidth and Publitek as well as an additional new incentive scheme for the sellers of Activate, and £15.2m in relation to employment-related acquisition payments. We incurred £0.5m of deal costs in relation to acquisitions. Amortisation of acquired intangibles was £17.7m in the period. We incurred an overall charge of £0.2m in relation to the reorganisation of the property space across the Group and a gain of £0.5m as a result of investment activities.

Taxation

The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2022 was at a rate of 21.6% (2021: 20.2%), compared to the statutory rate of 18.1% (refer to note 8). The adjusted effective tax rate was higher than the rate achieved in the previous period largely due to a strong performance from our US based agencies, where the rate of corporation tax is typically higher than in the UK.

The Group notes that Governments around the world are likely to increase their rates of corporation tax materially over the next few years to help pay for the cost of economic support in light of the pandemic. Therefore it is likely that the Group's adjusted effective rate of tax will increase materially over the next few years reflecting these increases. At the year end, the Group did not have any open tax audits, nor did it have any complex structures in place to manage its taxes which could give rise to future challenges from tax or competition authorities. The Board takes a low risk attitude to tax compliance and endeavours to pay the appropriate level of tax in all markets the Group operates in.

Earnings

Diluted adjusted earnings per share has increased by 47% to 59.7p for the year to 31 January 2022 compared with 40.7p achieved in the prior year, as a result of the improved profitability on an adjusted basis.

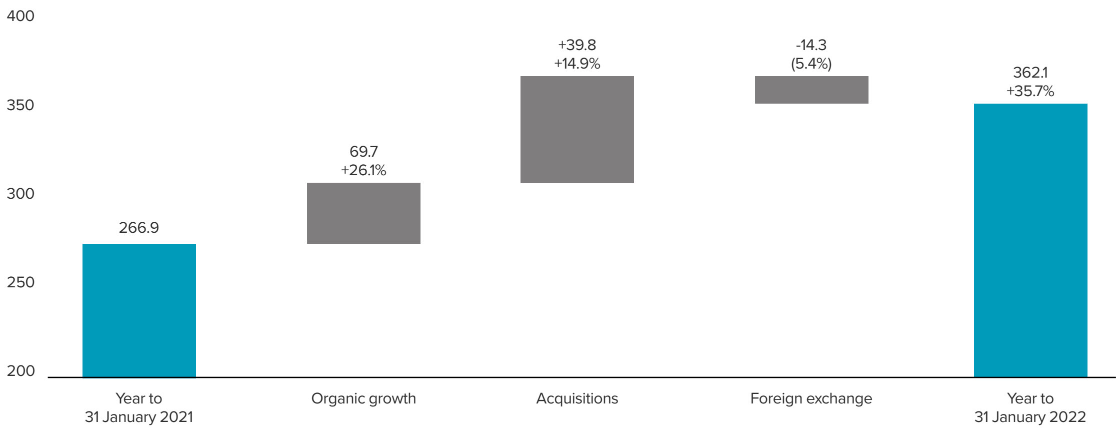
Segmental review

In order to assist shareholders' understanding of the key growth drivers of the Group, we have included an analysis of the results by the operational segments we used to monitor the performance of the business for the year ended 31 January 2022. The four operational segments were Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

Customer Insight

This segment includes Savanta and Planning-inc. Savanta performed well as its predominantly B2C client base recovered from the pandemic. Their UK business was strengthened by the acquisition of YouthSight, which expanded their client offering into the hard to reach youth market, whilst Savanta US grew by over 50% year on year helped by the acquisition of MSI, which is focused in the healthcare and financial services sectors. Planning-inc continued to grow their retail client base and developed a suite of products which should facilitate further growth over the next couple of years. Total net revenue increased by 27.3% to £42.1m with organic growth of 18.6%, whilst the adjusted operating profit increased by 85% to £9.0m at an improved adjusted operating margin of 21.4%.

Net revenue bridge (£m)



Segmental review continued

Customer Engagement

This segment includes M Booth, Outcast, Archetype, Nectar, Beyond, Brandwidth, ODD and ELVIS. M Booth and Brandwidth were the stand-out performers as they expanded their relationships with a broad cross-section of clients including P&G, Bed, Bath and Beyond, Google and Dow Chemicals. However, all of the agencies increased their revenues and margins during the period. The segment produced a very positive performance overall with net revenue growing by 12.6% to £187.6m, with organic growth of 15.7%, and delivered an adjusted operating profit of £40.4m at an adjusted operating margin of 21.6%.

Customer Delivery

This segment includes our Activate, Agent3, Twogether and SMG agencies. SMG was acquired during the year. This segment is focused on solving short-term revenue challenges for its clients and the pandemic has brought this client growth challenge to the fore, hence the exceptional performance of this segment. Overall, the segment delivered net revenue growth of 61.3% to £80.0m with organic revenue growth of 40.0%. The adjusted operating profit increased by 87.1% to £28.5m at an improved adjusted operating profit margin of 35.6%.

Business Transformation

This segment includes our Mach49, Palladium, Blueshirt and BCA agencies. We increased our shareholding in BCA from 20% to 51% in the period. We saw exceptional performances from each agency in this segment as clients sought our agencies' advice on how to maximise the value of their business from either re-inventing their operating model or through a Capital Markets transaction. Overall, the segment delivered net revenue growth of 196.1% to £52.5m with organic revenue growth of 99.9%. The adjusted operating profit increased by 289.7% to £15.2m at an improved adjusted operating profit margin of 29.0%.

	Customer Engage £'000	Customer Delivery £'000	Customer Insights £'000	Business Transformation £'000	Head Office £'000	Total £'000
Year ended 31 January 2022						
Net revenue◆	**187,566**	**79,951**	**42,109**	**52,477**	**—**	**362,103**
Organic net revenue growth◆	**15.7%**	**40.0%**	**18.6%**	**99.9%**	**—**	**26.1%**
Adjusted operating profit / (loss) after interest on finance lease liabilities◆	**40,434**	**28,501**	**9,023**	**15,221**	**(13,832)**	**79,347**
Adjusted operating profit margin◆	**21.6%**	**35.6%**	**21.4%**	**29.0%**	**—**	**21.9%**
Year ended 31 January 2021						
Net revenue	166,534	49,557	33,073	17,722	—	266,886
Organic net revenue (decline)/growth	(9.2%)	17.2%	(3.6%)	9.0%	—	(3.4%)
Adjusted operating profit / (loss) after interest on finance lease liabilities	36,866	15,232	4,876	3,906	(11,394)	49,486
Adjusted operating profit margin	22.1%	30.7%	14.7%	22.0%	—	18.5%

◆ Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 196.

Financial review continued

Geographical review

US

Our US businesses have continued to perform exceptionally well. In the year to 31 January 2022, total US net revenues grew by 44.0% to £199.3m from £138.4m which equated to organic growth of 33.2%, taking account of movements in exchange rates and the increased investment in BCA during the year and the acquisition of Mach49 in the prior year.

Our lead generation agency, Activate, had an exceptionally strong performance throughout the year, whilst our B2C agency M Booth grew its revenues predominantly by winning new business from existing clients.

We also took decisive action on the cost base with staff reductions and a property re-organisation in our key markets of New York and San Francisco. The adjusted operating profit from our US businesses increased by 70.8% to £58.4m compared with £34.2m in the previous 12 months to 31 January 2021, with the operating margin increasing to 29.3% from 24.7% in the prior year.

UK

The UK businesses have delivered a very impressive performance over the last 12 months, with net revenue increasing by 29.5% to £137.5m from £106.2m in the prior period. This growth was helped by the Group's acquisition of SMG and Savanta's acquisition of YouthSight. Our UK businesses achieved organic revenue growth of 18.3%. The adjusted operating profit increased to £30.9m from £22.4m in the prior year with the adjusted operating margin increasing to 22.5% from 21.1% in the prior year.

EMEA

The EMEA business recovered very well from a Covid impacted FY21 with net revenue increasing by 16.3% to £10.0m (2021: £8.6m) and adjusted operating profit increasing to £2.5m at an improved adjusted operating margin of 24.9%.

APAC

In the APAC region net revenue increased by 11.8% to £15.2m (2020: £13.6m), however the operating margin decreased to 9.3% from 17.1% in the prior period, due to a significant investment by Mach49 in creating an Asian hub for their business. The operating profit declined to £1.4m as a result of this investment.

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Office £'000	Total £'000
Year ended 31 January 2022						
Net revenue◆	**137,491**	**10,041**	**199,348**	**15,223**	**—**	**362,103**
Organic net revenue growth◆	**18.3%**	**21.3%**	**33.2%**	**11.9%**	**—**	**26.1%**
Adjusted operating profit / (loss) after interest on finance lease liabilities◆	**30,910**	**2,504**	**58,355**	**1,410**	**(13,832)**	**79,347**
Adjusted operating profit margin◆	**22.5%**	**24.9%**	**29.3%**	**9.3%**	**—**	**21.9%**
Year ended 31 January 2021						
Net revenue	106,247	8,610	138,383	13,646	—	266,886
Organic net revenue decline	(6.4%)	(4.7%)	(0.8%)	(5.5%)	—	(3.4%)
Adjusted operating profit / (loss) after interest on finance lease liabilities	22,402	1,997	34,150	2,331	(11,394)	49,486
Adjusted operating profit margin	21.1%	23.2%	24.7%	17.1%	—	18.5%

◆ **Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 196.**

Cash flow

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2022 increased to £92.7m from £66.4m in the prior period. Our management of working capital continued to be strong with an inflow from working capital of £0.2m. This resulted in our net cash generated from operations being £92.9m (2021: £72.9m). Income taxes paid increased to £14.1m from £8.4m.

Due to the pandemic we decided to cancel the dividends which we would have normally paid to Next 15 shareholders in the year to 31 January 2021. However we resumed to payment of dividends during the year to 31 January 2022. Dividends paid to Next 15 shareholders during the year was £9.8m, reflecting the stronger than expected financial performance. Net interest paid to the Group's banks reduced to approximately £0.3m (2021: £0.8m).

Cash flow KPIs

	Year to 31 January 2022 £m	Year to 31 January 2021 £m
Net cash inflow from operating activities	**92.7**	66.4
Changes in working capital	**0.2**	6.6
Net cash generated from operations	**92.9**	72.9
Income taxes paid	**(14.1)**	(8.4)
Investing activities	**(32.2)**	(27.0)
Dividend paid to shareholders	**(9.8)**	—
Net cash	**35.7**	14.0
Net increase/(decrease) in bank borrowings	**9.6**	(24.9)

Government support

During the prior year to 31 January 2021, the Group utilised various Government support schemes, primarily the UK furlough scheme and deferral of US social security. In total across the Group, £2.1m of government assistance was recognised as a reduction in costs during the year ending 31 January 2021. During the year to 31 January 2022, we repaid the furlough monies received from the UK government in full of £1.4m, which has been treated as an exceptional item in the results for both years.

Balance sheet

The Group's balance sheet remains in a strong position with net cash excluding lease liabilities as at 31 January 2022 of £35.7m (2021: £14.0m) and net assets of £61.5m (2021: £116.9m).

Treasury and funding

The Group renegotiated its banking facilities during the year and now operates a operates a £60m revolving credit facility ('RCF') with HSBC and Bank of Ireland available until September 2024 with an option to extend for a further two years. As part of the arrangement the Group has a £40m accordion option to facilitate future acquisitions. Subsequent to the year end, £20m of this accordion has been committed and is available within the RCF. The £60m facility is primarily used for acquisitions and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US Dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of $7m (2021: $7m) which is available for property rental guarantees and US-based working capital needs.

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

Peter Harris
Chief Financial Officer
4 April 2022

Stakeholder engagement

How we engage with our stakeholders

At Next 15, we are mindful of the necessity to engage with our key stakeholders. We are committed to creating an environment that supports open dialogue for our internal and external stakeholders alike, and we are acutely aware that as we grow, we need to embed more formal frameworks and systems that guide and inform all parties. We have spent time assessing the needs of our stakeholders and in the coming year we will take the actions to continue to engage as required given our structure and growth.

See also:

Our strategy p16

Corporate governance p64

Employees

Our business is built on the talent of our people, and we know our success is fundamentally driven by their skill, commitment and passion. This has always been the case and will continue to be a guiding principle. Engaging employees across a diverse group is not easy and we seek to continually improve the way in which we communicate and engage with our people globally. The pandemic changed the way people work and we have had to take action to ensure we continue to engage with employees given this change.

How we engage

- Monthly Company newsletter sent to all employees.
- Regular team meetings, both in person and virtually.
- The launch of 'Leader as Coach' training in conjunction with an external provider Circl.
- Using the output of Equity, Diversity and Inclusion audits to help shape how we engage with an inclusive workforce.

Priorities for FY23

- Regular town halls open to all employees and hosted by Tim Dyson quarterly.
- 'Ask us anything' Slack channel where employees can ask management questions which includes the ability to remain anonymous.
- Review and refresh engagement processes in light of the Group's increasing size and change in working patterns.
- Implement a nominations-based award scheme called the Board Award, open to all employees, recognising exceptional achievements and contribution to the business.
- Complete the rollout of the Next 15 Academy – an online learning platform.

Customers

Client focus is critical to the success of each of our businesses. By their nature our businesses work in collaboration with their clients: we embed teams within client organisations, use agile processes, and build businesses to better serve client needs based on what they tell us.

How we engage

- Client updates from executive management to the Board.
- We have refreshed our client onboarding process which helps us better understand them.
- As part of our annual survey process, we reached out to our customers via e-mail and LinkedIn networks to explore what 'growth' meant to them in the fast-changing world we live in.

Priorities for FY23

- Roll out a customer relationship management system to all of our brands.
- Continue to look at ways in which our businesses can collaborate to better serve the needs of our clients.
- Client satisfaction scoring process will be rolled out to our brands.

Investors
The Board recognises the critical importance of open dialogue and fair consideration of the Company's members. Our executive management engages with shareholders regularly throughout the year to discuss strategy and financial results. Institutional investors made up approximately 88% of the Company's shareholder base as at 31 March 2022.

How we engage
- Our annual report and accounts, full-year and half-year results announcements, and trading updates.
- Our Annual General Meeting.
- Our investor results presentations.
- Our website.
- Direct consultation on matters such as remuneration.
- Ad-hoc meetings with executive management upon request.

Priorities for FY23
- Continuing to develop the social media platforms and other online communication with investors.
- A revised and improved website.
- A new ESG section now included in our annual report and accounts.

Suppliers
Because of the nature of our business, our long-term success as a Group is not dependent on any one supplier. We work with a number of suppliers to ensure we can provide the services to our clients. We want to ensure that our suppliers are engaged on suitable terms and meet the expectations of the Group.

How we engage
- Continuously review and refresh the data held, in particular in line with the implementation of a new PO based payment system which included additional ESG-based due diligence.
- Monitor and review our relationships, including maintaining direct relationships with account managers.
- Engage in supplier led service reviews upon request.

Priorities for FY23
- Continue to review which suppliers provide services around the Group and work with them to ensure appropriate engagement for all parties.

Our brands
As we grow, we want to maintain the personal connection with our brands that has been key to our success. It is also crucial for all our leaders to have an opportunity to get to know the Board and where appropriate, our shareholders, as part of their career progression and personal development.

How we engage
- Monthly meetings for all Group CEOs.
- Regular 1:1 meetings with Next 15 Executive Directors.
- Regular meetings across multiple Group functions to address matters such as data, EDI, productisation, and financial controls.
- Annual strategy sessions with the Next 15 Board.

Priorities for FY23
- Continue our cadence of meetings with Brand CEOs.
- Put in place processes and procedures to ensure the brands interact with the Next 15 Board and Head Office function to get the right level of support, guidance and appropriate governance levels.

Section 172(1) statement

The Directors are fully aware of their duty to promote the success of the Company for the benefit of its members as a whole in accordance with section 172 of the Companies Act 2006, and in doing so to have regard to the matters set out in section 172(1) (a) – (f). as set out below:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between shareholders of the Company.

Directors receive training to ensure they are aware of their responsibilities in making decisions. In coming to a Board decision there is a thorough process that is followed:

- Information is provided to the Board in the form of Board papers which provide the necessary information and state clearly what is required from the Board. The potential impact of various stakeholder groups will be included in such papers.
- The Board will discuss the papers, making sure there is sufficient information to ensure that actions are within strategy and will take into account section 172 factors. If there is not sufficient information, management will be actioned to provide further input.
- Once the Board is satisfied that it has taken into account the section 172 interests it will make a decision and any actions will be documented.
- Board decisions are communicated to stakeholder groups as required.

Engagement with our stakeholders is detailed on pages 28 and 29 as well as in the Corporate governance statement on pages 74 and 75.

The principal long-term risks to the Group are set out on pages 54 to 63, together with the mitigating actions explained on those pages detailing how the Directors consider those risks and the resulting actions taken.

Set out below are examples of how the Board considered certain matters and reached decisions, demonstrating how they had regard for section 172 when discharging their decisions during the year:

ESG strategy

Matters discussed

The Board determined that there was a need to communicate a clear ESG strategy to stakeholders.

Section 172 considerations

(a) (b) (c) (d) (e)

How the Board considered section 172

The Board was aware of the increasing importance of ESG matters to shareholders, employees and clients and the need to set a strategy and communicate this effectively. It sought advice from external advisers in reviewing the ESG approach to date and planning the next steps required to develop a robust ESG strategy. The external advisers took counsel from the Board, employees of the business and major investors and helped draft the ESG section of this report to ensure it was appropriately communicated.

Outcomes

- Various ESG initiatives developed, as set out in this Report.
- Remuneration Committee to consider ESG objectives for Executive Directors in FY24.
- Decision taken to set up a Board ESG committee to oversee the development and delivery of a robust ESG strategy in FY23. This strategy will be underpinned by KPIs and targets for each of the priority areas identified as part of a materiality assessment.

See also:

ESG report p33

Corporate governance p64

Recruitment decision considering section 172 matters

We have partnered with the interim lawyers and paralegals service provider Flex Legal to take part in their Flex Trainee scheme. The scheme attempts to solve a number of legal industry-wide problems, by helping deserving future lawyers from disadvantaged backgrounds qualify. Alongside many well known brands, Next 15 is taking on a candidate for at least a year of their qualifying work experience. At the end of the year, the candidate will either stay on for a second year or move to another in-house team.

Flex is partnering with Barbri, who will deliver the prep for the Solicitors Qualification Exam (SQE) to trainees while they work. It sourced its trainee candidates, all graduates with an interest in a legal career, through two social mobility charities, Strive and Talent Tap. Flex interviewed 25 hopefuls before selecting the final six, and we were delighted to welcome our first trainee in 2021.

The Solicitors Qualifying Exam (SQE) is a new route for law graduates to become solicitors and it is a great move forward for the legal profession. It will allow inhouse paralegals to become qualified solicitors more easily. We are pleased that our employed paralegal will also qualify via this route. Next 15 is happy to be part of this exciting scheme which is at the heart of our commitment to equity, diversity and inclusion.

Acquisitions through the year

Matters discussed

The Board discussed a number of potential acquisition targets as either stand-alone acquisitions or bolt-ons to existing businesses.

Section 172 considerations

(a) (b) (c) (e)

How the Board considered section 172

The Board receives a rationale paper from management setting out the ways in which the target business adds value to Next 15 and how Next 15 can add value to the target business. It considers how it fits into the long-term strategy of the Company, whether it is earnings enhancing and the payback period. Any employee issues will be highlighted and considered.

Following due diligence, which covers commercial, financial, employment, technology & data privacy, legal and ESG, a report is prepared for the Board to consider the findings and approve if the transaction should proceed.

Decisions were made to not pursue certain acquisitions due to the outcome of due diligence which identified that the target business would not fit with our values, culture or level of maturity.

Outcomes

- The Company has made a number of acquisitions that add capabilities and services to existing brands.
- The Company acquired Shopper Media Group which brings new capabilities to the Group in terms of monetising retailers in-store and online media as well as helping FMCG companies optimise their ability to activate consumers.

Decision to work towards B Corp

Matters discussed

The Board considered whether working towards B Corp certification was right for the Company.

Section 172 considerations

(a) (b) (c) (d) (e)

How the Board considered section 172

The Company is values-driven and has been investigating the B Corp certification for a while. It had to consider if the B Corp certification is in the best interest of all stakeholders. It was acknowledged that B Corp certification is much broader than just a single social or environmental issue and the view of the Board was that it should help to build trust with all of its stakeholders, whether they are shareholders, employees, customers, suppliers or the community generally.

Outcomes

- The Company has established a B Corp Champions Group of colleagues from around the business who regularly meet to move forward the B Corp certification process.
- Actively make decisions through the lens of section 172 and B Corp

The voices of the next generation have become increasingly insistent on issues such as climate change, inequality and circularity. So, how should we change the way we do business?

ESG report

Why ESG is important to Next 15

Tim Dyson
Chief Executive Officer

Last year we made a public commitment to becoming more values-driven. While we have long been led by our values and our desire to do the right thing, until then we had not articulated that aspiration formally.

This, our first dedicated ESG (Environment, Social and Governance) section in our annual report, summarises how we're applying an ESG lens to all aspects of our business model and how we intend to extend that ambition in the months and years ahead.

Our sector is fast beginning to understand its responsibilities as an influencer of culture and behavioural norms, and the key role it can play in creating a more sustainable world. This is an industry-wide challenge, and we intend to be at the heart of this transformation.

We took a significant step forward this year by committing to B Corp certification and by mapping our carbon footprint. There is still much to do, but we have a dedicated team, determined to ensure that we deliver growth for our customers while staying true to our values. The road ahead will likely be long and challenging, but we are excited for the journey and the opportunities it will deliver.

Tim Dyson
Chief Executive Officer
4 April 2022

Progress highlights from FY22

- Decision to work towards B Corp status and use it as framework for all ESG activities.
- Establishing an internal Ethics Group to help our brands make values-based choices about which clients and projects to take on.
- Undertaking Equity, Diversity & Inclusion ('ED&I') audits of every part of Next 15 and establishing a cross-Group council to drive action.
- Designing and beginning rollout of better supplier assessment for sustainability and ethics.
- Engaging carbon specialists Green Element to capture carbon data.

Our ESG priorities

The road to becoming a B Corp

In 2021, the Next 15 Board, with strong support from our investors and employees, approved our plan for B Corp certification. We chose B Corp for several reasons, the biggest of which were its focus on action, and its whole-company approach to environmental, social and governance topics. B Corp's heritage, authenticity and rigorous approach also convinced us that it would prove to be a genuine force for good and help us avoid meaningless box-ticking.

Support from our Board and brands for our B Corp journey has been overwhelmingly positive. In March 2021, we set up a B Corp Champions group of colleagues from around the business, meeting every six weeks to drive progress towards certification.

That the journey to certification will stretch and challenge us is a given, however we consider that to be one of the key benefits. Those involved are already finding the BIA (B Impact Assessment) questions invaluable for generating ideas and highlighting the linkages between environmental, social and governance issues.

Defining our ESG priorities

We have used the BIA and consulted with internal stakeholders to set Next 15's ESG priorities. In addition to pursuing our B Corp certification, our priorities are to:

- Support customers to improve their impact
- Reduce our carbon emissions
- Champion ED&I (Equity, Diversity & Inclusion)

In line with best practice, in FY23, we will conduct a formal materiality assessment to incorporate our stakeholders' views on the priority ESG topics for Next 15. We will share the outcomes of this assessment in next year's annual report. The B Corp framework – including Customers, Environment, Workers (called People throughout this report), Community and Governance – provides the structure for this section of the report.

> **"Becoming part of this amazing B Corp community is really important to us, but certification is only the beginning of the work we're going to do in this space."**

Tim Dyson

The Next 15 ESG strategic priorities

Use our business as a force for good by delivering sustainable growth for our clients

Customers

Support clients to improve their social and environmental impact

Work with clients who share our values

Place sustainable growth at the heart of our client conversations

Environment

Play our part in the low-carbon transition

Reduce our carbon emissions in line with a 1.5°C pathway

Support clients to play their part in the low-carbon transition

People

Put diversity and wellbeing at the heart of our work

Create a work environment where diversity is valued at every level

Champion diversity through our client work

Community

Support our local and global community

Support causes that are aligned with our values

Drive sustainability throughout our supply chain

Governance

Run our business as a force for good

Work towards B Corp certification

Acquire brands who can drive sustainable growth

Ensure Next 15 is a great place to work

Foster a culture of sustainability across the business

Champion transparency

“Our strategy is to deliver sustainable growth for our customers, placing diversity, community, wellbeing and the low-carbon transition at the heart of our work.”

Read the report

The Changing Faces of Business Growth

Our ESG priorities continued

Redefining growth

Next 15 is a growth consultancy. We help the world’s best companies with their growth challenges.

One thing is certain: growth is now about much more than mere financial results. Our strategy is to deliver sustainable growth for our customers, placing diversity, community wellbeing and the low-carbon transition at the heart of our work.

In July and August 2021, we reached out to our customers via e-mail and LinkedIn networks, to explore what growth truly means to them in a fast-changing world. 250 people responded, ranging from Marketing Managers to CFOs and CEOs.

We uncovered tensions between senior- and junior-level employees on what growth should mean, and how it is lived within businesses. And, perhaps most importantly, we discovered how diversity, sustainability, and employee wellbeing are all being placed front and centre in post-pandemic growth strategies.

We are still exploring what sustainable growth looks like in practice. But we are committed to building environmental, social and governance (‘ESG’) considerations into every area of our work with customers: through Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

Impact Area: Customers

We aim to support clients to improve their social and environmental impact

Working with values-aligned clients

Our decision to work towards B Corp certification was driven by our desire to make a positive impact on the world, and we want to work with clients who share our values and commitment. For that reason, we do not work with clients in the tobacco, pornography, weapons and ammunition, or fossil fuel extraction sectors, unless it is to help them materially change the course of their business.

However, determining if a project or potential new client is values-aligned isn’t always straightforward. That is why in 2020, we began tracking our revenue by sector.

ESG issues are often more complex than simply avoiding contentious sectors. There is also a strong case for helping companies in potentially contentious sectors to transition their operations in a more sustainable direction.

In December 2020, we established the Next 15 Ethics Group to provide guidance and support to help our brands make values-based choices about which clients and projects to take on.

Made up of senior leaders from Next 15 and our brands, the Ethics Group’s role is to:

- Act as a sounding board and actively participate in ethical debates
- Ask challenging questions
- Add knowledge and/or experience of a particular sector and its impact
- On occasion, provide a clear decision where there is a disagreement between stakeholders

In the coming year, we will encourage employees to use the Ethics Group through a Group-wide communications campaign. As part of our drive towards greater transparency, we will continue to monitor and report our revenue by client sector.

Helping clients to improve their social and environmental impact
Marketing has been a positive force in recent history. In the 1950s, it inspired the post-war generation to imagine a better world. However, in helping to define what is normal and aspirational, marketing has become a driver of mass consumerism, inequality and carbon emissions[1].

This tension between the role of marketing in driving growth for clients and the reality of finite planetary resources is something that the industry is only just beginning to explore. We believe that marketing has an unrivalled opportunity to inspire sustainable lifestyles.

Creativity is urgently needed to help people imagine an exciting, more sustainable tomorrow. In FY23, we will begin to explore how we can partner with others to address this at an industry level.

As a business, we are evolving from execution to strategy. We are increasingly asked by clients to help shape the brief, and to apply our skills to help them solve strategic challenges. The following case studies illustrate how we have helped clients to make a positive impact.

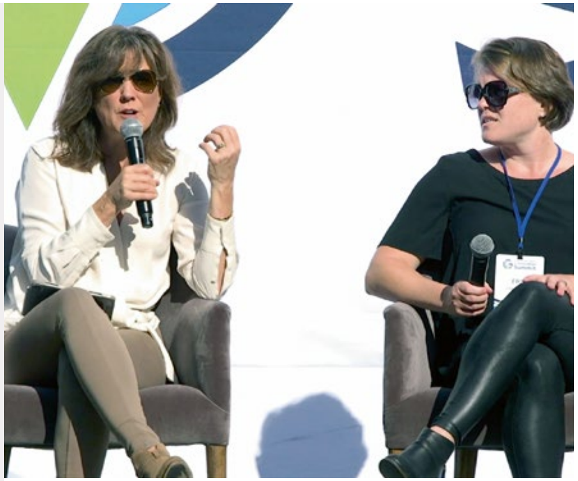
Mach49

Accelerating growth in sustainable solutions
Mach49, the growth incubator for global businesses, was founded on the belief that, through venture building and venture investing, businesses can solve the world's most pressing problems, including climate change, water, poverty, health, and education.

The company has seen an influx of activity in Environmental, Social, and Governance ('ESG')-focused investments as the global push for a clean energy economy, including the US Government's plan to cut greenhouse gas emissions in half by 2030, drives resources towards climate solutions and sees start-ups and large corporations both doubling-down on green solutions.

Last year, sustainable investments in the US alone jumped to US$17.1 trillion, up 42% from 2018. Sustainability and ESG-focused corporate venturing is the fastest growing sector of Mach49's business. Notable clients include Airbus, Goodyear, Halliburton Labs, Hitachi, Schneider Electric, TDK Ventures and Xerox.

With a focus on execution, Mach49 partners with clients to bring their sustainability initiatives to market. As Linda Yates, Founder and CEO of Mach49 observes, "We have entered into a new era of cleantech investment."



Above: Linda Yates, Mach49 CEO, with Erin Spring, Head of Corporate Investing and Venture Building at Goodyear, at the GCVI summit

1. https://www.next15.com/about-us/b-corp-journal/

ESG report continued

Beyond

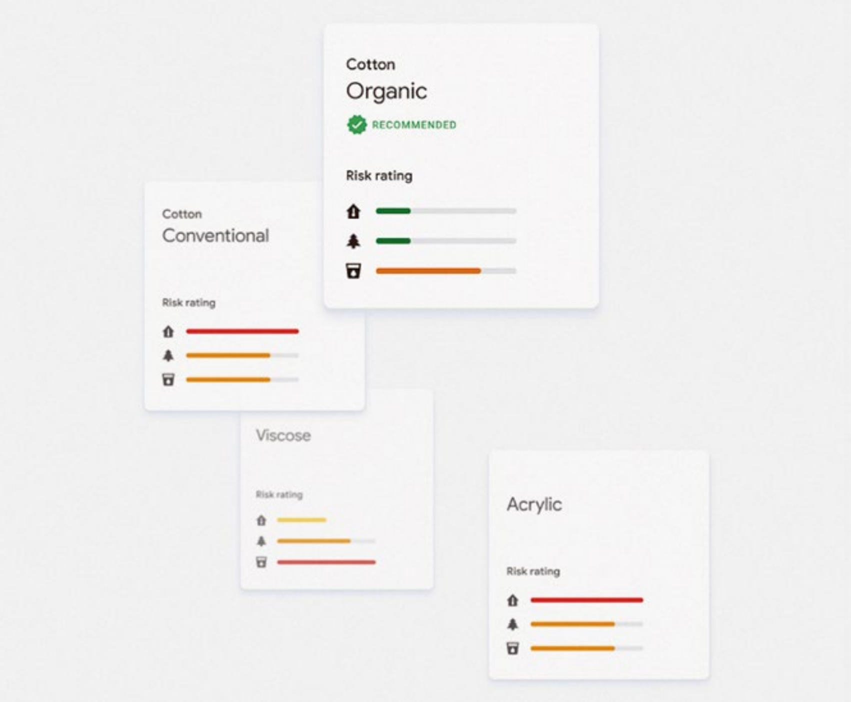
The Global Fibre Impact Explorer

The fashion industry is one of the largest contributors to the global climate and ecological crisis, accounting for up to 8% of global greenhouse gas emissions[2] and using around 1.5 trillion litres of water annually[3]. Other concerns include chemical pollution, the rising levels of garment-related microplastics in the environment, and the fair and ethical treatment of workers in the supply chain.

A large proportion of the environmental impact of the fashion industry occurs at the raw materials stage of the supply chain, in the production of fibres for fabrics. However, when brands source these materials, they often have little to no visibility of their environmental impact.

Next 15 brand, Beyond, is the digital agency that Google commissioned to develop its Global Fibre Impact Explorer ('GFIE'). Born out of a partnership between Google and the WWF, the GFIE will help brands to make more sustainable sourcing decisions. The tool will also provide recommendations on how to address issues through individual company and collective action.

Google and WWF are now transitioning GFIE to Textile Exchange, a global non-profit focused on positively impacting climate through accelerating the use of preferred fibres across industry. Textile Exchange will work towards an industry launch in 2022[4].



2 https://blog.google/outreach-initiatives/sustainability/helping-fashion-brands-make-more-sustainable-decisions/
3 https://www.theguardian.com/fashion/2020/apr/07/fast-fashion-speeding-toward-environmental-disaster-report-warns
4 https://blog.google/outreach-initiatives/sustainability/helping-fashion-brands-make-more-sustainable-decisions/

ELVIS

Cadbury Creme Egg – The Golden Goobilee

Next 15 brand ELVIS, developed a through the line campaign to mark the Creme Egg's 50th birthday. With inclusivity at its core, the campaign launched with a 60-second film featuring a diverse group of people.

In casting the couple seen sharing a Creme Egg, the team searched for a real-life, same-sex couple to improve the representation of this often and underrepresented community within advertising. They also cast someone with a physical disability to help normalise the conversation around this subject. There was diversity of talent behind the camera too: 54% of the crew identified as female and/or black, Asian, or minority ethnic.

While the talent in the ad represented a range of diverse characteristics, press and consumer interest centred on the scene featuring a same-sex couple.

The Advertising Standards Authority received a petition against the ad signed by 30,000 people, and over 40 complaints. However, the ad also received significant levels of support. A Change.org petition attracted almost 50,000 signatures. It was also nominated for the British LGBT Awards.

The petition to boycott the ad shows that the diversity conversation in the UK is far from settled. However, the campaign also succeeded in generating a strong ROI for the client and sparked an important debate about representation in advertising.

ESG report continued

Savanta

The Savanta Eco Index

Change relies on insight. And powerful insights begin with good data. In order to support their customers in the transition to the low-carbon economy, in 2020, Savanta launched their first Eco Index survey to explore public attitudes and expectations on climate change.

Repeated in 2021, the Index sought the views of 6,000 respondents in the UK, US, and Canada.

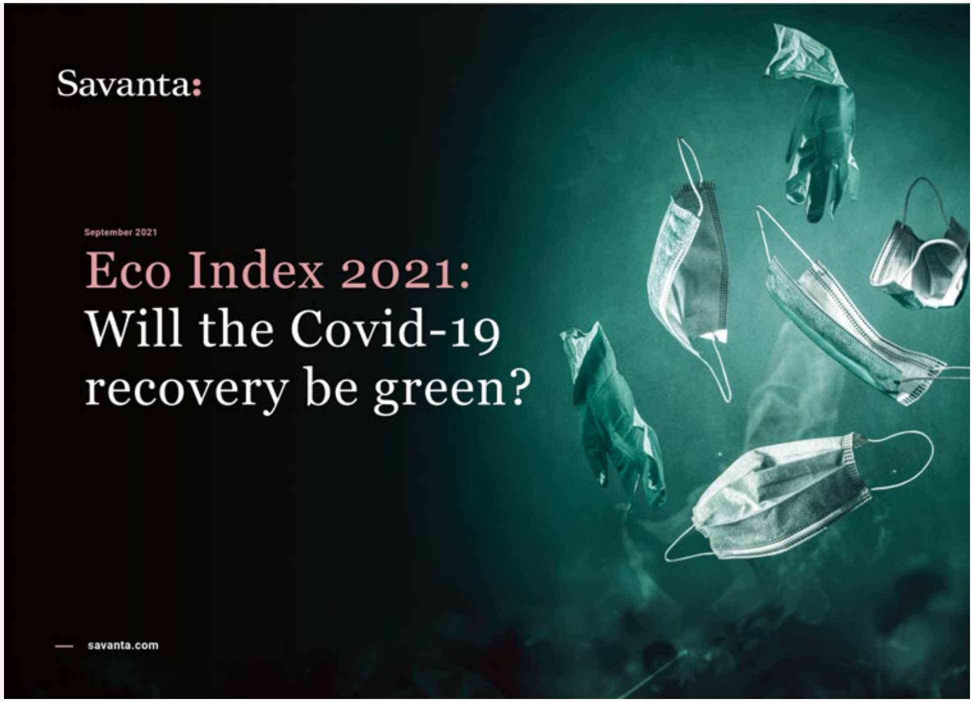
There is clear consensus that climate change is already harming the world around us, and the majority are concerned (67% UK, 66% Canada, 59% US). Gen-Z, who by 2050 will likely experience more impact in their lifetime than other generations, are the most concerned (72% UK, 70% Canada, 69% US).

On the subject of who should take the lead in encouraging sustainability, the clear verdict is governments. Worryingly, though, the consensus is that countries won't meet their 2050 net-zero emission targets (51% Canada, 47% US, 46% UK).

Second on the list of who should take responsibility is the public, with businesses third. However, in the UK in particular, this is a close call (16% public, 15% businesses). While governments are expected to set the national agenda, brands must prepare for the public to hold them accountable.

With three-quarters of respondents (80% Canada, 78% UK, 76% US) believing that businesses use environmentally friendly credentials to promote their image, without taking real action, there is work to be done to build trust.

The 2022 report will be published in spring 2022 and directly address how brands can build trust, and support customers to make sustainable choices.



Read the full 2021 report here:

UK report

Americas report

Impact Area: Environment

We aim to play our part in the low-carbon transition

Climate action

In last year's annual report, we committed to establishing climate impact goals. In February 2021, we engaged an external partner, Green Element, to measure our scope 1 and 2 emissions (including electricity and gas) and elements of our scope 3 emissions (including water, waste, commuting and business travel) with a view to setting robust carbon reduction targets in line with the Science Based Targets initiative's reduction trajectory. See charts on page 43.

We already have a target for FY23 to reduce emissions by 13% CO_2e per person from our FY20 baseline, and are on-track to achieving it. Our focus over the coming year will be to support our brands to both set science-aligned carbon targets and deliver against them.

While reducing our carbon emissions is our first priority, we are also developing an offsetting strategy for residual emissions. Our commitment here is that any offsetting we do is robust, proven, and independently verified. Our offsetting strategy will apply to Next 15 and all of our brands.

Changing the way we work

With our people working from home more often, we have consolidated our offices in the UK and US over the last year from 47 to 41, reducing costs and our environmental footprint. We will continue to consolidate our office space in FY23.

Business travel was dramatically reduced as a result of the pandemic. We have found new ways to work and do business and while our business travel may increase slightly once all travel restrictions have ended, we will continue to encourage our employees to avoid all but essential business journeys. A centralised booking system will be rolled out in FY23 that will provide us with greater oversight of our travel-related emissions.

Our Environment Policy sets out our environmental commitments and applies to home and office-based working.

2 https://blog.google/outreach-initiatives/sustainability/helping-fashion-brands-make-more-sustainable-decisions/
3 https://www.theguardian.com/fashion/2020/apr/07/fast-fashion-speeding-toward-environmental-disaster-report-warns
4 https://blog.google/outreach-initiatives/sustainability/helping-fashion-brands-make-more-sustainable-decisions/

ESG report continued

Impact Area: Environment continued

Understanding the scale of our emissions

As a business, our emissions come from our direct business operations (offices, home-working, business travel) and indirect emissions such as production, media and data processing.

We acknowledge that, through our client work, we have some influence over carbon emissions beyond these – for example, carbon emissions resulting from the growth of our clients.

Our sector is only just starting to grapple with the implications of these emissions. We are keen to work with our peers in the industry, and with our clients to understand how we can develop a unified approach.

We are in the process of measuring our direct emissions. We have set the boundary of what is included within our current footprint based on several factors including the level of impact, ability to take action and availability of information.

Environmental management

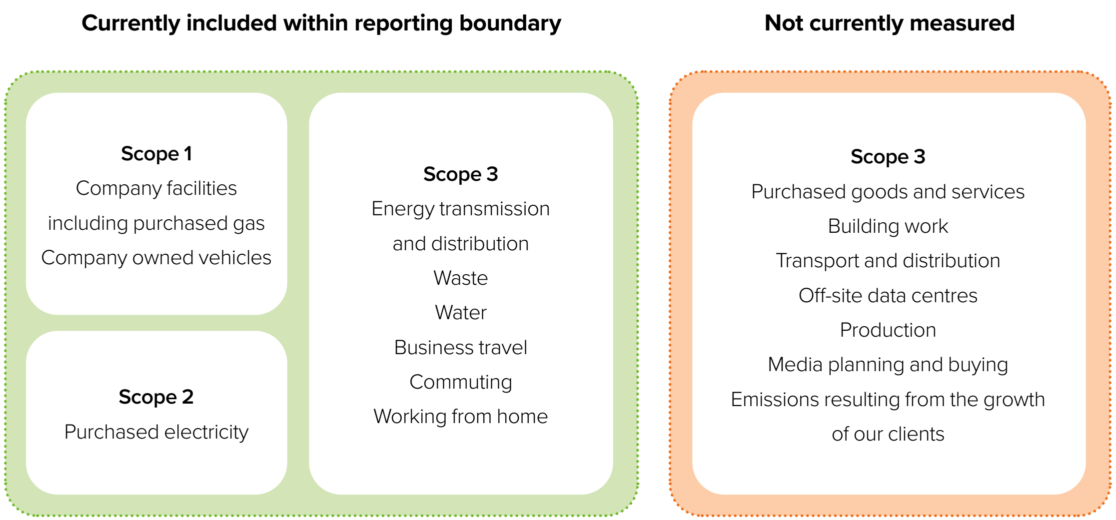
While we believe climate change to be amongst our priority issues (which will be reviewed as part of our forthcoming materiality assessment), we are also concerned about materials use, water and biodiversity.

Water and waste

We have included water and waste emissions in our Scope 3 total emissions per brand calculations.

Over the past 12 months, we have worked with Next 15 office managers and landlords to collect data on water usage and waste. Based on total office space, we have actual data on water usage for 46% of Next 15's offices. On waste, we have data for 62% of Next 15's offices. We have included water and waste emissions in our Scope 3 total emissions on page 45. Our aim is to move to complete data in the coming years.

The consolidation of our office space, combined with home and hybrid working, has reduced the volume of water used by 90% and waste generated by 80% since FY20. While this is welcome, we want to understand what more can be done to manage these impacts. To that end, as part of our six monthly quantitative data collection, we speak to office managers about opportunities to improve energy, waste and water efficiency.



Water and waste reduction measures

The majority of Next 15 offices implement a range of measures to reduce water and waste, including:

Water

- dual function flushes in washrooms
- low-flow and motion sensor taps, toilets and urinals
- air tap spray heads in kitchens
- flow restrictors on showers and taps

Waste

- employees encouraged not to print unless essential
- printers default to double-sided, black and white
- facility-wide recycling collection points for all standard materials and waste streams
- additional recycling schemes provided for e.g. printer cartridges, coffee pods, and batteries

UK and North America emissions per year

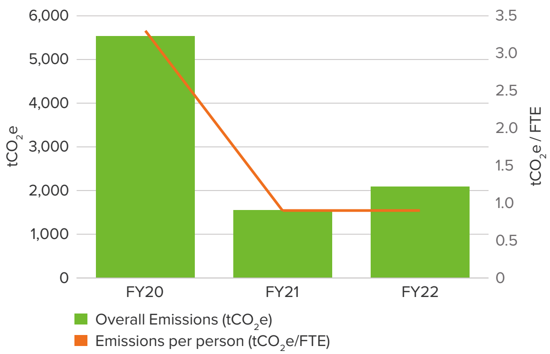
Since the baseline year of FY20, there has been a significant reduction in the emissions associated with measured activities as a whole and when normalised per full-time member of staff. Overall, compared to FY20, emissions have decreased by 62% and per person by 71%.

During FY22, we can see that the majority of emissions for the Group was due to business travel, 50% of emissions. This increased compared to FY21, but decreased by 71% compared to pre-pandemic levels in FY20.

Working from home forms the next largest source of total emissions, contributing 31%. The remaining emissions were related to company facilities which was 15% and commuting which was 4%.

The following table shows our UK and North America emissions from the sources currently measured. We are in the process of collating our Europe, Africa and Asia Pacific emissions.

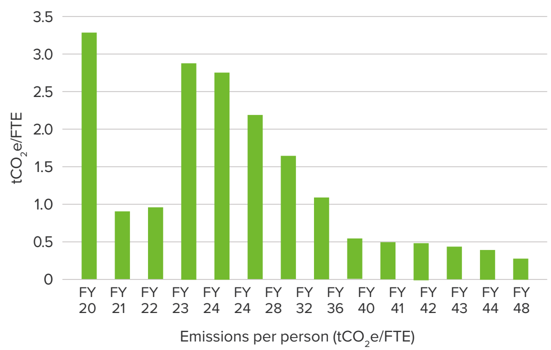
	Overall Emissions (tCO_2e)	Emissions per person (tCO_2e/FTE)
FY20	5,535	3.3
FY21	1,556	0.9
FY22	**2,092**	**0.9**



UK and North America emission reduction targets (tCO_2 e/FTE)

We have currently set near-term targets for FY30 to reduce tCO_2e by 42% (against a baseline of FY20), aligned with the Science Based Targets initiative's reduction trajectory. The change in working patterns due to the pandemic has meant that we achieved the FY21 and FY22 targets in the two years since the baseline was set. This target will be reviewed annually.

	Reductions achieved to date
FY21	-73%
FY22	-71%
	Future targets aligned with SBTi
FY23	-13%
FY30	-42%



Impact Area: Environment continued

Streamlined Energy and Carbon Reporting ('SECR')

Next 15 has reported Scope 1 and 2 (and associated Scope 3) greenhouse gas ('GHG') emissions in accordance with the requirements of SECR. This includes emissions for the 12 months to 31 January 2022.

Methodology

Responsibilities of Next 15 and Green Element

Next 15 was responsible for the internal management controls governing the data collection process. Green Element was responsible for data collection, data aggregation, GHG calculations and the emissions statements. Emissions were calculated according to the Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard. Data was gathered from exact information where possible, with some information based on pro-rata extrapolation where verifiable data was not available.

Scope and subject matter

The report includes sources of environmental impacts under the operational control of the Next 15 Group in the UK. This includes two UK organisations in FY22:

- Next 15
- Savanta

In accordance with the UK Government's Environmental Reporting Guidelines, these companies meet the mandatory reporting requirements and others within the Next 15 Group have not been included.

GHG sources included in the process:

- Scope 1: Natural gas for energy generation (there was no gas usage in either Next 15 or Savanta offices)
- Scope 2: Purchased electricity (location-based method)
- Scope 3: Business travel in employee owned or hired vehicles

Types of GHG included, as applicable: CO_2, NO_2, CH_4. The figures were calculated using DEFRA conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

Energy efficiency action

During the reporting period, we have continued to focus on ensuring our offices are using a low baseload of energy during periods of low occupation. Several sites, including our Head Office, have now moved to renewable electricity supply. We have undertaken energy audits of several offices with the aim to implement the recommendations during the coming year.

Streamlined Energy and Carbon Reporting ('SECR')

Next 15 SECR FY2022 mandatory reporting, as follows:

Energy consumption used: (kWh)	UKFY 2021	**UKFY 2022**
Electricity (kWh)	99,545.9	**58,502.3**
Gas (kWh)	15,116.5	**20,900.7**
Transport fuel (kWh)	—	**—**
Other energy sources (kWh)	—	**—**
Total	114,662.4	**79,403.0**

Emissions (tCO_2e)	UKFY 2021	**UKFY 2022**
Scope 1		
Emissions from combustion of gas	2.8	**3.8**
Emissions from combustion of fuel for transport purposes	—	**—**
Scope 2		
Emissions from purchased electricity – location based**	23.2	**12.4**
Scope 1 & 2		
Total Scope 1+2 emissions (location-based method)	26.0	**16.2**
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	—	**—**
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location based	5.8	**5.3**
Total location based tCO_2e	31.8	**21.5**

Intensity ratios	UKFY 2021	**UKFY 2022**
Number of full-time employees within financial year (FTE)	302	**300**
Intensity ratio: tCO_2e from Scope 1,2 and 3 (fuel for business travel only)/FTE (Location Based)	0.11	**0.07**

Certification

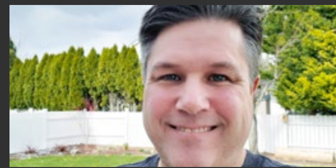
Calculated as accurate by Green Element Limited and Compare Your Footprint Limited, UK

* tCO_2e is tonnes of carbon dioxide equivalent gases.

** Location-based electricity (Scope 2) emissions using the average grid fuel mix in the region or country where the electricity was purchased and consumed. For SECR, location based is mandatory.







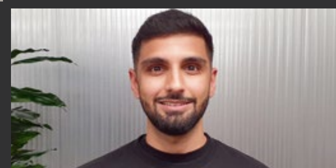
Talent all over the world

The best people in the best roles, no matter where they live







Impact Area: People

We aim to put diversity and wellbeing at the heart of our work

At Next 15, our success is fundamentally driven by the talent and effort of our workforce. That is why we put our people first. We want our people to live our values in everything we do. From the experience of working with us, the value we bring to our client work, to the diversity of their colleagues.

We have four clear priorities:

- ED&I (Equity, Diversity & Inclusion)
- Fair remuneration
- Progressive policies
- Staff attraction, engagement and retention

Equity, Diversity & Inclusion ('ED&I')

Our goal is to create a work environment where everyone can bring their whole selves to work every day, where inclusivity is baked into our culture at every level. We understand that change of that magnitude will take time, however, this journey started many years ago when we set out to ensure our Board was gender balanced. We currently have a majority female Board including a female Chair.

In FY22, we continued that journey. We created new frameworks to underpin all our businesses and embed the changes we need to make. We also began tracking our diversity data.

In May 2021, our external partner Bold Culture completed ED&I audits on all our brands. The conclusions were shared with the Board and brand CEOs in July 2021.

Above: Next 15 employees in the Bermondsey Street office volunteering to collect and recycle litter in the local area.

Strategic framework

Focusing our attention on the sum of the parts – leadership, inclusion, equality, openness and belonging – provides a strategic framework for which both Next 15 and brands can be responsible and accountable.

Leadership	Inclusion	Equality	Openness	Belonging
Increase diverse representation in leadership roles and future skills	Build accountability for inclusion into our DNA through applying an inclusion lens to everything we do	Enable equality of opportunity through transparency and fairness in processes and system	Tackle bias and discrimination to ensure a great environment for every individual	Understanding of the value our people bring and why their contribution matters

Impact Area: People continued

Equity, Diversity & Inclusion (ED&I) continued

Using the insights from the audits, we created a strategic framework based on the five pillars of: Leadership, Inclusion, Equality, Openness, and Belonging. Through the framework, we then set out the first milestones on our journey to become a more inclusive organisation, and how we will use our audit data to monitor and report on our progress.

ED&I Council

In August 2020, we set up an ED&I Council. Comprising 27 people from across the brands and representing all levels of business and industry experience, it provides diversity of thought, race, ethnicity, gender, sexual orientation and disability. Chaired by Next 15 HR Business Partner, Florence Paloschi, the ED&I Council acts as our internal indicator of change, reporting on activity and measuring the adoption of new processes and programmes.

Inclusive hiring

Next 15 employees have received Diversity and Inclusion awareness. All brands have adopted inclusive hiring practices and, depending on their journey, have been offering inclusive hiring training, anti-bias training and training on being an ally. In the coming months, a strategy to embed inclusivity across the Group will be created as the full set of audit data becomes available.

In FY22, we began producing a monthly People Dashboard. This provides a snapshot of staff turnover, EEO data, and gender split per level within the organisation. This data also allows us to create stronger strategic people plans and highlight areas of risk as well as develop benchmarks for best practice. The dashboard is evolving as more data becomes available to include elements such as pay gap, age and turnover by length of service.

Fair remuneration

We believe in fairness, which is why fair remuneration is one of our priorities. Next 15 benchmarks remuneration across the Group, and provides guidance on the topic to our brands. As our brands and markets are diverse, it is often challenging to standardise compensation packages. For that reason, brands retain the freedom to give discretionary bonuses and/or incremental benefits on a fair and equitable basis.

We pay above minimum wage in all jurisdictions and, where applicable, living wage for an individual.

Progressive policies

Policies are important because they communicate an organisation's culture, values and priorities. They also ensure a fair, standardised approach across the Group.

An extensive review of people policy was concluded in 2021 as part of the project to revise and update the employee handbook. Appropriate policies and procedures are in place to ensure the Group complies with relevant legislation and regulations, along with guidance around hybrid working, global mobility and inclusive practices. In FY23, the Next 15 Academy, an online learning platform, will be used to update standard policies when applicable, as well as introduce any new guidance required to operate in a post-Covid environment.

> **"An investor recently asked me who was the most important: customers, shareholders or employees. Our people are the most important. If they love what they do, are well rewarded and feel supported by the organisation to build a great career with us, then they will build a phenomenal business. And that phenomenal business will be good for everyone."**
>
> **Tim Dyson, CEO**

Staff attraction, engagement and retention

Our people are at the heart of everything we do. A key pillar of our business strategy is to use our growth expertise internally to create an environment in which highly talented teams can deliver their best work.

The events of 2020/21 have reinforced our belief that a diverse and inclusive workforce is not just a social good, but a commercial advantage. Fair practices in hiring and talent development, as well as maintaining safe and supportive company cultures, are key to the Group's success.

The scale of the environmental crisis and growing awareness of societal inequality is something our people care deeply about. Without demonstrable action, there is a risk that we will struggle to retain and recruit talent, as well as retain and win innovative, sustainable clients. We have always sought to be a great place to work and we will continue this focus in FY23.

Succession planning

During a year that has continued to be disrupted by the pandemic and where markets have experienced what has been labelled 'The Great Resignation', succession planning has been a key area of discussion and focus.

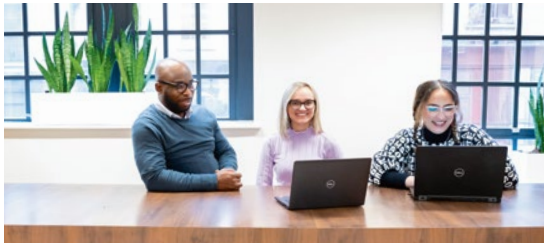
FY22 has seen only slightly higher than average turnover across the Group and our growth has introduced new challenges and opportunities. We have new talent as part of acquisitions and this has increased our pool of emerging leaders.

An active succession planning and talent management strategy is important to ensure that we are not vulnerable to business disruption from the loss of key personnel, and it is a priority to build on our plans for FY22.

Training and development

Next 15 understands that the expectations of employers and what employees want from a job is changing and a failure to evolve may result in a loss of key talent or a lack of experienced talent filtering up the business. We are therefore committed to developing our staff and helping carve out a career within the wider Group if so desired.

The introduction of the Next 15 Academy, a learning management system, allows every brand to customise their learning space. Brands will also benefit from the shared content created across the Group which is integral in building an accessible learning culture for the entire organisation.



ESG report continued

Impact Area: People continued

Supporting our people

The pandemic changed the way the world operated. We supported our people to work from home, providing all the necessary kit for safe working. Where local conditions allowed, we opened selected offices to provide safe working space for anyone unable to work from home. Many people took the opportunity to re-evaluate their careers and lives during the pandemic. The dawn of truly flexible working combined with homeschooling, caring for family members or generally struggling with personal health and wellbeing, has made this a necessity for some of our people and we have adapted accordingly. Our philosophy is to provide the freedom to people to manage workloads and support them to be the best versions of themselves.

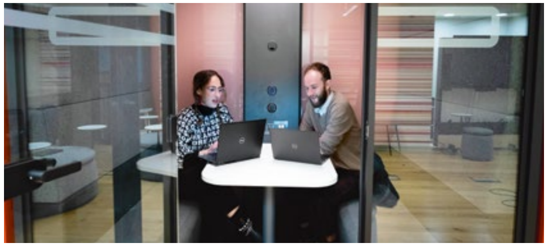
As a Group, the introduction of remote working has meant that we've been able to hire people from different communities and backgrounds where we may not have been their employer of choice due to our location and work styles pre-pandemic. For instance, people who may not have gone to university, but have years of experience or relevant skills, and women who may have not come back to work because of childcare restrictions but can now work from home.

While we anticipated a greater demand for part-time working, in many cases the data shows the opposite trend – employees moving from part-time to full-time hours now that the necessity of commuting has been removed. Anecdotally, we know our people have also enjoyed volunteering within their local communities.

Employee engagement

Knowing what our people think and feel is key to our growth as a Group. Our businesses monitor engagement and act on feedback in a variety of different ways, including yearly engagement surveys, pulse surveys, 360-degree appraisals and central reporting of HR issues. We have worked to centralise data and reporting so we can correlate people trends with other business metrics. In FY23 we are planning on sending out a survey to brands to establish our employee net promoter score and report progress against targets on a consistent basis.

A number of incentive arrangements operate across the Group to reward colleagues for the contribution they are making, as a result of their efforts to grow the business. We keep our incentives under frequent review to ensure that they drive the right behaviours within our businesses. Employees are kept informed of the Group's financial performance via our internal communications channels.



Impact Area: Community

We aim to support our local and global community

No organisation exists in isolation. Next 15 remains passionate about using business as a force for good for our people, communities, customers, environment, and shareholders.

Using the B Corp impact areas as our guide, this section on Community includes both the communities in which we operate, and the suppliers and distributors within our supply chain.

Community engagement

Next 15 promotes positive action within our communities. We know our people have many charities that are close to their hearts, so we support them through match funding and promoting causes local to hub offices. Brands also give time or money to local, national and international causes that are aligned to their values.

Volunteering

In August 2021, we partnered with onHand, a tech for good organisation that matches fully vetted volunteers with community projects targeting issues such as loneliness and food waste in London.

In FY22, Next 15 employees completed 84 missions in six months via onHand, supporting organisations including, the British Red Cross, The Trussell Trust, and Hubbub. Feedback from volunteers has been overwhelmingly positive. While the individuals using the service benefit from the support, Next 15 and other corporate partners benefit from the boost to employee wellbeing brought about through contribution.

In FY23, while we plan to extend our volunteering with onHand, we will begin the search for a volunteering partner in the US.

Ethical procurement

We rely on our suppliers for the products and services we need to keep our business running. The Group has a zero-tolerance approach to practices which are at odds with our values and culture, for example corruption, bribery and modern slavery.

We are committed to acting ethically and with integrity in all business dealings and relationships and to implementing and enforcing effective systems and controls to ensure such practices are not taking place anywhere in our businesses or supply chain. We believe in treating our suppliers fairly, for example by ensuring that we pay promptly.

Last year, we began the process of auditing our suppliers to establish how local, diverse and compliant with laws and regulations they are. From February 2022, all material global suppliers (as measured by spend), will be asked to complete a new online questionnaire. All new suppliers will also be asked to complete it as part of the onboarding process.

We will engage with any suppliers not fully aligned with our ethical, social and/or environmental values and we will work with them on a programme of improvement, requiring defined progress in an agreed timeframe.

Impact Area: Governance

We aim to run our business as a force for good

Effective governance is critical to the long-term success of the Company. A number of shareholders say they want us to show clearer leadership on Environmental, Social and Governance ('ESG') issues. Our response includes providing a transparent insight into our ESG activities in our annual report for the first time.

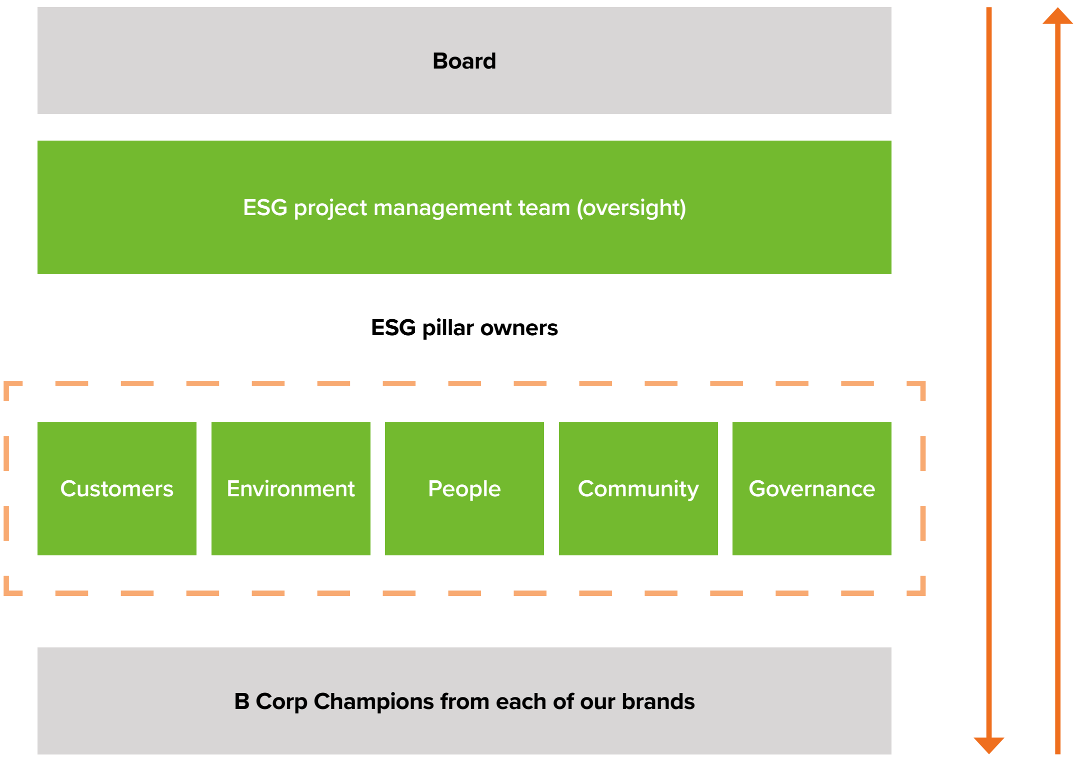
This section focuses on ESG governance. You'll find the corporate governance report on pages 68 to 75. The Chair's corporate governance statement, which sets out how the Directors have engaged with the Group's shareholders, employees and wider workforce, customers, suppliers and wider communities, and the environment, is available at www.next15.com

Transparency and disclosure

We want our shareholders to have confidence in the decisions we make about running our business. We also want to be a role model for change, by going beyond disclosures required by law.

Transparency and disclosure are the cornerstones of robust ESG governance. Our focus for the coming year will be on setting KPIs (Key Performance Indicators) and targets for our priority governance issues.

ESG governance diagram



Acquisition and onboarding
Next 15 is an active acquirer of entrepreneur-led businesses. It is important to us that the businesses we acquire share our values. During the early stages of acquisition, the target company's ESG approach is considered and flagged to the Board.

ESG is a mandatory element of Next 15's integration and onboarding process. All brands are required to adopt policies, practices and training that will help the Group attain and maintain ESG certifications and standards.

Standardisation
We chose B Corp certification, in part, because it provides a robust framework and clear expectations. Next 15 brands have strong entrepreneurial and autonomous cultures, and we trust them to deliver ESG activities in their unique ways. Our journey to certification provides our brands with lots of opportunities to be involved and, by providing Group-level support on the more standardised, essential elements of policy and best practice, we free up our brands to focus on what they do best.

In FY23, ESG will become a more formal part of our corporate risk assessment process. In line with our commitment to greater transparency and disclosure, we will also focus on turning goals into targets and KPIs for next year's annual report.

How we manage our risks

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

Governance

At Next 15, our risk governance relies on defined decision and information flows, which recognise the diverse requirements across our brands while maintaining the overarching integrity of the governance hierarchy and decision rights for risk management.

Oversight of the effectiveness of our enterprise risk management approach lies with our Board of Directors. The Board is responsible for reviewing, monitoring and providing guidance on our overall approach to risk, but also on our legal and regulatory compliance, quality of our internal processes and industry best practice. The Board has oversight of our operations to ensure that internal controls are established and are working effectively.

Day-to-day risk management and control is the responsibility of the Group Executive Team. As part of their risk management responsibilities, Group management provide direction and leadership to the brands and Group-level risk owners so that they can operate in accordance with the Group's risk appetite.

Approach to risk management

We take an integrated view of risk management. In practice, this means that Group senior management own the design of the overall approach to risk (top-down), but the core of our assessments is expected to be produced at functional and brand level, where local risks are identified and mitigating actions are embedded (bottom-up). This combined approach supports effective operations in a continuously changing business environment.

Evolving risk management

As our business continues to grow and we expand our portfolio of brands, we want to ensure that our risk approach evolves at the same pace and continues to be fit for purpose. Over the coming year, we will be enhancing the Group-level risk framework to drive consistency of policy and practice across functions and brands and providing relevant support to our brands to reflect an increased awareness and maturity of their understanding of risk management.

Top-down risk process

At Group level, we consider the broad risk profile, identifying and assessing risks that impact our entire business. The bottom-up process augments our overall approach, as new local risks and themes may evolve to become Group-level risks.

As part of our top-down risk process, the Group Executive Team identified, assessed and prioritised our top 14 corporate risks, retiring those that no longer pose corporate-level concern and also including a new emerging risk register that captures risks that are likely to have near-future impact on our operations.

Emerging risks

In setting our strategic priorities, we carry out regular horizon-scanning exercises and rely on external insights, which support our management of our evolving risk profile. In addition to our principal risks, we also consider risks that are emerging and may bear impact on our business in the near to medium future. We identify such risks through ongoing review of our strategy (considering risks we have not previously mapped), keeping our finger on the pulse of external events, assessing findings emerging from internal and External Audit and other third parties we work with, and by taking part in knowledge sharing events in our industry.

This year, our emerging risks are:

- Climate impact
- Ability to professionally scale whilst maintaining entrepreneurial culture

Climate change is already affecting every layer of society, and some of its direct impacts are already partly mapped through our principal risk register. We are continuing to explore these trends in order that we incorporate and address any relevant risks and opportunities in business strategy.

We have grown significantly over the last few years and recognise that we need to scale our internal processes and systems appropriately to ensure we can continue to manage risks as we grow. We see this as an area where we will need to continue to be vigilant in order to match control with protecting the entrepreneurial culture that is at the heart of Next 15.

Bottom-up risk process

A bottom-up risk process drives the overall mapping of local and Group risks. As we evolve our risk framework, we have taken an interim approach to identify our bottom-up risks this year. Having undertaken an extensive risk assessment exercise at brand level the year before, this year our focus has been on a series of thematic risk deep dives across all brands, as well as broader audits of specific brands. The sampling aspect of the exercise captures a broad sample of relevant brand categorisations, so we are confident that we are getting a comprehensive view of bottom-up risks.

The Group Executive Team owns the overall risk management processes and directly reports to the Board on their approach and the risks identified.

Group Internal Audit provides assurance over the Group's control environment. The results of internal audit activities are reported directly to the Audit Committee and the risk-based internal audit plan is updated to respond to the risks faced by the Group.

Risk appetite

In addition to our revision of the overall risk management process, the Board has also refined our view of our risk appetite. All our principal risks this year have been scored against an agreed risk appetite scale. This approach allows us to have better visibility of where we need to invest resources to reduce risk (where we are risk-averse), or drive opportunity (where we have more open tolerances for risk).

Risk and strategy

Our newly articulated principal risks are detailed on pages 56 to 63. Our strategy was also renewed and revised in FY22. In the coming year, management will be formally bringing risk and strategy together in a meaningful way.

Board, Audit Committee and risk management

Group-level (top-down) risk process

At Group level, we consider the themes and risks emerging from the review of our bottom-up risk processes and augment this risk profile with Group-level risks that have been identified and are owned by our senior management.

Our risk profile

Current risks

These are the risks that we have identified as having a likelihood of disrupting the achievement of our strategic plans.

Emerging risks

These risks have been considered to have likely future impact on our business. We monitor these risks to understand when they need to move to our broader principal risk landscape.

What we evaluate

- **Likelihood and impact:** a consistently applied 5X5 scoring scale
- **Gross risk:** our risk score before we apply mitigating controls
- **Mitigating activities:** activities we undertake to reduce our risk
- **Net risk:** our risk score following introducing control activities
- **Risk appetite:** defined to reflect our openness to risk and our tolerance thresholds for such risk
- **Risk ownership:** each principal risk has an executive owner

Our risks

We have identified 14 principal risks across five broad categories:

- Four strategic risks
- Three operational risks
- Four financial, regulatory and compliance risks
- Three risks concerning people and our culture

Top-down design

Bottom-up process

Brand-level (bottom-up) risk process

A bottom-up risk process drives the overall mapping of local and Group risks. This year our focus has been on a series of thematic risk deep dives across all brands, as well as broader audits of specific brands to capture a comprehensive view of bottom-up risks.

The Board has evaluated the principal risks that are likely to affect the Group. These are described in the table on the following pages.

Principal risk	Potential impact	Our mitigating actions
Strategic risk		
Macroeconomic uncertainty and societal change There is a risk that external factors or changing societal trends impact the ability of the Group to deliver on its strategic objectives.	Our business and, more broadly, our industry are facing into an evolving and changing risk landscape generated through external conditions and shifting societal attitudes. In addition to the continued impact of the Covid-19 pandemic, which has directly and indirectly triggered a war for talent (a key consideration for our business model) and influenced the future of the ways we work, we are also facing into uncertainties around the impact of climate change and rapid technological disruption. Macroeconomic uncertainties of such proportions can have deep and lasting consequences for our business, including loss of revenue, talent and strategic control when we do not act quickly enough to adjust to these shifts. For some of our brands, the exposure will be more severe depending on their business model.	Although the threat to our business from this risk is considered high, we also consider the opportunity for competitive advantage in instances where we proactively manage this type of uncertainty. For this reason, our approach to this risk is multi-pronged: • We look for the opportunities that such risks bring. For example, stronger privacy laws are both a threat to some business models and an opportunity to create new ones; • We are investing in our technological infrastructure to develop new ways of working and secure our data and IP; • We continue to invest to drive our culture and values, whereby our people feel secure and valued even during periods of change and transition; • We continue to diversify our portfolio of brands to minimise overall impact at Group level, if a specific service or territory is impacted; • We evolve our Board strategy and three-point plans to consider potential macroeconomic risks; and • We maintain a conservative balance sheet to be able to absorb short-term economic shocks.

Principal risks and uncertainties continued

<table>
<tr><th>Principal risk</th><th>Potential impact</th><th>Our mitigating actions</th></tr>
<tr><td colspan="3">Strategic risk continued</td></tr>
<tr><td>Reputation and brand

There is a risk that an issue arises which attracts press or social media attention and damages the reputation of Next 15 or an individual brand in the eyes of our stakeholders.</td><td>Reputational risk is a considerable worry for most businesses, but for a business like ours built on trusted relationships it can be particularly damaging if we do not meet the expectations of our shareholders, clients and employees.

Negative media or social media coverage either at a Next 15 level or individual brand level could have a number of adverse consequences including:
• directly impact our share price;
• influence existing and future clients from doing business with us;
• curtail our ability to build our acquisition portfolio; and
• inhibit our ability to recruit and retain talent.</td><td>Because reputational risk can arise from various root causes, including project failure, working with clients who have their own reputational issues, poor financial performance and failure to live our own values internally, it can be difficult to control. However, managing the risk to our reputation is at the heart of our overall approach to risk and how we manage all the other risks set out here.

Our main tools for managing reputational risk include:
• Strengthening our corporate governance position and actively engaging with shareholders;
• Developing standardised policies and procedures that help our staff be responsible for day-to-day management of risks that could impact our reputation;
• Taking a centralised approach to data privacy and cyber and IT security controls. This area was strengthened this year with the appointment of an outsourced specialist Data Protection Officer; and
• Ensuring whistleblowing mechanisms are accessible to our employees to report any form of misconduct in the workplace.</td></tr>
<tr><td>Failure to innovate and evolve offering to customers and to attract acquisition targets

There is a risk that Next 15 may fail to innovate and evolve its product and service offering resulting in the business offering being less attractive or relevant to existing and new clients.

In addition a failure to support a culture of innovation may result in reduced appeal to acquisition targets, which in turn may impact our ability to scale our business.</td><td>As our business continues to grow rapidly, there is a risk that we do not prioritise and provide sufficient investment into the evolution of our service and product offering. This may stem from the fact that we are delivering significant volumes of work that address today’s issues for our clients, and we do not have sufficient time and resources to dedicate to growing future service lines. Additionally, we may not provide sufficient attention to the pace of disruption and technological change in our industry.

This risk may lead to a reduced ability to fulfil our strategy and business plan, inhibiting our ability to grow our market share. Additionally, if we are not perceived as innovation leaders in the field, we may suffer loss of client confidence and potential inability to continue to scale our business.</td><td>Managing this risk is critical to the overall success of our business and we do so through:
• Horizon-scanning so that we understand the likely future impact of new technologies, behaviours and regulations on our clients, people and brands;
• Continuous conversations with our clients to understand their emerging pain points;
• Fostering a culture of innovation through our Group and brands that aligns to our long-term strategy;
• Robust challenge by the Board of our management team; and
• Close monitoring and response to existing and emerging gaps in our personnel that may impact the ability of bringing in new ideas and skills.</td></tr>
</table>

Principal risk	Potential impact	Our mitigating actions
Reliance on key clients There is a risk that individual brands may become over-reliant on a small number of key clients, leading to a potential loss of revenue, shareholder value and talent, should they fail to retain that relationship.	An unexpected loss of a major client can have a significant impact on individual brands' and, potentially, overall Group revenue and profitability. The impact of this will depend on the particular brand involved and the nature of the client. The loss of a major client may create significant pressure if not replaced by new accounts or an increase in business from existing clients.	At Next 15, we work to diversify both our customers and suppliers, as well as put into place a risk management system that will help foresee future disruptions and prepare for them. A key feature of our risk management of this risk focuses on proactive steps, including: • Ensuring that our brands have good business development capabilities; • Monitoring customer concentration risk. Our Top 10 customers accounted for 22% of revenue in FY22 and no individual customer is more than 6%; • Keeping in regular contact with our key clients to ensure satisfaction regarding the quality of product and service offering; and • Supporting our brands in the scaling and growth of their businesses to ensure a diverse client portfolio.
Operational risk		
Cyber and information security There is a risk that we fail to maintain the confidentiality, integrity and availability of information and key systems.	A cyber-attack or data security breach could lead to a loss of customer, colleague or Group confidential data, business disruption, reputational damage and significant fines. The external threat vector and risk environment is challenging with increased levels of sophisticated cyber-crime, complex regulatory requirements and our use of several third parties. A failure to comply with the General Data Protection Regulation ('GDPR'), which came into force in May 2018, could result in significant penalties and could have adverse impact on customer confidence in the Group.	Next 15's Data Steering Group has the responsibility for overseeing data management practices, policies, regulatory awareness and training. This includes change management activities and a review of third parties managing data on our behalf. We have also appointed a Data Protection Officer, who is responsible for providing a breadth of subject matter expertise and oversight of the Group's data privacy programme. We continue to ensure that information security policies, procedures and controls are in place, including encryption, network security, systems access and data protection. This is supported by ongoing monitoring, reporting and rectification of vulnerabilities and through: • Focused working groups led by the Infosec Team at Next 15 which review the management of data across the business including employee data, customer data, commercial data, financial data and the sharing of any data with third parties; and • Independent assurance through a cyber maturity assessment against the National Institute of Standards and Technology ('NIST') framework with targets to drive continuous improvement.

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions
Operational risk continued		
Rate of professionalisation of Next 15 There is a risk that our financial growth outpaces our ability to manage the risks we face and our requirement to deliver good governance.	Our pace of growth over the last few years has created a potential new risk of a mismatch between our financial scale and our ability to manage the risk we face. When seen at a brand level, individual risks can look manageable. But when aggregated to Group level they often require a joined-up response. For example, data privacy risks grow as we add more brands to the Group and we add new products and services. Data breaches will be assessed at the Group level rather by reference to the brand causing the problem. A further example is that existing management approaches can become ineffective as the Group scales and need to replaced by new structures that are consistent with our values whilst retaining control.	In making sure that our processes, systems and resource keep pace with our rapidly growing scale, we have a number of approaches in place to ensure we identify and manage risk: • Our overall risk management process highlights areas where gaps are likely to emerge between target risk and current net risk; • We regularly review Next 15 Head Office team's role and how it should be structured to deliver the Group's goals. A transformation roadmap sets out a series of strategic projects that aim to improve efficiency and reduce risks; • A design process for each project focuses on addressing where risks will be at our current scale of growth as well as addressing current issues; • Steering groups monitor project delivery and success in achieving their goals; and • We consult widely with our brands on new initiatives through a series of Group-wide forums.
Business continuity There is a risk of disruption to the efficient functioning of our business. These threats include any incidents or disasters that negatively impact our organisation.	We recognise the importance of the risk of disruption to business as usual to our operations at Group level and to our brands, as well as the impact of a cyber attack or critical incident that impacts a crucial contractor or supplier. Any period of sustained business interruption may directly or indirectly result in: • Loss of confidence in our business by our clients; • Reduced productivity of our employees in instances where critical operational infrastructure is impacted; • Damage to our Group and or brand reputation; • Regulatory fines; and • Financial impact, potentially leading to revenue losses.	At Next 15 we have an understandable reliance on our IT systems and people. In the event of an incident affecting business as usual, business continuity plans are in place. Additionally, we make use of a third-party testing of our IT systems and business continuity plans to gain extra assurance regarding the resilience of our operations in the face of an unanticipated event. To aid operational management as far as possible we use Software as a Service ('SaaS') tools to carry out our daily work. These are hosted services, rather than on-premise deployments, that we can access easily via a browser from any location. We have confidence in the SaaS providers we rely on and that their business continuity plans are robust. Periodic stress testing to determine the robustness of our physically located software is undertaken.

Principal risk	Potential impact	Our mitigating actions
Financial, regulatory and compliance risk		
Global tax There is a risk that our tax strategy fails leading to material tax compliance failures or uncertain tax positions. These could result in financial, legal, and reputational damage for Next 15 and management.	Tax liabilities in the territories in which the Group operates could increase as a result of either challenges of existing positions by tax authorities or future changes in tax law. Specifically, given the substantial operations in the US any changes in US tax policy could have a significant impact on the Group.	The Group has an in-house tax team to ensure compliance with tax legislation globally. Our in-house team are subject matter specialists on tax matters across different jurisdictions, and consistently horizon-scan for changes to existing legislation or emerging new regulations that may affect our tax strategy. We take external professional advice on our Group structure, including in relation to acquisitions and incentives. We take a position of not taking part in overly aggressive tax planning strategies.
Legal and compliance There is a risk that we fail to comply with key laws and regulations which negatively affect our business model.	The Group, and our brands, operates in multiple geographies and in an environment governed by numerous regulations including General Data Protection Regulation, competition, employment, bribery and corruption, and regulations over the Group's products. The vast regulatory landscape across multiple jurisdictions presents a significant risk of potential non-compliance with laws and regulations, which can lead to regulatory investigation, reputational damage, fines and financial loss.	This is a serious risk to our business and to our brands, so we manage it through multiple mitigation channels: **Awareness**: we rely on our regularly updated Code of Conduct, employee policies and training to raise awareness among management and staff in relation to their roles and responsibilities when it comes to meeting our legal and regulatory obligations. **In-house and external expertise**: the Group maintains an in-house legal function and also uses external legal counsel to advise on local legal and regulatory requirements. **Assurance**: consideration of regulatory compliance is included in the assurance programme led by the Risk & Assurance function. **Accreditation**: we maintain a number of accreditations and registrations to meet a number of contractual and statutory obligations.

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions
Financial, regulatory and compliance risk continued		
Fraud and misreporting There is a risk that fraud and misreporting may occur due to the decentralised nature of the Group, leading to loss of cash, profit and damaging our reputation.	There is a risk that without appropriate oversight and review, our business may be subject to fraudulent activity and misreporting of financial information. This risk increases when we acquire new business units for the Group where segregation of duties may not have been as strictly applied as we require. The risk of misappropriation and fraud is also increased due to the entrepreneurial and federated nature of the Next 15 operating model and the level of influence founders can have within their specific company environments.	We have in place the following mitigations: • Oversight of all financial reporting and control activities by the Audit Committee; • A minimum controls framework that mandates the adoption of the Group's finance, tax and banking systems, which provides the central team with oversight of the day-to-day transactions within the Group's operations. This is immediately applied to new business units that join the Group; • The consolidation of the Group's banking facility under one centralised banking facility gives the Group greater control and visibility over cash balances; • Regular working capital monitoring; and • Centralised Group payment function. Further, an established Internal Audit function provides assurance on the Group's control environment, with particular focus given to the appropriate segregation of duties at a brand level.
Currency risk There is a risk that the Group's results are materially impacted by adverse currency movements resulting in a failure to meet shareholder expectations.	As a global business, currency fluctuations continue to have a potential impact on the Group's translated results. The Group is listed in the UK with sterling as its functional currency but makes a significant proportion of its profits outside the UK. As a result, the Group's reported profits and asset values are impacted by any fluctuation of sterling relative to other currencies, particularly the US dollar. We also face the risk of potentially suffering restrictions on the ability to repatriate cash, particularly for our operations in India and China.	Most of the Group's revenue is matched by costs arising in the same functional currency. Foreign exchange exposure is continually monitored, and net investment hedges are used where appropriate for significant foreign currency investments. Global and local short-term cash flow forecasts are used to monitor foreign currency payments, and natural currency hedging is used where possible across the Group. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.

Principal risk	Potential impact	Our mitigating actions
People and culture risks		
Attraction and retention There is a risk that we fail to attract, retain and develop talent and capabilities required to deliver our growth ambitions.	Our people are key to our success. We operate in very competitive markets and acknowledge that the skills that our people possess are attractive to other employers. There is the risk that not having the right people and skills could impact negatively on our ability to serve our customers and grow our business. It is important that we maintain high levels of employee engagement to ensure that we are able to retain and attract the best talent. Weak employee engagement, organisational alignment and inadequate incentivisation may lead to poor performance and instability. It could also have an adverse impact on the realisation of strategic plans. Given the level of ongoing business transformation and change, high employee turnover or the failure to recruit in line with our needs, may result in programmes and projects not being successful or business as usual activities being negatively impacted.	We are mindful that we operate in a highly competitive talent market. As a result, our focus is on continuing to provide high levels of support and consideration to our team members' wellbeing and ongoing development needs. As part of our approach to risk management: • We have a programme of learning and development for our people, which includes management and leadership training and the Next 15 Academy. • We offer competitive compensation and benefits packages. • We carry out regular performance reviews and appraisals of our people. • There are regular staff events and wellbeing initiatives. • We undertake an annual employee engagement survey from which we produce an action plan to address the issues identified. • Senior leadership monitor and have oversight of all significant change programmes.
Succession planning There is a risk that being unprepared for unplanned departures and overreliance on key individual creates risk to the stability and growth of our business.	A number of individuals are key to the management and performance across Next 15 and the execution of the Group's overall strategy. When key individuals leave or retire there is a risk that knowledge, client relationships or competitive advantage are lost. The impact of succession risk not being managed may result in higher turnover of senior management and could significantly impede the Group's financial plans, product development, project completion, marketing and other plans resulting in loss of market share and reputational damage. Relationships with investors can also be damaged, as can our share price. The cumulative effect of poor or inadequate succession planning means it is vital that planning is comprehensive and holistic.	Succession plans and retention strategies are in place for key people at a brand and Group level. We have a talent identification process through active networking forums. There is ongoing monitoring of the effectiveness and skill set of the Board of Directors. This enables effective succession to supplement the Board's skill set as well as helping to maintain a strong and diverse set of independent Directors.
Equity, diversity and inclusion There is a risk that Next 15 does not continue to scale because we fail to attract and retain a diverse workforce limiting our ability to progress and innovate.	Embedding equity, diversity and Inclusion forms an integral part of our Group values. The impacts of this risk not being managed effectively include: • Failing to attract or retain talent; • Our culture does not successfully evolve as the business grows; • Deterring customers: If you don't have a good reputation for ED&I, there is a risk that clients may switch to a competitor that does; • Reputational damage if Next 15 does not uphold or live out the values we have committed to; and • Being less attractive to shareholders.	We are committed to further progress in this area with oversight of the ED&I programme by the Group HR Director with KPIs within the monthly management account and regular reporting to the Board. We are committed to raising awareness, providing training and encouraging diversity amongst the workforce through a diversity network initiative. Every effort is made to consider the needs of the diverse workforce at the design and planning stage, rather than wait for a worker to be employed and then having to make changes. Linking occupational safety and health into any workplace equality actions, including equality plans and non discrimination policies (US).

Corporate governance

Financial statements

Board of Directors

The Board is responsible for the strategic direction, investment decisions and effective control of the Group.

Committee membership

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

A N R

Penny Ladkin-Brand
Chair

Appointed July 2017 (5 years)
Penny is Non-Executive Chair and a member of the Nomination, Audit and Remuneration Committees. Penny joined Next 15 as a Non-Executive Director and chair of the Audit Committee. In April 2020 she was appointed as Senior Independent Director and from February 2021 became Chair of the Board.

Skills and experience
Penny is also Chief Financial Officer at Future plc, a global platform for specialist media, having been reappointed into the role in November 2021 following a year as Chief Strategy Officer. She was previously Chief Financial Officer at Future from August to June 2020 during which time the group's market capitalisation increased from £25m to £1.2bn and entered the FTSE 250 as it became a digital led business. Prior to that, Penny was Commercial Director at Auto Trader Group plc responsible for digital monetisation. Penny brings considerable experience of digital transformation and M&A to the Board. Penny qualified as a Chartered Accountant with PwC before moving into corporate finance.

Tim Dyson
Chief Executive Officer

Appointed August 1988 (34 years)
Tim joined the Group in 1984 straight from Loughborough University and became CEO in 1992.

Skills and experience
As one of the early pioneers of tech PR, he has worked on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM and Intel. Tim moved from London to set up the Group's first US business in 1995 in Seattle and is now based in California. Tim oversaw the flotation of the Company on the London Stock Exchange and has managed a string of successful acquisitions by the Group including The Outcast Agency, M Booth, Activate and The Blueshirt Group in the US as well as Morar (now Savanta), ELVIS, Velocity, Planning-inc and Publitek in the UK. Tim has also driven the evolution of the Group from a marcom business into a Growth Consultancy grounded in data and technology. Outside Next 15, Tim has served on the advisory boards of a number of emerging technology companies. Tim was named an Emerging Power Player by PR Week US and subsequently in PR Week's Power Book. Tim was also recognised on the Holmes Report's In2's Innovator 25, which recognises individuals who have contributed ideas that set the bar for the industry.

Peter Harris
Chief Financial Officer

Appointed March 2014 (8 years)
Peter joined Next 15 as Chief Financial Officer in November 2013 and was appointed as an Executive Director in March 2014.

Skills and experience
Peter's financial experience spans 30 years and he has extensive media experience, having spent the last 25 years in finance roles in the media sector.

From July 2013 until December 2018, he was a Non-Executive Director of Communisis plc and Chairman of its Audit Committee. He was previously the Interim Finance Director at Centaur Media plc, Interim CFO of Bell Pottinger LLP, CFO of the Engine Group, and CFO of 19 Entertainment. Prior to that, he was Group Finance Director of Capital Radio plc. Peter has considerable experience in UK and US-listed companies with international exposure.

Board of Directors continued

A N R

Helen Hunter
Non-Executive Director

Appointed June 2019 (3 years)
As a Non-Executive Director of Next 15, Helen chairs the Remuneration Committee and is a member of the Nomination and Audit Committees.

Skills and experience
Helen is Chief Technology Officer for Customer and Data at Sainsbury's plc, where her remit is to (i) build and run the Tech underpinning Sainsbury's ecommerce propositions (Grocery online, Argos, Tu, and Habitat) and instore digital customer propositions e.g. Smartshop; (ii) build and run the Tech used to communicate with customers, in Contact Centres and in Marketing; and (iii) to maximise the value of the Group's data asset: democratising access and finding creative ways to unlock its insight potential in support of Sainsbury's strategy to be connected to customers. Previously Helen led the creation of the new Nectar digital loyalty scheme (Food), Sainsbury's Customer Permissions Management Tool (multi-brand), Omni-channel coupons (Food), Sainsbury's Brand Match (Food), and SCV (Food). Before joining Sainsbury's, Helen held a variety of commercial and marketing roles at Home Retail Group, Woolworths Group, and Kingfisher Group. Helen is also currently a Governor of Lancing College.

A N R

Robyn Perriss
Non-Executive Director

Appointed November 2020 (2 years)
As a Non-Executive Director of Next 15, Robyn chairs the Audit Committee and is a member of the Nomination and Remuneration Committees.

Skills and experience
Robyn has extensive experience in both the technology and media industries, together with core skills in finance, having served as Finance Director at Rightmove plc, the UK's largest property portal, until June 2020. Robyn previously held senior roles at Rightmove, including as Financial Controller and Company Secretary. Before joining Rightmove, Robyn was Group Financial Controller at Auto Trader, another media sector disruptor. Robyn is currently a Non-Executive Director and Chair of the Audit Committee at Softcat plc, a leading provider of IT infrastructure services and solutions. She is also a Non-Executive Director and Chair of the Audit Committee at Dr Martens plc, an iconic British consumer brand. Robyn qualified as a Chartered Accountant in South Africa with KPMG and worked in both audit and transaction services.

Mark Sanford
General Counsel and Company Secretary

Appointed February 2021 (1 year)

Skills and experience
Having qualified as a solicitor at Eversheds, Mark worked in their Corporate team before moving to his first in-house role at Premier Farnell plc. Mark first joined Next 15 in 2003 as General Counsel and Company Secretary. In 2009 he set up his own boutique law firm Baker Sanford LLP while continuing to provide an outsourced legal and company secretarial function to Next 15. In 2017 Mark became General Counsel and Company Secretary of Ebiquity plc, an AIM-listed media consultancy business. He re-joined Next 15 in February 2021.

Committee membership

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

Since the year-end, two further Directors have joined the Board.

Dianna Jones
Non-Executive Director

Appointed April 2022

Dianna joined Next 15 as a Non-Executive Director.

Skills and experience

With nearly 20 years of experience spanning the energy and technology industries, Dianna brings expertise in global ethics and legal compliance, business risk mitigation in both mature and scaling environments, and ESG. Dianna is Director, Legal Compliance at Uber Technologies, Inc. She was previously Regional Compliance Counsel – Western Hemisphere at John Wood Group plc, a global leader in engineering and technical consulting services for the energy and infrastructure industries. Prior to that, she was with the international law firm, Greenberg Traurig, LLP, where she advised national and multinational companies on complex M&A transactions, reorganisations and restructurings. Dianna is licensed by the State Bar of Texas and registered with the State Bar of California.

Jonathan Peachey
Chief Operating Officer

Appointed April 2022

Jonathan joined Next 15 in July 2018 and became Chief Operating Officer in 2019. He was appointed as an Executive Director in April 2022.

Skills and experience

Jonathan has 35 years' experience in digital transformation. At the BBC, he led the myBBC programme that introduced customer data at scale to drive better ways to commission, discover and consume content. Before the BBC, he founded and led an award-winning consultancy that specialised in using digital technology to improve government delivery. As part of that role, Jonathan launched a dedicated TV channel to support ongoing teacher development, and wrote the UK government's digital strategy which led to the creation of gov.uk. Jonathan sold that business to The Engine Group where he subsequently became Chief Operating Officer. Jonathan qualified as a Chartered Accountant with PwC before moving into management consultancy and subsequently working in commercial television delivering some of the first interactive services.

Jonathan is heavily involved in the UK tech startup scene, having founded a number of companies and invested in or mentored numerous others.

Introduction

Strong governance is crucial to achieving long-term success

An introduction from our Chair
On behalf of the Board I am pleased to present the corporate governance report for the year ended 31 January 2022.

The Directors recognise that shareholders look to the Board to promote the long-term success of the Company and I recognise that effective governance is crucial to achieving this. In this section of our report we have set out our approach to governance and provided further detail on how the Board and its Committees operate.

The Board has continued to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal controls is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the businesses within the Group.

During the year there were no changes to the composition of the Board. However, as announced on 28 March 2022, we added two new Directors to the Board. Dianna Jones joined as a Non-Executive Director and Jonathan Peachey, Next 15's Chief Operating Officer also joined the Board. The new appointments to Next 15's Board reflect the continued growth of the Group in recent years and add a greater breadth of experience, particularly in the US market. Biographies of the new Directors are set out on page 67.

As Chair I am responsible for leading the Board and for its governance of the Group. I will work with the enlarged Board to ensure continual improvements to the Group's governance, taking into account the size and complexity of the Group in order to promote the long-term success of the Group.

We welcome feedback from our shareholders at all times and I encourage all to participate in our AGM.

Penny Ladkin-Brand
Chair
4 April 2022

Penny Ladkin-Brand
Chair

Our governance structure

Board and Committee attendance for the year ended 31 January 2022

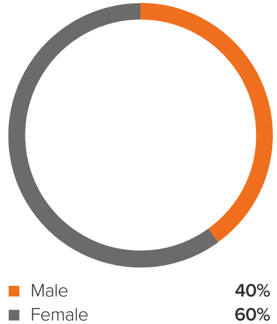
Attendance records for the Board and Committee meetings held during the year are shown below. These include both scheduled and ad-hoc meetings that were convened as required throughout the year for the Board, Nomination Committee, Audit Committee, and Remuneration Committee. Additional Committees of the Board were also constituted from time to time to review and approve certain operational activities such as acquisitions and regulatory news announcements. Other members of the senior management and brand management teams, as well as advisers, attended Board and Committee meetings by invitation as appropriate throughout the year.

	Board	Audit	Remuneration	Nomination
Penny Ladkin-Brand	9 of 9	5 of 5	6 of 6	2 of 2
Helen Hunter	9 of 9	5 of 5	6 of 6	2 of 2
Robyn Perriss	9 of 9	5 of 5	6 of 6	2 of 2
Tim Dyson	9 of 9	n/a	n/a	n/a
Peter Harris	9 of 9	n/a	n/a	n/a

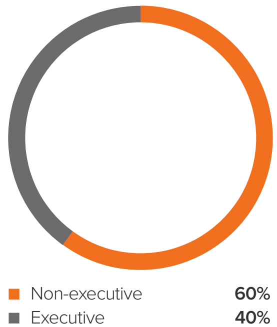
Board overview

as at 31 January 2022

Board members by gender



Balance of the Board



Corporate governance statement

Statement of compliance

Next 15 has adopted the QCA Code and is compliant with all of its principles. Disclosures required by the QCA Code have been made both in this annual report and on our website. Further information on the Company's compliance with the QCA Code can be found on the Group's website at www.next15.com.

The composition of the Board

The Board is responsible for the strategic direction, investment decisions and effective control of the Group.

During the year ended 31 January 2022 the Board comprised two Executive Directors, a Non-Executive Chair and two Non-Executive Directors. Penny Ladkin-Brand has now completed her first full year as Chair of the Board since her appointment as Chair on 1 February 2021.

At the end of the financial year, Penny Ladkin-Brand advised the Board that her return to the role of CFO at Future plc meant her responsibilities had increased, and that she would work with the Nomination Committee to ensure that she could devote sufficient time to all of her commitments. With this in mind, the Nomination Committee launched a search for additional Non-Executive Directors, using an external executive search company. Additional Directors will ensure an appropriate composition of the Committees of the Board and allow for Penny to step away from the Committees, focusing purely on her Chairship. The Board is satisfied that the remaining Non-Executive Directors devote sufficient time to the Company and that there have been no significant changes to their other commitments.

In April 2022, the Board appointed two new Directors. Dianna Jones joined as a Non-Executive Director, and Jonathan Peachey was appointed as an Executive Director.

Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on pages 65 to 67.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and knowledge, including a range of financial, commercial and entrepreneurial experience. The Board is also satisfied that it has a suitable balance between independence (of character and judgement) and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. The Non-Executive Directors are considered to be independent. No single Director is dominant in the decision-making process. The new Directors add complementary skills and experience in terms of sectors, geography and diversity.

Prior to their appointment, the Company informed each Director of the nature of their role, their responsibilities and duties to the Company, and the time commitment involved.

On appointment each Director confirmed that, taking into account all of their other commitments, they were able to allocate sufficient time to the Company to discharge their role effectively.

How the Board spends its time

In early 2022 the Board agreed a new meeting timetable comprising six meetings. Three to be held virtually and three in person, including a full day strategy meeting, with additional meetings being held if required.

Details of Board and Committee meetings held during the financial year and the attendance records of individual Directors can be found on page 69.

The Board meets once a year to discuss the Group's strategy. This year, the Board participated in workshops with representatives from the Group's businesses focusing on the future of the Group and how it could serve its stakeholders better.

The introduction of timed agendas, as part of the improvements to our meeting governance, means we can now monitor how we spend our time and assess the need for any adjustments that will help the business meet its strategic objectives. The chart opposite illustrates our increased focus on strategy and governance during the year. The Board is satisfied that the time available during meetings was utilised appropriately to serve the needs of the business.

How the Board spends its time

Category	Percentage
Financial matters	**28%**
Strategic	**32%**
Operations	**8%**
Governance	**25%**
Other	**7%**

The Board's responsibilities and processes

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

Key area	Activity during the year
Financial matters	• Reviewed the Annual Report and Accounts as a whole including the clarity of the disclosures and that the narrative in the front section reflected the performance as detailed in the Group financial statements, as recommended by the Audit Committee. • Review the half-year accounts, including the material judgements and estimates as recommended by the Audit Committee. • Reviewed the half-year and full-year results announcements and trading statements. • Reviewed the Group FY22 budget and budget forecasts. • Reviewed the Group's application of the Treasury policy and banking relationships. • Considered the Group's performance and outlook, including that of individual brands.
Strategic matters	• Reviewed opportunities to expand by acquisition. • Reviewed and approved acquisition proposals. • Worked with management to formulate and approve new strategic priorities for the Group.
Operations	• Post-integration monitoring of acquisitions. • Reviewed the Group's risk management and internal controls. • Reviewed and monitored ESG proposals and initiatives.
Governance	• Monitoring QCA code compliance and updates. • Monitoring the regulatory environment and any changes relevant to the Group. • Board and committee evaluations and outcomes. • Succession planning. • Review and approve the schedule of matters reserved for the Board. • Review and approve updated Group policies. • Approved the implementation of a board portal to improve the governance of meetings.
Other matters	• Monitor and review the people dashboard in support of diversity and equity targets. • Monitoring the cyber security dashboard. • Assessing and responding to the uncertainty, challenges and opportunities from the Covid-19 pandemic and Brexit.

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

Corporate governance statement continued

The Board's responsibilities and processes continued

At each Board meeting, the Chief Executive Officer provides a business review, and the Chief Financial Officer provides a financial review. Board members receive monthly trading results, together with detailed commentary. Each Director receives a Board pack in advance of each meeting which includes a formal agenda together with supporting papers for items to be discussed at the meeting. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations. Directors may take independent professional advice at the Company's expense, as and when necessary to support the performance of their duties as Directors of the Company. Appropriate induction and training for new and existing Directors is provided where required.

Appointment, election and re-election of Directors

Appointments to the Board are the responsibility of the Board as a whole. From February 2021, the Board re-established a Nomination Committee comprising all the Non-Executive Directors.

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

The Company's Articles of Association provide that a Director appointed by the Board shall retire and offer themselves for re-election at the first AGM following their appointment and that, at each AGM of the Company one-third of the Directors in addition to any new appointment must retire by rotation. Tim Dyson and Helen Hunter will offer themselves for re-election by the shareholders at the forthcoming AGM.

The Board is satisfied that the contributions of both Tim Dyson and Helen Hunter continue to be effective and demonstrate sufficient time commitment to their respective roles.

Jonathan Peachey, and Dianna Jones, having been appointed since the last AGM, will stand for election for the first time at the AGM in June 2022.

The Board believes that each Director standing for election and re-election is independent in character and judgement. The Board therefore recommends that the Company and its shareholders support the re-election of each of these Directors.

Penny Ladkin-Brand became Chair of the Board with effect from 1 February 2021. Following Penny's appointment as Chair of the Board, Robyn Perriss was appointed Chair of the Audit Committee.

Biographical details of each Director standing for election and re-election can be found on pages 65 to 67.

The roles of the Chair and Chief Executive

Penny Ladkin-Brand held the position of the Chair of the Board. During the year, she led the Board in the determination of its strategy and in achieving its objectives. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and is also responsible for effective communication with the Group's shareholders.

At the time of her appointment as Chair, Penny Ladkin-Brand was considered independent as defined by the UK Code and in accordance with the principles of the QCA Code.

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

Board performance evaluation, succession planning and diversity

The performance of the Board is key to the Company's success. The performance of the Board and its Committees is evaluated regularly, and the evaluations are conducted with the aim of improving their effectiveness.

A Board evaluation process was undertaken during the year. Having completed an evaluation process with an external provider last year, the process this year was carried out by a questionnaire sent to all Directors, the result of which were collated by the Company Secretary. There were various actions that came from Board evaluation:

- There had been a concern about the geographical spread of the Directors, but this has been dealt with by the appointment of the new Non-Executive Director set out above. The expansion of the Board has widened the skills and experience of the Board.
- For the year ahead, the number of Board meetings that are being held has been slightly reduced but with a clearer agenda and more in-person meetings where possible. Ad-hoc meetings will be held as required. This will be combined with an all-day strategy meeting during the year.
- Board papers now have a clear executive summary with clarity as to what is required from the Board at the meeting. The Board also reviewed the actions that had been recommended from the previous year's Board evaluation and noted that the key actions had all been completed.
- It was noted that more work is required on succession planning and an action plan is in place to ensure that succession planning is in place for the Board and the senior management of the Group.

The new Board composition has added ethnic and geographical diversity to the Board as well as gender diversity. Dianna and Jonathan are excellent additions to the Board and bring with them a wide range of experience from the technology, consultancy and transformation fields which will prove immensely valuable as Next 15 continues to utilise technology and data to drive growth. Dianna will add critical knowledge and understanding of the US, which continues to be a key market for us. I'm confident that these appointments will support management's ambitious growth plans for Next 15.

The Nomination Committee leads the Board recruitment and appointment processes. It also has responsibility for reviewing the balance of the Board to ensure that, collectively, the Board: has a good range of skills, knowledge and experience; comprises diverse individuals who can bring different perspectives to the Board's discussions; has oversight of senior management and Board succession plans; and makes recommendations on matters such as Directors' independence and commitment.

More information can be found in the Nomination Committee report on page 76.

Directors' conflicts of interest

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

Committees of the Board

The Board is supported by the Nomination, Audit and Remuneration Committees. The Board appoints the Committee members. The reports of these Committees can be found on pages 76 to 100. Each Committee has access to such external advice as it may consider appropriate. The Company Secretary or his nominee acts as Secretary to the Committees. The terms of reference of each Committee are reviewed regularly, updated as necessary to ensure ongoing compliance with best practice guidelines and referred to the Board for approval. Copies of the Committees' terms of reference are available from the Group's website at www.next15.com.

Corporate governance statement continued

Committees of the Board continued

The Audit Committee currently comprises three Non-Executive Directors: Robyn Perriss (Chair), Penny Ladkin-Brand, and Helen Hunter. Peter Harris also attends most meetings at the invitation of the Chair of the Audit Committee. Broadly, the Audit Committee is responsible for reviewing financial reporting, oversight of the Internal Audit function, the relationship with the External Auditor, internal controls, and oversight of the effectiveness of risk and risk management systems.

The Remuneration Committee comprises three Non-Executive Directors: Helen Hunter (Chair), Robyn Perriss, and Penny Ladkin-Brand. The Executive Directors also attend these Committee meetings at the invitation of the Chair of the Remuneration Committee, except when discussing matters of their own remuneration. The Remuneration Committee is responsible for reviewing and approving executive remuneration policies and practices, taking account of pay practices and policies across the Group's workforce.

The Nomination Committee currently comprises three Non-Executive Directors: Penny Ladkin-Brand (Chair), Helen Hunter, and Robyn Perriss. The Nomination Committee is responsible for matters such as Board composition including the recruitment and the appointment process as described in the Nomination Committee report on page 76.

The composition of the Committees will be reviewed early in FY23 to include our newly appointed Directors.

Risk

Our approach to risk management is set out on pages 54 and 55, and the principal risks to our business, and the actions we have taken to mitigate them, are set out on pages 57 to 63.

Corporate culture

We have a strong corporate culture based on entrepreneurial spirit, taking personal responsibility and treating all stakeholders fairly and equitably. Businesses within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility, with the centre acting as enablers and teachers. However, the Board and its Committees set a high standard for ethical behaviour and ensure the Group complies with applicable laws and regulations, and the executive team work to embed a corporate conscience that runs throughout Group initiatives and practices.

Our people

Our employees and workers are considered one of the Company's principal stakeholders. The ESG report on pages 33 to 53 details the importance the Company places on its people and the steps taken to support, evolve and motivate employees.

The Group's approach to equity, diversity and inclusion is set out on pages 47 to 50, and on our website at www.next15.com. Our approach to Board diversity is set out on page 47.

Our shareholders

Engagement with our shareholders is detailed on page 28.

The Chief Executive Officer, the Chief Financial Officer, the Chairman, the Chair of the Remuneration Committee and the Chair of the Audit Committee will be available at the AGM to answer shareholders' questions. Proxy votes are disclosed at the meeting following a show of hands on each shareholder resolution and are subsequently published on the Group's website at www.next15.com by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy.

In the event of a significant proportion of votes ever being received against a particular resolution, the Board would take steps to understand shareholder concerns and consider what action they might want to take in response. Shareholders are also encouraged to submit questions to the Board throughout the year via the Company Secretary to cosec@next15.com. More information concerning the arrangements for the AGM can be found on page 103.

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

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

Our customers and suppliers

Client focus is critical to the success of each of our businesses. By their nature our businesses work in collaboration with their clients: we embed teams within client organisations, use agile processes, and build businesses to better serve client needs based on what they tell us.

Because of the nature of our business, our long-term success as a Group is not dependent on any one supplier; nevertheless, we believe in treating our suppliers fairly, for example by ensuring that we pay our suppliers promptly in accordance with the prevailing terms of business.

More information on how we engage with our stakeholders can be found on pages 28 and 29.

Financial reporting and going concern statement

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 63. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27.

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

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 105.

Nomination Committee report

"The Board re-established a Nomination Committee in February 2021. Prior to this, appointments to the Board were the responsibility of the Board as a whole."

Penny Ladkin-Brand
Chair

Role of the Committee

The principal role of the Committee is to ensure that there is a formal, rigorous and transparent procedure of appointments to the Board and to lead the process for Board appointments. The Committee also regularly reviews the structure, size and composition of the Board (including skills, knowledge, experience, independence and diversity) and its committees. It also gives full consideration to succession planning for Directors and senior executives.

Committee membership

The Committee comprises all of the Non-Executive Directors.

Focus of the Committee during the year

The Committee held two meetings during the year. The main focus was to review the current composition of the Board in terms of the number of Executive and Non-Executive Directors and the skills, experience and diversity of the Directors.

In August 2021, the Committee commenced a search for an additional Non-Executive Director. A thorough process was carried out to identify what skills and experience were required to complement those of the existing Directors.

There was also a desire to look for a US-based Non-Executive Director to reflect the geographic base of the Group's businesses and clients. A search was carried out by an external search agency who were also instructed to include diverse candidates from under-represented Groups and a balance of male and female candidates.

Candidates met with the existing Non-Executive Directors and certain members of the management team. The Committee and the Board were impressed by the candidates it met and has announced Dianna Jones will join the Board as a Non-Executive Director. The Committee also recommended to the Board that Jonathan Peachey join the Board as an additional Executive Director. Jonathan has been Chief Operating Officer of the Company since June 2019 and will add great skills and experience to the Board.

Following the above appointments, the Board will comprise four Non-Executive Directors and three Executive Directors.

The Committee and the Board have been reviewing the Board composition to ensure that there is effective succession planning at Board level, as well as considering succession planning for key senior executives of the Group. This work is ongoing, and the Committee recognises the need to continually review succession planning and have a thorough process in place.

Penny Ladkin-Brand
Nomination Committee Chair
4 April 2022

Audit Committee report

"The Committee continues to fulfil a vital role in the Group's governance framework."

Robyn Perriss
Chair of the Audit Committee

As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 31 January 2022.

The Committee continues to fulfil a vital role in the Group's governance framework, providing independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, the Internal Audit function and the relationship with Deloitte, the External Auditor. This report outlines how the Committee has discharged its responsibilities during the year, the key issues it has considered during FY22 and also areas of focus over the next financial year.

As well as the 'business as usual' items, the Committee reviewed the Group's definition and disclosure of Alternative Performance Measures ('APMs'), resulting in a decision to simplify and de-clutter the FY22 Annual Report by including all APM definitions and reconciliations in a glossary to the financial statements.

Given the significant new five-year contract entered into in February 2022 by Mach49, with a global technology and digital business, with revenues over the initial life of the contract anticipated to be in excess of US$400m, a key focus of the Committee's year-end discussions has been on the impact of the contract win on the Mach49 earn-out liability and the judgement and assumptions made by management, together with related sensitivities. Further details of how we have considered this are set out in note 17 on page 159.

The Committee also reviewed our whistleblowing and anti-bribery policies, including recommendations for more formalised recording of gifts and hospitality across the Group and the implementation of a third party whistleblowing line.

A significant proportion of Committee time has also been devoted to areas of operational risk including GDPR and Information Security/Cyber with these items becoming standing items on the Committee agenda. Given the ever evolving compliance landscape and to provide further support to the existing in-house Internal Audit team in specialist areas, a decision was made during the year to appoint an outsourced Head of Internal Audit, and following a competitive tender process BDO was appointed in August 2021. In addition Shoosmiths LLP was appointed as an outsourced Data Protection Officer ('DPO'). More information about the appointment and the function of the DPO can be found on page 102.

The Committee's priorities for the next financial year will include:

- ongoing monitoring of the integration status and financial control environment of recently acquired brands;
- continued focus on cyber security and GDPR compliance;
- a review of the entity level control framework at a brand level with a key focus on revenue recognition;
- evolution of the Internal Audit function; and
- monitoring of the proposed BEIS governance reforms.

Audit Committee report continued

Through the activities of the Committee, described in this report, the Board confirms that it has reviewed the effectiveness of the Group's internal systems of control and risk management, covering all material controls including financial, operational and compliance controls, and that there were no material failings identified which require disclosure in this Annual Report.

I will be happy to answer any questions about the work of the Committee at the forthcoming AGM.

Robyn Perriss
Audit Committee Chair
4 April 2022

Membership and attendance

The current members of the Committee are the Chair of the Committee and two Non-Executive Directors, all of whom are independent. The membership of the Committee has been selected with the aim of providing a range of financial and commercial expertise necessary to meet its responsibilities under the QCA Code. The Committee Chair and Penny Ladkin-Brand have previous experience as Chief Financial Officers of premium listed FTSE businesses and both are qualified accountants and thus the Board considers their financial experience to be recent and relevant to discharge their duty to the Committee and its stakeholders. This is kept under continuous review and any changes to the composition of the Committee are a matter for the Nomination Committee to finalise.

The Company Secretary, or their nominee, attends all meetings as Secretary to the Committee and, by invitation, they are attended by the Chief Executive Officer, Chief Financial Officer, the External Audit Partner and the Head of Internal Audit. From time-to-time other senior managers and advisers are invited to present to the Committee.

Following the decision to add an additional meeting to the permanent calendar, the Committee met four times during the year. A summary of members' attendance can be found on page 69.

Role and responsibilities

The Committee's role is to assist the Board in fulfilling its oversight responsibilities. The Committee monitors and reviews the integrity of the Group's financial reporting and other announcements relating to its financial reporting and manages the relationships between the Company and its Internal and External Audit functions. The Committee makes recommendations to the Board based on its activities, all of which were accepted during the year. The Committee's responsibilities are set out in its Terms of Reference on the Company's website at www.next15.com.

You can see from the chart on the right how the Committee spent its time in FY22. The Committee is satisfied that this was the correct focus to serve the broad needs and risk profile of the business during the year. Looking forward the Committee is mindful of the increased scale and complexity of the Group and will continue to focus on both core financial reporting controls and broader operational risks and related controls as highlighted by the range of internal audit reviews proposed in FY23 on page 80.

How the Committee spends its time

Category	Percentage
Finance Matters	25%
Operational	15%
Internal Audit	24%
External Audit	24%
Governance	12%

Key activities during the year

Key area	Activity during the year
Financial reporting	• Considered the Group's accounting policies and practices, application of accounting standards and significant judgements and estimates, adjusting items, tax matters, goodwill impairment, earn-out liabilities, and accounting for new acquisitions. • Reviewed the Annual Report and Accounts as a whole including the clarity of the disclosures and that the narrative in the front section reflected the performance as detailed in the Group financial statements. • Reviewed the Going Concern Statement included in the Annual Report; in assessing going concern the Committee has considered the Group's latest budget and three-year plan, cash flow forecast and corresponding sensitivities together with potential downside scenarios. • Reviewed the half-year accounts, including the material judgements and estimates. • Reviewed the External Auditor's report on the full-year audit. • Reviewed the half-year and full-year results announcements and trading statements. The significant financial judgements considered in relation to the Annual Report and Accounts are detailed in note 1T on page 137.
Operations	• Oversight of the GDPR and privacy project, including any remedial activities. • Monitored cyber and information security, including the identification and subsequent resolution of gaps. • A review of the entity level control framework at a brand level with a key focus on revenue recognition. • Monitored post-acquisition integration status.
Internal audit	• Approved the annual internal audit plan, including its alignment to the principal risks, emerging areas of risk, coverage across the Group and continuing review of the Group's processes and controls. • Monitoring the remit and resourcing of the Group's Internal Audit function. • Assisting the Board in its assessment of the Group's risk environment, internal controls and risk management processes. • Keeping under review the effectiveness of the Group's internal control and risk management systems. • Reviewed key findings from Internal Audit activities during the year.
External audit	• Reviewed the External Auditor's independence, objectivity, and the effectiveness of the external audit process. • Considered the reappointment of the External Auditor. • Considered External Auditor fees and terms of engagement. • Reviewed and approved changes to the Non-Audit Services Policy. • Reviewed the External Auditor non-audit services and fees.
Other matters	• Discussed the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements. • Carried out a review of the Committee's terms of reference. • Monitored the proposed BEIS governance reforms.

Audit Committee report continued

Risk and internal control

The Group's system of internal control, along with its design and operating effectiveness, is subject to review by the Committee. The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Committee supports the Board and the Internal Auditor in reviewing systems of risk management and the effectiveness of internal controls. The Executive Directors have overall accountability for the control and management of the risks the Company faces. More information on how we manage our risk can be found on page 54.

Internal audit

The Group has an independent and objective Internal Audit function which supports the Board in assessing and ensuring that risks are appropriately managed and that the internal controls are operating effectively. Internal audit achieves this by assessing whether all significant risks are identified and appropriately reported to the Board, assessing whether they are adequately controlled and assisting management to improve the effectiveness of governance, risk management and internal controls. Internal audit focuses on controls and related activities (including policies, procedures and systems) which are in place to ensure:

- Proper identification and management of risk;
- reliability, integrity and security of information; and
- compliance with policies, plans, procedures, laws and regulations.

Internal Audit may perform advisory services relating to governance, risk management and control as appropriate for Next 15. It may also evaluate within the independence requirements, specific operations at the request of the Board, Audit Committee, or management as appropriate. To provide for the independence of the function, the function is run by the Head of Internal Audit, who reports to the Audit Committee. The Audit Committee provides final approval of the department's Charter and annual internal audit plan. The Head of Internal Audit is responsible for providing the Audit Committee with a self-assessment on internal audit activity, its consistency with the Audit Charter and performance relative to its plan at least every two years.

The internal audit plan for FY23 is developed using a combination of the annually refreshed corporate risk register, the sector experience of the co-sourced team, and in discussion with other key stakeholders such as External Audit and Management. The plan is approved by the Audit Committee. For 2023 key areas are summarised below. Some areas remain on the plan from prior year, as they are inherent risks within our business, other areas have come onto the plan to reflect our changing risk landscape.

- Revenue recognition.
- Earn-out processes.
- Acquisition reviews.
- Data privacy and security.
- Third Party Management.
- Culture.
- Other assurance and support as aligned to the Group principal risks and approved by the Committee.

Next 15 continues to expand its global operations through a blended approach of organic growth and through acquisitional growth. Risk and Assurance plays an important role helping to ensure that risks are identified and appropriately managed in line with the Group's risk appetite. Additionally, Risk and Assurance will perform regular horizon scanning to anticipate future risks that may have an impact on Next 15's operations and strategic priorities (i.e. UK corporate governance reforms and ESG reporting requirements).

Auditor independence, objectivity and fees

The External Auditor, Deloitte LLP, was first appointed in 2014, for the financial year ended 31 January 2015. The Board is satisfied that the Company/Group has adequate policies and safeguards in place to ensure that Deloitte maintain their objectivity and independence. The External Auditor reports annually on its independence from the Company/Group and in accordance with Deloitte's partner rotation rules, a new senior audit partner, Peter McDermott, was appointed with effect from 1 February 2020. The Group has a formal policy on the engagement of the External Auditor for non-audit services. The objective of the policy is to ensure that the provision of non-audit services by the External Auditor does not impair, or is not perceived to impair, the External Auditor's independence or objectivity. The policy sets out monetary limits and imposes guidance on the areas of work that the External Auditor may be asked to undertake and those assignments where the External Auditor should not be involved. The policy is reviewed regularly, and its application is monitored by the Committee. The fees paid to Deloitte in respect of non-audit services are shown in note 4 to the financial statements. This work is not considered to affect the independence or objectivity of the External Auditor. The Audit Committee has confirmed no services were provided outside of the updated policy.

External audit effectiveness

The Committee places great importance on ensuring that the External Audit is of a high quality and that the auditor is effective. The Committee received a comprehensive audit plan from Deloitte, setting out the proposed scope and areas of focus for the year-end audit and the auditor's assessment of the key areas of risk that had been identified. The audit plan and areas of risk identified were reviewed, and where appropriate, challenged by the Committee. The Committee met with Deloitte throughout the year, including at times without management present, to discuss their remit and any issues arising from their work as auditor.

Subsequent to the FY22 year end the Committee commenced a review of the effectiveness of Deloitte and its work during the FY22 year end audit in the format of a questionnaire completed by the Committee members and management. The questionnaire responses, corroborated by the Committees discussions with management, indicated that overall the external auditor was viewed as being effective. A more detailed debrief discussion is planned as part of the June 2022 Committee meeting which will be used as an input into the FY23 audit plan.

Areas of focus for the coming year

The Committee has continued to focus on strengthening the systems of internal control across the Group through a number of initiatives which are aligned to the Group's strategy and principal risks:

- Entity level control improvement programme;
- Group-wide risk management framework;
- Strengthening the Internal Audit function; and
- Championing corporate governance enhancements in advance of potential reforms.

In light of the continued disruption by Covid-19 the Committee has continued to be alert to the risk of fraud and ensure that people are working safely remotely and that our data is protected, this has also included risks relating to cyber and GDPR.

During 2021, in response to the changing risk landscape faced by a fast growing global business, the Committee appointed an internal audit co-source partner to work alongside Next 15's internal audit team. This has also included outsourcing the Head of Internal Audit role. This combined team leverages experience of both the business and the sector, enabling Next 15 to gain timely assurance over the changing financial and operational landscape we face as an expanding global business.

The Committee will continue to discharge its duties as documented in the Audit Committee terms of reference.

The Committee has oversight over a recently launched governance improvement project which will include a review of the quality of reporting from the Group into the Committee. This is supported by the introduction of the board portal hosted on the Company's behalf by iBABs. The improvements are planned to extend to the content and practical application of the Group policy set. In FY23 the business will be reviewing the effectiveness of the Group anti-bribery and corruption policy and how it is embedded into our culture.

During the year the Committee reviewed the refreshed Group whistleblowing policy which will result in the implementation of an externally hosted independent whistleblowing hotline, which will allow our people to remain anonymous throughout the whistleblowing process should they wish to. The Committee's terms of reference were refreshed during the year and can be found on our website at www.next15.com.

The Committee will continue to discharge its duties as documented in the Audit Committee terms of reference.

In relation to the FY22 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and concluded that Deloitte remained independent and objective in relation to audit. The Committee has made a recommendation to the Board to reappoint Deloitte LLP as the Company's auditor for the 2022/23 financial year. Accordingly, a resolution proposing their reappointment will be proposed at the AGM in June 2022.

Audit Committee report continued

Significant judgements

Issue	Explanation	How it was addressed
Changes in estimates relating to acquisition-related liabilities	The Group has material earn-out liabilities, with some payments dependent on performance up to five years from 31 January 2022. The estimates are sensitive to changes in revenue growth rates and profitability assumptions, as well as the discount rate used. During FY22 earnout liabilities increased by a net £124.5m in the year, primarily driven by a changes in estimate of £104.7m relating to the Mach49 business. This change in estimate was driven both by revised assumptions for the underlying growth rate of the core Mach 49 business, but principally due to a significant new contract win with a global technology and digital business, with revenues over the initial life of the contract anticipated to be in excess of $400m. This contract has significantly increased the estimated earnout liability, which management has subsequently agreed to cap at $300m. There is little judgement in relation to the future revenue in relation to this contract given this is a contractual amount; however there is significant judgement in relation to the future costs associated with the delivery of the contract and the resultant profitability and margin. If incorrect assumptions are used this could result in a material adjustment to the value of the Mach 49 earn out liability within future financial years.	The Committee considered the earn-out liabilities recognised at the half-year and year-end split by brand, how they had changed over the last 6 or 12 months, and the key assumptions made. In addition, a separate paper was prepared by management in relation to the Mach 49 liability setting out the approach and rationale for the key inputs to the earn out calculation, together with detailed sensitivity analysis on the impact of a potential change in margin on the earn out liability. The paper also set out the proposed disclosure with the Annual Report as a key area of judgement and estimation uncertainty. At the year-end the External Auditor's testing and validation of key assumptions was also discussed and following due consideration the Committee concluded it was satisfied with management's assumptions and judgements.
Presentation of alternative performance measures	The identification of adjusting items and the presentation of Alternative Performance Measures ("APMs") is a judgement in terms of which costs or credits are not associated with the underlying trading of the Group or otherwise impact the comparability of the Group's results year on year. The Group's adjusting items include the amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, charge for one-off employee incentive schemes, employment-related acquisition costs, property related impairment, and Covid-19 related restructuring costs. Whilst APMS are still referred to in the Financial Review within the front of the Annual Report to explain the Group's results in line with how the Board reviewed underlying trading performance, this year a decision was made to move the APMs out of the back half financial statements, and these are now all disclosed within the glossary of the Annual Report. Within there each is explained and reconciled to statutory numbers.	For both the full year results the Committee considered the adjusting items, including explanations of why they were either not related to the underlying performance of the business or impacted the comparability of the Group's results year-on-year. The Committee also reviewed the FRC's guidance, considered adjusting items used by the Group's peers and the External Auditor's assessment of the adjusting items. The Committee reviewed the narrative for the adjusting items within the glossary to the Annual Report to ensure it gave adequate detail on why the items were adjusted. The Committee concluded it was satisfied with the adjusting items included in the Group's results and that appropriate disclosure of those items has been included in the Annual Report.

Directors' remuneration report

"The Committee keeps the remuneration framework under consistent review and is committed to ensuring it is aligned with best practice."

Helen Hunter
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2022. The report explains the work of the Remuneration Committee (the 'Committee') during the year, the basis for the remuneration paid to Directors for FY22, and how we intend to apply the remuneration framework for FY23.

2021 AGM approvals and remuneration framework review

The Committee keeps the remuneration framework under consistent review and is committed to ensuring it is aligned with best practice and appropriately reflects Next 15's position and performance against the current macroeconomic backdrop. The Committee focused on the structure of our remuneration framework in FY21 and the overall remuneration levels and structure more broadly throughout the senior executive population in FY22, with the necessary AGM approvals sought. We thank shareholders for their engagement over both years and the strong support received on remuneration -related resolutions at our 2021 AGM. As we enter FY23, we are comfortable that the changes we have made to date are supporting the business strategy well and that the remuneration framework provides a strong long-term alignment of interest between senior executives and shareholders.

As part of the Committee's annual agenda, the Remuneration Framework continues to be kept under review, in the context of the Group's strategy and growth plans, market best practice and market competitiveness. As the Group continues to grow, it is vital that the executive team can be rewarded appropriately for the performance they deliver under the Remuneration Framework. Accordingly, we are proposing to increase the annual bonus opportunity for FY23 from 60% of salary to 100% of salary. The Committee believes this increase is necessary to provide a more market competitive annual bonus opportunity for Next 15's current size and complexity, albeit it is still at the lower end of market levels for the Directors, and to provide a more appropriate weighting between the fixed and variable pay elements of the package. This increase to bonus opportunity and the accompanying increased stretch in bonus targets supports our strategy, and ambitious short-term goals for this next stage of rapid growth, whilst the LTIP and the associated performance metrics and targets continue to focus Executive Directors on the long-term growth plans.

In line with past practice, we are voluntarily providing shareholders with an advisory vote on the adoption of this report to ensure there is full accountability for the remuneration framework, its operation and payments to Directors. We are committed to having an open and constructive dialogue with shareholders on our executive remuneration approach and whilst we hope investors will be supportive of this change to the framework for FY23, we welcome any feedback on our remuneration framework and approach.

Performance and pay for FY22

It has been another year of strong performance for the Group with adjusted diluted EPS and adjusted profit before income tax both increasing by over 45%. Furthermore, we were pleased to resume payment of dividends following the 2021 AGM and there was no need to furlough any employees during the year, with furlough monies in relation to FY21 repaid in full in FY22.

Last year the executives volunteered to forgo their annual bonus (which would have paid out at a 100% level) in light of the need to retain cash and spread the available bonus pool more broadly throughout the business. For FY22 the annual bonus was based on the achievement of operating profit, cash conversion ratio, organic revenue growth and operating profit margin performance conditions. The strong performance over the year exceeded the maximums set for the performance targets and so the full bonus, equivalent to 60% of salary, will be payable to both Executive Directors. Whilst the bonus scheme focused on the financial performance of the Group we were also pleased to see strong progress made in relation to our overall business strategy throughout the course of the year.

We have several cycles of legacy LTIP awards that were due to vest based on performance over FY22 and tranche four of the FY19 LTIP award and tranche three of the FY20 LTIP award are all eligible to vest. The awards are based 70% on an adjusted EPS performance metric and 30% on strategic KPIs and, following an assessment of performance over the year, the tranches will vest in full.

Further details on the performance against targets for both the bonus and LTIP can be found later in this report.

From FY21, under the current remuneration framework, we moved to a single three-year performance measurement basis with a two-year holding period for the Executive Directors.

Board appointments

To support the Group's continued growth in size, scale and complexity, the Board were pleased to announce the appointment of Jonathan Peachey as an Executive Director and Dianna Jones as a Non-Executive Director. Both will join the Board on 6 April 2022. Jonathan has been the Group Chief Operating officer since 2019. Jonathan will receive a salary of £300,000, benefits in line with policy and a maximum pension contribution of 10% of salary in line with the other executive directors. His annual bonus opportunity will be 100% of salary and his LTIP opportunity will be 150% of salary. Dianna is based in San Francisco and her annual fee is US$75,500 which is equivalent to the base fee currently paid to the Non-Executive Directors based in the UK.

Looking forward – how we intend to operate our remuneration framework in FY23 and beyond

We have reviewed the remuneration framework against our current strategy and the most recent guidance from investor representative bodies and are satisfied that the current structure of remuneration remains appropriate for FY23. However, as mentioned earlier in this letter, the Committee has reviewed the quantum of incentives and believes it is appropriate to increase the annual bonus opportunity from 60% of salary to 100% of salary.

Salary increases for the CEO and CFO will be 3% which is slightly below the average workforce increase.

During the year, we undertook a review of remuneration strategy with a particular focus on Environmental, Social and Governance ('ESG') matters. The Group has now defined and set out its ESG policy and key targets which can be found in this annual report on pages 33 to 53.

We are a Company strongly driven by purpose and values and we would look to incorporate appropriate ESG measures into our business strategy and then, if appropriate into our executive incentive plans. The Committee is cognisant of investor views regarding ESG and intends to review the appropriateness of incorporating ESG metrics into incentives during the year for possible implementation in FY24.

The annual bonus opportunity will be 100% of salary, payable in cash. Our annual bonus plan will remain based on the same mix of operating profit, cash conversion ratio, organic revenue growth and operating profit margin performance measures as in FY22 and stretching targets have been set which will be disclosed retrospectively in next year's report. Our FY23 Long-Term Incentive Plan ('LTIP') awards will be based on the same mix of EPS, organic revenue growth and operating profit margin. This suite of measures mirror our financial KPIs and provide a rounded assessment of our performance over FY23 for the bonus and longer term to the period to FY25 for the LTIP. LTIP award levels for the Executive Directors will be 150% of their base salary, and the Committee has set stretching targets for each performance metric which are detailed on page 100

Broader employee pay arrangements

During FY23 we will be looking at our broader employee share arrangements and in particular the possibility of operating an all-employee share plan. Our policy throughout the Group has been to operate devolved bonus and equity incentive arrangements linked to growth of the business units and we believe that this approach continues to serve us well. However, an all-employee share plan using PLC equity will provide a counter-balance toward a Group focus and ensure all our employees share in the Group's growth and success.

Closing remarks

The Committee is satisfied that, following changes made over the past two years and with the proposed change to bonus quantum for FY23, the current remuneration framework is appropriate and supports the Group's strategy in both the short and long term. We will continue to apply the framework robustly to ensure that there is a strong link between our remuneration framework and our business strategy, with reward tied to the achievement of stretching performance goals.

I hope this report is clear and demonstrates the robust application of our remuneration framework. Although we are an AIM listed company with no requirement for a shareholder vote on Directors' pay, in the spirit of full accountability, this Remuneration Report will be subject to an advisory shareholder vote at the 2022 AGM.

We look forward to continued dialogue with you, and your support at the forthcoming AGM.

Helen Hunter
Remuneration Committee Chair
4 April 2022

Directors' remuneration report continued

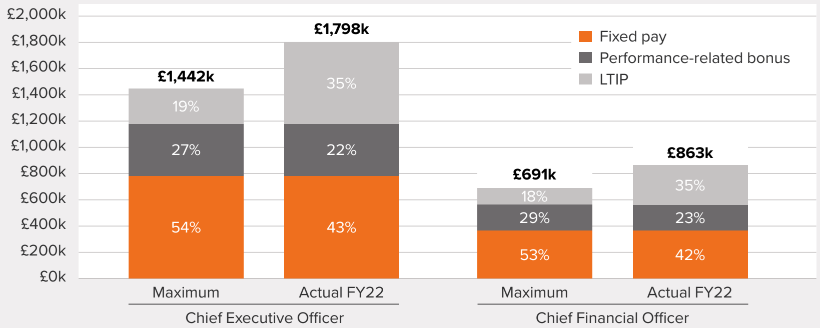
At a glance
How we performed in FY22
FY22 performance-related bonus

Adjusted performance measure	Target range	Performance	Weighting	Outcome
Operating profit after lease liability interest*	£54m–£62m	£79.2m	30%	30%
Organic revenue growth	5%–10%	26.1%	30%	30%
Cash conversion ratio	80%–100%	100%	20%	20%
Operating profit margin*	18%–20%	21.9%	20%	20%
Total			**100%**	**100%**

* Excluding share acquisitions made after Q1 reforecast in May 2021.

Maximum LTIP value is based on share price at grant date. Actual LTIP value is based on average Q4 FY22 share price.

Maximum vs actual pay for FY22



LTIP tranches vesting in relation to FY22 performance

Tranche four of the FY19 LTIP award and tranche three of the FY20 LTIP award are eligible to vest in FY23, based on performance over FY22.

The awards are based 70% on an adjusted EPS performance metric and 30% on strategic KPIs. The performance against targets and the vesting outcomes are shown below:

FY19 and FY20 LTIP Awards

Adjusted performance measure	Weighting	Target range	Performance	FY19 tranche 4 vesting	FY20 tranche 3 vesting
Earnings per share	70%	5% – 15%	46.7%	70%	70%
KPIs					
Organic revenue growth	15%	5% – 10%	26.1%	15%	15%
Operating profit margin	15%	18.5% – 20%	21.9%	15%	15%
Total	**100%**			**100%**	**100%**

How we will apply our remuneration framework for FY23

	Time horizon			
Element	FY23	FY24	FY25	Application of remuneration framework for FY22
Salary				Tim Dyson, Chief Executive: US$933,392 Peter Harris, Chief Financial Officer: £339,900 Jonathan Peachey, Chief Operating Officer: £300,000 Salary levels reflect a 3% increase for the CEO and the CFO in line with the average workforce increase.
Pension and benefits				Directors are entitled to receive employer contributions of up to 10% of base salary to a Group pension plan.
Annual bonus				Maximum opportunity is 100% of salary, payable in cash. Performance metrics unchanged from FY22 of operating profit, organic revenue growth, cash conversion ratio and operating profit margin.
Long-term incentives				Long-term incentive grant of 150% of salary. Performance will be measured over a single three-year period and will be based two-thirds on EPS, 16.7% on organic net revenue growth and 16.7% on adjusted operating profit margin. A two-year holding period will apply to the vested award.
Shareholding requirement				Executive Directors must build and maintain a holding of shares in the Company of 200% of salary. 50% of the net of tax number shares vesting under the incentive arrangements must be retained until guideline is met.

Remuneration framework

To ensure that the Group continues to grow, organically and inorganically, we must have the right remuneration framework in place.

In setting our remuneration framework the Committee considers:

- ensuring that there is a strong long-term alignment of interest between Executive Directors and our shareholders;
- the need to align the overall reward arrangements with the Group's strategy, both in the short and long term;
- the need to attract, retain and motivate Executive Directors and senior management of the right calibre, ensuring an appropriate mix between fixed and variable pay; and
- ensuring that there is a coherent cascade of pay and benefits arrangements elsewhere in the Group to support internal alignment of interest and succession.

Directors' remuneration report continued

Executive Director remuneration framework

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Base salary	Reflects external market and geography and an individual's performance and contribution. Reviewed annually normally in February.	Attracts and retains the best talent with the necessary expertise to deliver the Group's strategy and to create shareholder value.	No prescribed maximum. Account will be taken of increases applied to employees as a whole when determining salary increases. Committee discretion to award increases when it considers it appropriate, including where base salary at outset may have been set at a relatively low level, or where there has been a substantial change in responsibilities of the role.	The Committee considers the individual's performance and contribution in the period since the last review.	N/A
Allowances and benefits	The Chief Executive Officer is entitled to a contribution to a deferred benefit plan; private health, dental and vision insurance; life assurance; professional adviser fees paid on his behalf; and car allowance (lease and associated fees) or cash in lieu thereof. The Chief Financial Officer is entitled to private medical insurance. The Committee may determine that other benefits may be added where appropriate.	Provides market competitive and cost-effective benefits. Provides reassurance and risk mitigation and supports personal health and wellbeing.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	N/A

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Pension	Directors are entitled to receive employer contributions to a Group pension plan.	Provides market equivalent retirement benefits.	Maximum contribution, currently 10% of base salary. In addition, Tim Dyson is entitled to receive a pension benefit under a US 401k plan.	N/A	N/A
Performance-related bonus	Annual cash bonus plan. Targets closely aligned with the Group's strategic aims. Targets are reviewed annually by the Committee. Not pensionable.	Reinforces and rewards delivery of annual performance and strategic business priorities. Delivers value to shareholders and consistent with the delivery of the strategic plan.	The maximum bonus opportunity is 100% of salary.	The Committee chooses measures that help drive and reward the achievement of the Group's strategy. Metrics and their relative weightings are reviewed each year. The Remuneration Committee has the discretion to adjust and to override formulaic outcomes for annual bonus payment due if the Remuneration Committee considers it is not reflective of the underlying performance of the Company, as well investor experience and the employee reward outcome.	The bonus is subject to recovery and withholding provisions which may be applied in the event of a material miscalculation of a participant's entitlement, a material misstatement or restatement of the Company's financial results for the year to which the performance period relates, or material personal misconduct that would justify summary dismissal, or result in significant reputational damage to the Company, or have a material adverse effect on the Company's financial position, or reflect a significant failure of the Company's risk management or control.

Directors' remuneration report continued

Executive Director remuneration framework continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Long-Term Incentive Plan ('LTIP')	Awards may be structured as performance share awards or nil-cost options. For awards granted during FY21 onwards, awards will be subject to a three-year performance period. For awards granted during FY22 onwards, there will be a two-year holding period on shares acquired from vested awards. The value of dividends payable over the vesting period pay be added to the vested share awards in cash or shares.	Rewards long-term sustainable performance, in line with the Company's strategy. Focuses Executive Directors on delivering outstanding value creation for shareholders.	150% of salary.	The Committee chooses performance measures that support delivery of the Company's strategy and provide alignment between Executive Directors and shareholders. Performance metrics and their respective weightings may vary from year to year depending on financial and strategic priorities. Up to 25% vests for threshold performance. The Remuneration Committee has the discretion to adjust and to override formulaic outcomes for the LTIP vesting level if the Remuneration Committee considers it is not reflective of the underlying performance of the Company, as well as investor experience and the employee reward outcome.	Same clawback and malus provisions as for the performance-related bonus.

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Shareholding guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company of 200% of base salary.	Increases alignment between Executive Directors and shareholders and shows a clear commitment by all Executive Directors to creating value for shareholders in the longer term.	Minimum shareholding guidelines to be satisfied within five years of appointment of 200% of salary for all Executive Directors. If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the guideline is met.	N/A	Executive Directors shall not dispose of shares needed to meet their minimum shareholding requirement except as approved by the Committee. The Committee may give such approval in limited circumstances such as to comply with legal obligations or to avoid financial distress.

Non-Executive Director remuneration framework

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
Fees	Cash fees, determined by the Executive Directors, reflecting the time commitment required, the responsibility of each role, and the level of fees in comparable companies.	Supports recruitment and retention of Non-Executive Directors with the necessary breadth of skills and experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The aggregate Directors' service fees (excluding salary or other remuneration) is limited to £500,000 under the Company's Articles. No entitlement to compensation for early termination.	Internal evaluation of the Board's and its Committees' effectiveness takes place periodically.

Policy on recruitment

In the case of hiring or appointing a new Executive Director, the Committee may make use of any or all of the existing components of remuneration, as described above. The Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate operates) to ensure that the pay arrangements are in the best interests of the Company and its shareholders. Awards forfeited from the previous employer may be bought out like-for-like with equivalent bonus or LTIP awards over Next 15 shares.

Directors' remuneration report continued

Directors' service contracts, policy on outside appointments and payments for loss of office

Executive Directors have rolling contracts that are terminable on six months' notice. There are no contractual entitlements to compensation on termination of the employment of any of the Directors other than payment in lieu of notice at the discretion of the Company and a payment for compliance with post-termination restrictions.

	Date of current service contract	Notice period
Executive Directors		
Tim Dyson	1 June 1997	6 months
Peter Harris	25 March 2014	6 months
Jonathan Peachey	16 April 2019	6 months

The Executive Directors are allowed to accept appointments and retain payments from sources outside the Group, provided such appointments are approved by the Board.

Bonus and LTIP awards normally lapse if the Executive resigns. However, for a 'good leaver', part-year bonus may be payable, pro rata, and the Executive's unvested awards may also vest subject to the achievement of the performance conditions, usually pro rata, for the proportion of the LTIP holding period employed.

Non-Executive Directors' letters of appointment

All Non-Executive Directors are engaged under letters of appointment terminable on three months' notice at any time. Non-Executive Directors are not entitled to any pension benefit or any payment in compensation for early termination of their appointment.

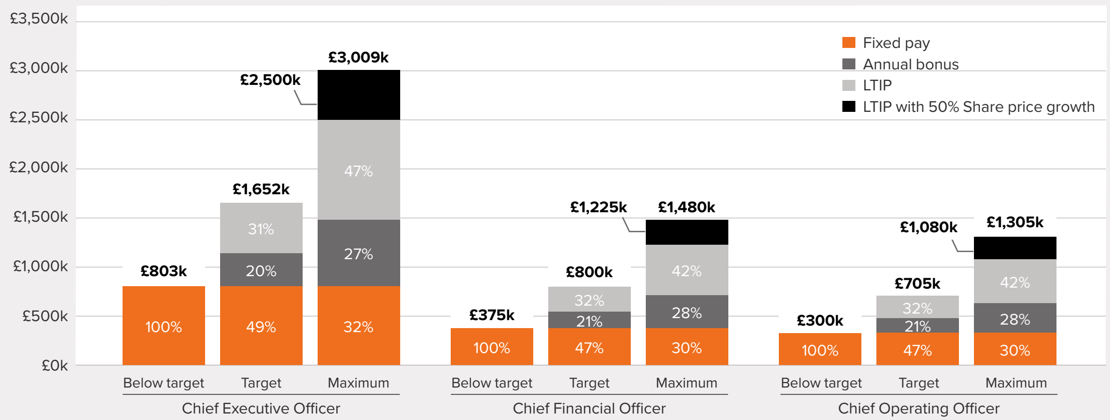
	Date of current letter of appointment	Notice period
Non-Executive Directors		
Penny Ladkin-Brand	1 February 2021	3 months
Helen Hunter	26 June 2019	3 months
Robyn Perriss	10 November 2020	3 months
Dianna Jones	25 March 2022	3 months

Illustrative performance scenarios

The charts to the right illustrate, under three different performance scenarios, the total value of the remuneration package receivable by the Executive Directors for FY23. The assumptions used have been set out below.

Minimum: Comprises fixed pay only using the salary for FY23, the value of benefits in FY22 and a 10% company pension contribution. Tim Dyson also receives a pension benefit under a US 401k plan.

On-Target: A bonus of 50% of salary is payable (50% of maximum) for target performance and half the LTIP awards vest (based on a grant value of 150% of salary).



Maximum: Comprises fixed pay and assumes that the maximum annual bonus is paid (100% of salary) and the FY23 LTIP grant (150% of salary) vests in full. The maximum scenario includes an additional element to represent 50% share price growth on the LTIP award from the date of grant to vesting.

Composition of the Committee and advice received

The Committee usually comprises three Non-Executive Directors: Helen Hunter the Committee Chair, Penny Ladkin-Brand and Robyn Perriss. The Company's Executive Directors attend the Committee meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed. No Director is involved in deciding his or her own remuneration. The Company Secretary or his nominee acts as secretary to the Committee. The Committee is authorised, where it judges it necessary to discharge its responsibilities, to obtain independent professional advice at the Company's expense.

Korn Ferry is appointed as adviser to the Committee. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. Fees paid to Korn Ferry during the period were £26,985 (FY21: £49,776). The Committee is satisfied that the advice it received from Korn Ferry is objective and independent.

Directors' remuneration report continued

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference, which are available from the Group's website at www.next15.com. The Committee had six meetings during the year and details of attendance can be found in the corporate governance statement on page 70.

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

- reviewing the remuneration framework against the Group strategy and best practice corporate governance requirements;
- undertaking the annual review of remuneration for both Executive Directors;
- setting financial targets for the annual bonus plan FY22;
- reviewing and setting appropriate stretching performance targets for the FY22 LTIP awards;
- considering the remuneration arrangements of brand senior management;
- reviewing the extent to which performance conditions have been met for both the annual and long-term incentive plans, and agreeing the cash and equity payments arising including the processes and communication to Executive Directors and senior executives;
- reviewing the design, policies and targets of the Group's equity incentive plans including their impact on dilution and headroom;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including in relation to tax; and
- continuing to review the Group's approach to gender pay, diversity and inclusion policies.

Key activities of the Committee for the year ahead

The principal matters for consideration by the Committee for the year ahead will include:

- keeping the remuneration framework under review;
- setting appropriate performance targets for the incentive schemes;
- consideration to the principles governing the Group's brand equity schemes and any adjustments required;
- continuing to review the Group's approach to gender pay, diversity and inclusion policies;
- monitoring and reviewing best practice corporate governance requirements, changes to laws, regulations and tax;
- reviewing the current use of long-term incentive schemes and the impact on dilution and headroom and the possibility of introducing an all-employee share plan; and
- review of remuneration structures for staff below Executive Director level.

Directors' remuneration for the 12-month period to 31 January 2022

	Salary and fees 2022 £'000	Performance-related bonus 2022 £'000	LTIP awards £'000[1]	Pension contributions 2022 £'000	Other benefits 2022 £'000	**Total 2022 £'000**	Total Fixed Pay 2022 £'000	Total Variable Pay 2022 £'000	Total 2021 £'000[2]
Executive Directors									
Tim Dyson	659	395	624	74	46	**1,798**	779	1,019	1,385
Peter Harris	330	198	301	33	1	**863**	364	499	620
Non-Executive Directors									
Penny Ladkin-Brand	150	—	—	—	—	**150**	150	N/A	45
Helen Hunter	58	—	—	—	—	**58**	58	N/A	41
Robyn Perriss	58	—	—	—	—	**58**	58	N/A	8

1 These figures comprise tranches of three LTIP awards which vest in relation to performance periods ending FY22, being those LTIP awards granted in April 2018 and April 2019, valued using a share price of 1189p, being the average share price over the last quarter of the period.

2 These figures have been restated to reflect the actual value of the LTIPs on vesting for 2021 using a share price of 782p.

Performance-related bonus

The annual bonus opportunity for FY22 was 60% of salary for both Executive Directors. Performance was based on four weighted performance metrics. The formulaic outcome based on performance against targets resulted in a bonus pay-out of 100% of maximum as set out in the table below.

Performance metric	Weighting (% of max)	Target range	Actual performance	Pay-out for element (% of element)
Adjusted operating profit after lease liability interest*	30%	£54m–£62m	79.2m	30%
Cash conversion ratio	20%	80%–100%	100%	20%
Organic revenue growth	30%	5%–10%	26.1%	30%
Operating profit margin*	20%	18%–20%	21.9%	20%
Total bonus (% of max)				**100%**

* Excluding share acquisitions made after 1 May 2021.

The bonuses for the year ended 31 January 2022 were £395,378 (US$543,724) for Tim Dyson and £198,000 for Peter Harris, payable entirely in cash.

Directors' remuneration report continued

Long-Term Incentive Plan

Awards vesting by reference to performance periods ending 31 January 2022

The historic awards granted to the Executive Directors which vested by reference to performance periods ending on 31 January 2022 are summarised below:

FY19 LTIP grant (granted 10 April 2018)

Executive Director	Number of performance shares in tranche 4	Percentage of award vesting	Number of shares vesting from tranche 4	Gain on vesting £'000
Tim Dyson	26,821	100%	26,821	319
Peter Harris	13,577	100%	13,577	161

Performance shares which vest in tranche 4 of the FY19 award will be released following the 31 January 2023 results (expected to be April 2023).

FY20 LTIP grant (granted 28 April 2019)

Executive Director	Number of performance shares in tranche 3	Percentage of award vesting	Number of shares vesting from tranche 3	Gain on vesting £'000
Tim Dyson	25,644	100%	25,644	305
Peter Harris	11,769	100%	11,769	140

Performance shares which vest in tranche 3 of the FY20 award will be released in April 2022.

Value of gain on vesting has been calculated using a share price of 1,189p, being the average share price over the last quarter of the period.

Awards granted during FY22

The FY22 awards were granted to Executive Directors on 5 May 2021 and 28 June 2021. During the year shareholder approval was sought to increase the individual limits on LTIP awards to Directors from 100% to 150% of salary. This approval was obtained at the AGM in June 2021 and so the additional award made on 28 June 2021 was for the additional amount that were approved by shareholders. The awards cover a three-year period with performance measured over the period from 1 February 2021 to 31 January 2024. The performance criteria for the award is based 70% on adjusted EPS performance and 30% on a range of financial KPIs. Subject to performance against these conditions, the award will be released following the end of FY24.

Executive Director	**Tim Dyson**	**Peter Harris**
Number of performance shares	119,245	60,162
Vesting criteria (for both Executive Directors)		
Up to 66.67% of maximum award	*Target*	*Proportion of award vesting*
Absolute increase in adjusted diluted earnings per share over the three-year performance period at a constant tax rate	Less than 20%	0%
	20%	16.67%
	Between 20% and 50%	16.67%–66.67% (straight-line basis)
	50% or more	66.67% total award
Up to 33.33% of maximum award		
Average annual organic net revenue growth over the three-year performance period	Less than 4%	0%
	4%	4.2%
	Between 4% and 7.5%	4.2%– 16.67% (straight-line basis)
	7.5% or more	16.67%
Average annual adjusted operating profit (after lease liability interest) margin	Less than 18%	0%
	18%	4.2%
	Between 18% and 20%	4.2%–16.67% (straight-line basis)
	20% or more	16.67%

Directors' interests in share plans for the year to 31 January 2022

As at 31 January 2022 the following Directors held performance share awards over Ordinary Shares of 2.5p each under the 2015 LTIP and 2016 Share Award Agreements, as detailed below:

Executive Director	Number of performance shares at 1 February 2021	Shares lapsing during the period	Shares released during the period	Shares granted during the period	**Number of performance shares at 31 January 2022**	Grant date	End of performance period	Total gain on release [5] £'000
Tim Dyson	32,519	—	—	—	**32,519**	02.05.2017	31.01.2022[1]	—
	111,146	—	57,531	—	**53,615**	10.04.2018	31.01.2023[2]	450
	107,807	4,488	—	—	**103,319**	26.04.2019	31.01.2024[3]	—
	186,423	—	—	—	**186,423**	30.07.2020	31.01.2023[4]	—
	—	—	—	81,557	**81,557**	06.05.2021	31.01.2024	—
	—	—	—	37,688	**37,688**	28.06.2021	31.01.2024	—
Peter Harris	15,073	—	—	—	**15,073**	02.05.2017	31.01.2022[1]	—
	56,265	—	29,124	—	**27,141**	10.04.2018	31.01.2023[2]	228
	49,479	2,060	—	—	**47,419**	26.04.2019	31.01.2024[3]	—
	85,174	—	—	—	**85,174**	30.07.2020	31.01.2023[4]	—
	—	—	—	41,065	**41,065**	06.05.2021	31.01.2024	—
	—	—	—	19,097	**19,097**	28.06.2021	31.01.2024	—

1 As reported previously, the LTIP awards under the 2015 LTIP (granted from 2017) vest on a tranche basis over a total five-year period. Tranches representing a maximum of 20% of this award vested by reference to performance periods ending 31 January 2021 but are not released until after 31 January 2022.

2 The first 60% of the total awarded performance shares were released to the Executive Directors in April 2021. The Executive Directors will become unconditionally legal and beneficially entitled to the remaining 40% on the date on which vesting is determined in relation to the performance period ending 31 January 2023 (expected April 2023).

3 Executive Directors will become unconditionally legally and beneficially entitled to up to 60% of the total awarded performance shares on the date on which vesting is determined in relation to the performance period ending 31 January 2022 (expected April 2022). The Executive Directors will become unconditionally legal and beneficially entitled to the remaining 40% of the award on the date on which vesting is determined in relation to the performance period ending 31 January 2024 (expected April 2024).

4 Executive Directors will become unconditionally legally and beneficially entitled to the total awarded performance shares on the date on which vesting is determined in relation to the three-year performance period ending 31 January 2023 (expected April 2023).

5 These figures have been calculated using the share price on the date of release of 782p.

Directors’ remuneration report continued

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

The interests of the Directors in the share capital of the Company at 31 January 2021 and 31 January 2022 are as follows:

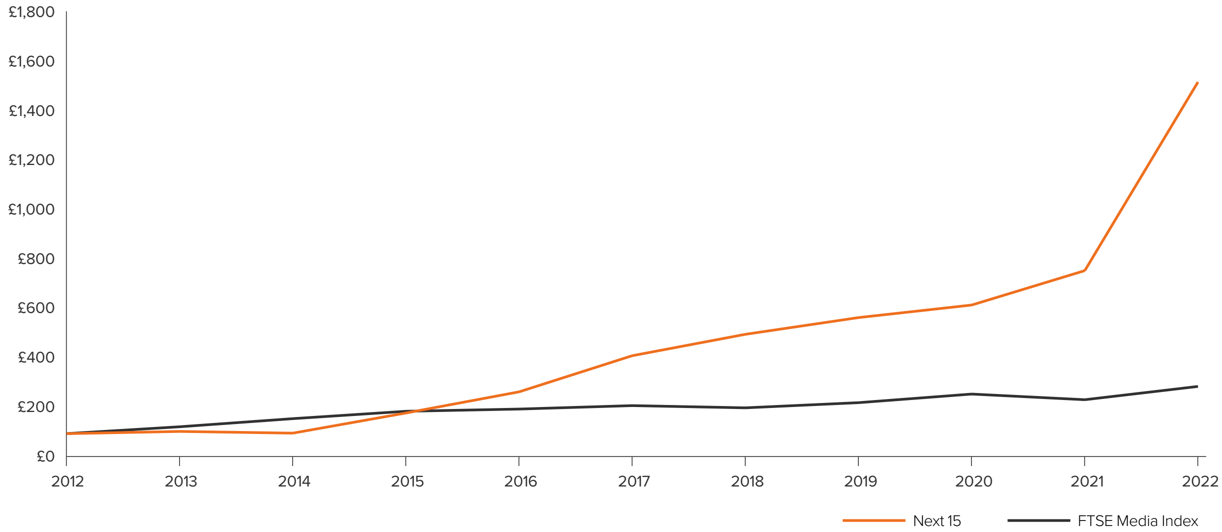
	Ordinary Shares		LTIP performance shares	
	31 January 2021	**31 January 2022**	1 February 2021	**31 January 2022**
Executive Directors				
Tim Dyson	5,077,997*	**5,000,000***	437,895	**495,121**
Peter Harris	371,566*	**386,128***	205,991	**234,969**
Non-Executive Directors				
Penny Ladkin-Brand	85,118	**85,118**	—	**—**
Helen Hunter	—	**—**	—	**—**
Robyn Perriss	—	**—**	—	**—**

* Includes Ordinary Shares legally and beneficially owned and performance shares which have vested in relation to prior periods but not yet been released.

Total shareholder return

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

This graph shows the value on 31 January 2022 of £100 invested in the Company on 31 January 2013 compared with £100 invested in the FTSE Media Index and demonstrates the sustained and significant total shareholder return that we have delivered to shareholders over this period.



How the remuneration framework will be applied for FY23

Salary

The CEO and the CFO will each receive a salary increase of 3% for FY23 which is slightly below the average increase awarded to the workforce.

Executive Director	Salary with effect from 1 April 2021	**Salary with effect from 1 April 2022**	Increase
Tim Dyson	US$906,206	**US$933,392**	3%
Peter Harris	£330,000	**£339,900**	3%
Jonathan Peachey	n/a	**£300,000**	n/a

Directors' remuneration report continued

How the remuneration framework will be applied for FY22 continued

Non-Executive Director fees

Following the review of NED remuneration there were no changes to the fees paid to the NEDs.

Fee	Fee with effect from 1 April 2021	**Fee with effect from 1 April 2022**	Increase
Non-Executive Chair fee	£150,000	**£150,000**	0%
Non-Executive Director base fee	£53,000	**£53,000**	0%
Audit Committee Chair fee	£7,000	**£7,000**	0%
Remuneration Committee Chair fee	£7,000	**£7,000**	0%

Pension and benefits

Pension will remain capped at 10% of base salary for Executive Directors. Tim Dyson is also entitled to a small pension under a US 401k pension plan.

Benefits will operate in line with FY22, and policy.

Annual bonus

The annual bonus opportunity will be 100% of salary for FY23, payable in cash. Performance will be measured against adjusted operating profit (30% of total), cash conversion ratio (20% of total), organic revenue growth (30% of total) and adjusted operating profit margin (20% of total). The Committee considers the bonus targets to be commercially sensitive but commits to full retrospective disclosure in next year's Remuneration Report.

Long-term incentive

The Executive Directors will be granted LTIP awards of 150% of salary. Performance will be measured over a single three-year performance period to 31 January 2025. The awards will vest based on the achievement of the following performance conditions and targets over the three-year performance period:

Performance condition	Weighting (% of salary)	Threshold (25% vests)	Maximum (100% vests)
EPS growth over the performance period	100%	30%	60%
Average annual organic net revenue growth	25%	8%	15%
Average annual operating profit margin	25%	18%	20%

A two-year post-vesting holding period applies to vested awards.

The Committee will have discretion to override the formulaic outcome of the incentives in certain circumstances. Clawback and malus provisions will apply.

Report of the Directors

The Directors present their Annual Report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 January 2022.

The Group has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include such matters of strategic importance to the Group in the Strategic Report which otherwise would be required to be disclosed in this Directors' Report, and are incorporated by reference to the links below:

Key Performance Indicators	p20
Stakeholder engagement	p28
Section 172 statement	p30
Employees and workers	p47
Equity, diversity and inclusion	p47
Employee engagement	p50
Principal risks and uncertainties	p54
Directors' interests in shares	p98

Group results and dividends

The Group's results for the period are set out in the Consolidated Income Statement on page 118. The Directors recommend a final dividend of 8.4p per Ordinary Share to be paid on Friday 12 August 2022, which gives a total dividend of the period of 12p per Ordinary Share (2021: 7p).

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on pages 65, 66 and 67. Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the Directors' Remuneration Report on pages 83 to 100. Except for Directors' service contracts, no Director has a material interest in any contract to which the Company or any of its subsidiaries is a party.

Directors' indemnity and insurance

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

Acquisitions

The following is a summary of Group acquisitions made in the year to 31 January 2022, more detailed disclosure of which can be found in note 26 to the financial statements.

On 9 April 2021, Next 15 purchased the entire share capital of Shopper Media Group Limited ('SMG') and its subsidiaries Capture Marketing Limited, Lobster Agency Limited, and Threefold Agency Limited. Shopper Media Group specialises in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. The initial consideration for the acquisition is approximately £15.7m, of which approximately £11.8m was satisfied in cash with the balance satisfied by the issue of 569,181 new Ordinary Shares in Next 15. Further contingent consideration is anticipated to be payable around April 2023 and April 2025 based on the EBITDA performance of SMG in the two-year periods ending 31 January 2023 and 31 January 2025, respectively.

On 1 May 2021, Next 15 acquired a controlling interest in Blueshirt Capital Advisors LLC ('BCA'), the tech focused capital markets advisory business. Next 15 initially owned 20% of BCA and as part of the shareholders' agreement Next 15 has exercised the option to increase its shareholding from 20% to 51%. Next 15 has the option to increase its shareholding in BCA to 80% in two years' time.

Report of the Directors continued

Significant post-balance sheet events

Subsequent to the year end, on 8 March 2022 Next 15 acquired Engine Acquisition Limited ('Engine UK'). Engine UK is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients.

The acquisition of Engine UK was for an enterprise value of £77.5m, with £61.7m paid on completion in cash. The Acquisition was funded from the Company's debt facilities and the proceeds of a placing of new Ordinary Shares in the Company. A total of 4,505,000 new Ordinary Shares in the capital of the Company of 2.5p each were placed by Numis Securities Limited and Joh. Berenberg, Gossler & Co. KG at a price of 1,110p per Placing Share, raising gross proceeds of approximately £50m (before expenses).

Cyber security and data privacy

During the course of the year, we have made significant improvements to our information & cyber security posture, including growing the internal team to improve our position and ability to support the brands. One of the key priorities was to achieve ISO27001 accreditation for the Next 15 head Office function which we achieved in May 2021. We have used this to create a stronger set of Group-wide policies to strengthen the overall position of the Group. We have adopted the NIST cybersecurity framework and have invested in online training material which is deployed via the Next 15 Academy to support end user awareness of cyber and data threats.

We focused resource and technology to ensure that the overall business continues to be GDPR compliant, and we engaged a third party to conduct in-depth reviews on a number of our Group businesses using the output to strengthen the overall Group position. Significant investment in OneTrust as a tool to help the group digitise, automate and maintain its compliances have rolled this out across the Group to digitise our Article 30 requirements.

We have appointed Shoosmiths to be our Global Data Protection Officer, and this has strengthened our position both around day-to-day operations and future client and supplier contracts.

We have put a robust incident response plan in place that is linked to our cyber insurance policy that enables individual Group businesses to engage with the central team and Shoosmiths in the event of any incidents. This plan has been tested successfully and during the course of FY23 we will be looking to use additional models in OneTrust to progress this further.

PriceWaterhouseCoopers has been commissioned to conduct a cyber maturity review across the Group early in 2022 against the NIST cyber security framework. This will measure our posture by business and as a Group and the output will form the basis of our information & cyber security strategy for the coming 24 months.

Likely future developments in the business of the Company

The Group's priorities for 2022/23 are disclosed in the Strategic Report on pages 1 to 63.

Research & Development

Our brands continue to invest in R&D to convert their intellectual property into products and to automate their work for clients. Innovations in development include: ongoing work to build an end to end market research platform, automated due diligence tools and smart campaign management and optimisation products.

Health and safety

Health and safety policy is a matter for the Board, and they are aware of their responsibilities and are committed to keeping health and safety policy under review, a full evaluation is planned for the coming year.

The implementation of the Group policy on health and safety sits with the Chief Financial Officer. The Group is dedicated to observing health and safety laws and government guidance in every country we operate in, and we prioritise the welfare of employees, visitors, customers and any other individual or group affected by our activities. Whilst we benefit from being a low-risk industry, in line with our values, the health and safety of our people is our primary concern.

Covid-19

The changing landscape created by the Covid-19 pandemic has required us to adapt and respond promptly. The Head Office team has continuously monitored advice and adapted internal standards swiftly and to an exceedingly high standard. During the year our offices were able to re-open, and our new way of working began. In order to ensure our people were safeguarded and our offices remained Covid secure, we implemented a flexible working policy, social distancing, a strict desk booking and check-in system, free lateral flow tests for all employees, enhanced cleaning regimes, and restricted access for external parties to our Head Office.

We are acutely aware of the mental health and wellbeing of our people so in addition to providing a safe workspace to serve as respite from the varying challenges of working from home, we have extended our support to home offices by conducting assessments and providing appropriate equipment where required. Furthermore, we have made a considered effort to care for the mental wellbeing of our employees by encouraging open dialogue with line managers and colleagues, open communication and support via our intranet/Slack, organising a virtual wellbeing event, and flexible working to promote life/work balance, making time for exercise, and the importance of rest.

In the coming year we will continue our enhanced cleaning routines and continue to closely monitor guidance to ensure the continuing high standards of safety for our employees.

External Auditor

The Board appointed Deloitte LLP to act as External Auditor for the year ended 31 January 2022. A resolution to reappoint Deloitte LLP as External Auditor of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM.

Disclosure of information to the External Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the Company's External Auditor is unaware; and

2. the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's External Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting (the 'AGM') of Next Fifteen Communications Group plc (the 'Company') will be held at 60 Great Portland Street, London W1W 6RT on Thursday 23 June 2022 at 11.00am. Should the Government re-introduce restrictions related to the Covid-19 pandemic, shareholders will find information relating to any changes to the meeting arrangements via our website. We recommend that shareholders vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy. Shareholders can ask the Company Secretary questions using cosec@next15.com

The Notice of AGM and explanatory notes regarding the ordinary and special business to be put to the meeting will be set out in a separate circular to shareholders, which will be made available on the Group's website at www.next15.com and will be mailed to shareholders who have requested a paper copy.

Political donations

It is the Group's policy not to make donations for political purposes and, accordingly, there were no payments to political organisations during the year (2021: £Nil).

Charitable donations

During the year ended 31 January 2022, the Group donated £113,056 to various charities (2021: £69,925).

Acquisition of shares

Acquisitions of shares by the Next Fifteen Employee Trust purchased during the period are as described in note 22 to the financial statements.

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the Group's exposure to relevant risks in respect of financial instruments is set out in note 19 and in the Strategic Report on pages 1 to 63.

Report of the Directors continued

Significant shareholdings

As at 31 March 2022 the Company had received the notifications below of the following significant beneficial holdings in the issued Ordinary Share capital carrying rights to vote in all circumstances of the Company. The percentage holding is based on the Company's issued share capital at the date of the notification.

	2022	
	Total	%
Octopus Investments	**13,087,453**	**13.44**
Liontrust Asset Management	**11,470,037**	**11.78**
Aviva Investors	**8,269,268**	**8.49**
Aberdeen Standard Investments	**6,524,344**	**6.70**
Slater Investments	**6,193,881**	**6.36**
BlackRock	**5,871,284**	**6.03**
Tim Dyson	**5,000,000**	**5.14**
JP Morgan Asset Management	**3,728,964**	**3.83**
BMO Global Asset Management	**3,038,864**	**3.12**
Herald Investment Management	**2,937,000**	**3.02**

Financial reporting and going concern statement

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 63. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27. In addition, note 19 to the financial statements includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors' Responsibilities Statement in respect of the financial statements is set out on page 105.

Approved by the Board on 4 April 2022 and signed on its behalf by:

Penny Ladkin-Brand
Chair of the Board
4 April 2022

Directors' responsibilities statement

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

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

In preparing the parent company financial statements, the Directors are required to:

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 4 April 2022 and is signed on its behalf by:

Peter Harris
Chief Financial Officer
4 April 2022

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Next Fifteen Communications Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue recognition: cut-off of project revenue; and • valuation of acquisition-related liabilities.	Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £2.75m which was determined on the basis of considering a number of different measures including adjusted profit before tax and revenue.	
Scoping	Our audit procedures provided coverage of 70% of the Group's revenue and 83% of Adjusted Profit before Tax.	
Significant changes in our approach	We have refined our key audit matters for the current year as follows: We no longer identify the classification and presentation of adjusting items as a key audit matter as these items are no longer included in the financial statements. We have identified revenue recognition: cut-off of project revenue as a key audit matter in the current period. This reflects an area of our audit where we have performed additional audit work in the current period as a result of our iterative risk assessment process. We have pinpointed the existing valuation of acquisition-related liabilities key audit matter to be focused on the most significant assumption underpinning the Mach49 earnout liability, to reflect where the majority of our audit effort has been spent in respect of this risk. We identified in the prior period the valuation of contingent consideration on the acquisition of Mach49 as a key audit matter, as this was the period in which Mach49 was acquired. Estimation uncertainty remains in respect of this consideration, albeit the risk now captured by the valuation of acquisition-related liabilities key audit matter. There are no other significant changes in our approach apart from these changes in key audit matters.	

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the assumptions used in the forecasts, including the appropriateness of the modelling of downside scenarios;
- testing the clerical accuracy of those forecasts;
- assessing the linkage to business model and medium-term risks;
- assessing the availability of financing facilities including nature of facilities, repayment terms and covenants;
- calculating the amount of headroom in the forecasts and undertaking sensitivity analysis to determine what changes would be required to breach cash requirements or covenant compliance; and
- assessing the appropriateness of the disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

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

5. Key audit matters continued

5.1. Revenue recognition: Cut-off of project revenue

Key audit matter description	The Group has recognised £470.1m of revenue for the year ended 31 January 2022 (2021: £323.7m) and £362.1m of net revenue (2021: £266.9m) after direct costs. We have identified the cut-off of revenue recognised from project fees as a key audit matter in the current period. Judgement is required to determine the stage of completion for projects that span the year end. The key judgements made in respect of projects spanning across year end are either the allocation of revenue to individual deliverables of the project, or the estimation of the percentage of completion of a fixed price project. Management is incentivised, both at the component level and at the group level, according to revenue and profit growth targets. Due to the level of judgement involved, we have determined that there is potential for manipulation of this balance by management and this therefore represents a risk of fraudulent financial reporting. For further details, see note 1(e) to the financial statements which sets out Management's accounting policy for revenue earned from project fees.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating revenue recognition, our audit work included: • obtaining an understanding of relevant controls over revenue recognition and forecasting of revenue both at the component and group level; • for each component, selecting a statistical testing sample of projects that span across the year end and substantively testing the cut-off of revenue recognised from each sampled project; • comparing the audit evidence obtained in respect of each sample against the project statement of work; • making enquiries of management to corroborate specific judgements; and • assessing whether disclosures within the financial statements are appropriate.
Key observations	Based on our audit procedures performed, we concluded that the project revenue recognised in the period and the disclosures made in the financial statements are appropriate.

Independent auditors' report continued
to the members of Next Fifteen Communications Group plc

5. Key audit matters continued

5.2. Valuation of acquisition-related liabilities

Key audit matter description	As at 31 January 2022, the Group had £178.1m of acquisition-related liabilities (2021: £53.7m) which consist mainly of contingent consideration payable based on a share of the post acquisition profits of the businesses previously acquired. These liabilities are estimated upon acquisition and subsequently revised at the Group's financial year end. The values of these liabilities remain highly judgemental until settled as they are based on forecast future performance of specific brands. As these liabilities are held at fair value, a change in the estimate of revenue growth or profitability of a brand could result in a material charge to the income statement. These changes are recorded in the income statement each period and in the current year the charge arising from changes in estimates is £110.7m (2021: £8.1m) as set out in Note 17. As a result of the new contract signed by Mach49 in February 2022, we have identified this key audit matter as an area of increased risk from the prior period due to the additional level of estimation uncertainty that has been introduced in determining the Mach49 acquisition-related liability. We have therefore pinpointed our identified risk to the most sensitive assumption underlying the valuation of acquisition-related liabilities, being the EBIT margin forecast from the new contract signed by Mach49. There is a risk that these liabilities are inappropriately valued if they are based on inappropriate forecast and discount rate assumptions. Given the sensitivity, management has set out that this is a key source of estimation uncertainty in Note 1 and included a sensitivity analysis in Note 17 to the financial statements. For further details, see notes 1, 2 and 17 to the financial statements.

5. Key audit matters continued
5.2. Valuation of acquisition-related liabilities continued

How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating to the valuation of acquisition-related liabilities, specifically the EBIT margin forecast under the new Mach49 contract, our audit work included: • obtaining an understanding of relevant controls over the valuation of acquisition-related liabilities process; • assessing the forecast costs of servicing the new contract, challenging management's model by comparison to historical margins from similar contracts and external contradictory evidence; • making inquiries of senior management of both the Group and Mach49 to corroborate the inputs in management's model and to identify any contradictory evidence; • challenging EBIT margin assumptions by considering the historical accuracy of budgeting and benchmark data; • involving our valuation specialists to determine whether the discount rate applied falls within an acceptable range; • where relevant, agreeing settlements in the year and post year end to bank statements or other documentation; and • assessing whether the disclosures within the financial statements adequately explain the estimates made in calculating these acquisition-related liabilities and the sensitivity of these estimates to changes in inputs.
Key observations	Based on our audit procedures performed, we concluded that the Directors' judgements regarding forecast EBIT margin under the new Mach49 contract are appropriate. The discount rate applied is within our acceptable range. We are satisfied with the disclosures made in the financial statements.

Independent auditors' report continued
to the members of Next Fifteen Communications Group plc

6. Our application of materiality

6.1 Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£2.75m (2021: £1.75m)	£2.48m (2021: £1.58m)
Basis for determining materiality	Materiality has been determined as a blend of a number of different measures including adjusted profit before tax and revenue. This is consistent with the prior year.	Parent company materiality is capped at 0.9% of group materiality. Parent company materiality represents 1.5% (2021: 0.97%) of net assets of £163.1m (2021: £166.2m).
Rationale for the benchmark applied	We considered a number of relevant benchmarks in our determination of materiality. Adjusted profit before income tax is a significant key performance indicator for the users of the annual report and financial statements. In addition, we incorporated revenue and net revenue as additional benchmarks as they reflect the growth of the Group. Materiality, representing approximately 3.4% (2021: 3.6%) of adjusted profit before tax and 0.6% (2021: 0.6%) of revenue.	The Parent company is a holding company, and net assets is indicative of the company's ability to support its subsidiaries.

6. Our application of materiality continued

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	68.5% (2021: 68.5%) of group materiality	65% (2021: 65%) of parent company materiality
Basis and rationale for determining performance materiality	We have set out the significant circumstances behind the professional judgements made in determining performance materiality for this audit. The specific factors were: a. we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes; b. there is an effective corporate governance structure; c. low level of uncorrected misstatements; d. no prior period adjustments; and e. there is maturity within the executive management team, with little turnover.	a. we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes; b. there is an effective corporate governance structure; c. low level of uncorrected misstatements; d. no prior period adjustments; and e. there is maturity within the executive management team, with little turnover.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.14m (2021: £0.09m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditors' report continued
to the members of Next Fifteen Communications Group plc

7. An overview of the scope of our audit

7.1. Identification and scoping of components

In selecting the components that are in scope each year, we obtained an understanding of the Group and its environment, including an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level. The components were also selected to provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Based on our assessment, we focused our audit work on 17 components, 2 of which subject to full audit scope and 15 were subject to specified audit procedures. Our audit procedures provided coverage of 70% (2021: 73%) of the Group's consolidated revenue and 83% (2021: 84%) of the Group's Adjusted Profit Before Tax.

Our audit work at the components, excluding the parent company, is executed at levels of materiality appropriate for such components, which in all instances are capped at 50% (2021: 55%) of Group materiality.

For all remaining components, we have performed centralised analytical procedures at component materiality.

The range of component materialities we have used are from £720,000 to £1,270,000 (2021: (£600,000 to £660,000)).

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1 Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition; cut-off of project revenue, being the risk that management recognise the wrong amount of revenue to benefit them either in the current or future years; and alternative performance measures, specifically the risk that management will manipulate adjusted results. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, AIM Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This includes the group's compliance with GDPR.

11.2 Audit response to risks identified

As a result of performing the above, we identified revenue recognition: cut-off of project revenue as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports;
- in addressing the risk of fraud in alternative performance measures, we have evaluated the appropriateness of adjusting items identified by management by comparison against the group accounting policy for such items; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

13 Matters on which we are required to report by exception
13.1 Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13 Matters on which we are required to report by exception continued
13.2 Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

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

Peter McDermott (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 April 2022

Consolidated income statement
for the year ended 31 January 2022 and the year ended 31 January 2021

	Note	Year ended 31 January 2022 £'000	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000
Revenue	2		**470,055**		323,668
Direct costs			**(107,952)**		(56,782)
Net revenue			**362,103**		266,886
Staff costs	3	**258,945**		189,530	
Depreciation	4,12,16	**9,442**		11,609	
Amortisation	4,11	**19,317**		16,394	
Other operating charges		**34,414**		35,665	
Total operating charges			**(322,118)**		(253,198)
Operating profit			**39,985**		13,688
Finance expense	6		**(121,384)**		(16,884)
Finance income	7		**1,049**		1,459
Net finance expense			**(120,335)**		(15,425)
Share of profit from associate			**211**		431
Loss before income tax			**(80,139)**		(1,306)
Income tax credit/(expense)	8		**14,475**		(2,643)
Loss for the year			**(65,664)**		(3,949)
Attributable to:					
Owners of the Parent			**(69,219)**		(4,938)
Non-controlling interests			**3,555**		989
			(65,664)		(3,949)
Loss per share					
Basic (pence)	10		**(74.9)**		(5.5)
Diluted (pence)	10		**(74.9)**		(5.5)

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

All results relate to continuing operations.

Consolidated income statement continued

for the year ended 31 January 2022 and the year ended 31 January 2021

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Loss for the year	**(65,664)**	(3,949)
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on investments in equity instruments designated as fair value through other comprehensive income	**7,466**	(117)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(963)**	(1,395)
Total other comprehensive income/(expense) for the year	**6,503**	(1,512)
Total comprehensive expense for the year	**(59,161)**	(5,461)
Total comprehensive expense attributable to:		
Owners of the Parent	**(62,716)**	(6,450)
Non-controlling interests	**3,555**	989
	(59,161)	(5,461)

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

All results relate to continuing operations.

Consolidated balance sheet
as at 31 January 2022 and 31 January 2021

	Note	31 January 2022 £'000	31 January 2022 £'000	31 January 2021 £'000	31 January 2021 £'000
Assets					
Property, plant and equipment	12	**7,506**		8,904	
Right-of-use assets	16	**19,948**		26,008	
Intangible assets	11	**183,050**		163,777	
Investment in equity-accounted associate		**—**		254	
Investments in financial assets		**8,483**		955	
Deferred tax assets	18	**46,350**		15,314	
Other receivables	13, 19	**821**		860	
Total non-current assets			**266,158**		216,072
Trade and other receivables	13	**119,676**		77,530	
Cash and cash equivalents	19	**58,216**		26,831	
Corporation tax asset		**708**		1,215	
Total current assets			**178,600**		105,576
Total assets			**444,758**		321,648
Liabilities					
Loans and borrowings	19	**22,478**		7,810	
Deferred tax liabilities	18	**3,187**		3,229	
Lease liabilities	16	**22,285**		31,812	
Other payables	14, 19	**401**		1,576	
Provisions	15, 19	**14,733**		7,140	
Contingent consideration	17, 19	**125,045**		36,194	
Other contingent liability	17, 19	**5,202**		—	
Share purchase obligation	17, 19	**9,717**		5,302	
Total non-current liabilities			**(203,048)**		(93,063)
Loans and borrowings	19	**—**		5,000	
Trade and other payables	14, 19	**120,333**		77,319	
Lease liabilities	16	**10,698**		10,957	
Provisions	15, 19	**7,778**		5,656	
Corporation tax liability		**3,278**		604	
Deferred consideration	17, 19	**133**		1,262	
Contingent consideration	17, 19	**36,496**		9,700	
Share purchase obligation	17, 19	**1,535**		1,206	
Total current liabilities			**(180,251)**		(111,704)
Total liabilities			**(383,299)**		(204,767)
Total net assets			**61,459**		116,881

Consolidated balance sheet continued

as at 31 January 2022 and 31 January 2021

	Note	31 January 2022 £'000	31 January 2022 £'000	31 January 2021 £'000	31 January 2021 £'000
Equity					
Share capital	20	**2,320**		2,274	
Share premium reserve		**104,800**		92,408	
Share purchase reserve		**(2,673)**		(2,673)	
Foreign currency translation reserve		**5,203**		6,166	
Other reserves	24	**608**		608	
Retained (loss)/earnings		**(50,429)**		18,174	
Total equity attributable to owners of the Parent			**59,829**		116,957
Non-controlling interests			**1,630**		(76)
Total equity			**61,459**		116,881

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

These financial statements were approved and authorised by the Board on 4 April 2022.

Peter Harris
Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2022 and the year ended 31 January 2021

	Note	Share capital £'000	Share premium reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2021		2,274	92,408	(2,673)	6,166	608	18,174	116,957	(76)	116,881
(Loss)/profit for the year		—	—	—	—	—	(69,219)	(69,219)	3,555	(65,664)
Other comprehensive (expense)/income for the year		—	—	—	(963)	—	7,466	6,503	—	6,503
Total comprehensive (expense)/income for the year		—	—	—	(963)	—	(61,753)	(62,716)	3,555	(59,161)
Shares issued on satisfaction of vested performance shares	20	22	5,385	—	—	—	(5,407)	—	—	—
Shares issued on acquisitions	20	24	7,007	—	—	—	—	7,031	—	7,031
Movement in relation to share-based payments		—	—	—	—	—	5,565	5,565	—	5,565
Tax on share-based payments	8	—	—	—	—	—	2,757	2,757	—	2,757
Dividends to owners of the Parent	9	—	—	—	—	—	(9,832)	(9,832)	—	(9,832)
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		—	—	—	—	—	67	67	(67)	—
Non-controlling interest purchased in the period		—	—	—	—	—	—	—	585	585
Non-controlling interest reversed in the period		—	—	—	—	—	—	—	171	171
Non-controlling dividend	9	—	—	—	—	—	—	—	(2,538)	(2,538)
At 31 January 2022		**2,320**	**104,800**	**(2,673)**	**5,203**	**608**	**(50,429)**	**59,829**	**1,630**	**61,459**

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

Consolidated statement of changes in equity continued

for the year ended 31 January 2022 and the year ended 31 January 2021

	Note	Share capital £'000	Share premium reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2020		2,163	76,019	(2,673)	7,561	608	29,618	113,296	(585)	112,711
(Loss)/profit for the year		—	—	—	—	—	(4,938)	(4,938)	989	(3,949)
Other comprehensive expense for the year		—	—	—	(1,395)	—	(117)	(1,512)	—	(1,512)
Total comprehensive (expense)/income for the year		—	—	—	(1,395)	—	(5,055)	(6,450)	989	(5,461)
Shares issued on satisfaction of vested performance shares	20	69	10,162	—	—	—	(10,231)	—	—	—
Shares issued on acquisitions	20	42	6,227	—	—	—	—	6,269	—	6,269
Movement in relation to share-based payments		—	—	—	—	—	3,557	3,557	—	3,557
Tax on share-based payments	8	—	—	—	—	—	491	491	—	491
Movement due to ESOP share purchases		—	—	—	—	(5)	—	(5)	—	(5)
Movement due to ESOP share option exercises		—	—	—	—	5	—	5	—	5
Movement on reserves for non-controlling interests		—	—	—	—	—	(206)	(206)	206	—
Non-controlling dividend	9	—	—	—	—	—	—	—	(686)	(686)
At 31 January 2021		2,274	92,408	(2,673)	6,166	608	18,174	116,957	(76)	116,881

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

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

Consolidated statement of cash flow

for the year ended 31 January 2022 and the year ended 31 January 2021

	Note	Year ended 31 January 2022 £'000	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000
Cash flows from operating activities					
Loss for the year		**(65,664)**		(3,949)	
Adjustments for:					
Depreciation	4,12	**3,296**		3,880	
Right-of-use depreciation	4,16	**6,146**		7,729	
Amortisation	4,11	**19,317**		16,394	
Finance expense	6	**121,384**		16,884	
Finance income	7	**(1,049)**		(1,459)	
Share of profit from equity-accounted associate		**(211)**		(431)	
Impairment of right-of-use assets		**1,378**		8,503	
Loss on sale of property, plant and equipment	4	**(189)**		6,885	
Gain on exit of finance lease		**(1,423)**		(2,327)	
Gains on investment activities		**(455)**		—	
Income tax (credit)/expense	8	**(14,475)**		2,643	
Employment linked acquisition provision charge		**15,167**		8,041	
Share-based payment charge		**9,463**		3,587	
Net cash inflow from operating activities before changes in working capital			**92,685**		66,380
Change in trade and other receivables		**(26,842)**		(5,692)	
Change in trade and other payables		**27,014**		12,942	
Movement in other liabilities		**4**		(697)	
Change in working capital			**176**		6,553
Net cash generated from operations			**92,861**		72,933
Income taxes paid			**(14,109)**		(8,423)
Net cash inflow from operating activities			**78,752**		64,510
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired	26	**(14,454)**		(8,097)	
Payment of contingent consideration		**(13,628)**		(15,539)	

Consolidated statement of cash flow continued
for the year ended 31 January 2022 and the year ended 31 January 2021

	Note	Year ended 31 January 2022 £'000	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000
Purchases of equity instruments designated at FVTOCI		**(60)**		—	
Acquisition of property, plant and equipment		**(3,107)**		(1,998)	
Proceeds on disposal of property, plant and equipment		**20**		4	
Acquisition of intangible assets		**(2,694)**		(2,109)	
Net movement in long-term cash deposits		**(73)**		(82)	
Income from finance lease receivables		**1,767**		780	
Interest received	7	**69**		47	
Net cash outflow from investing activities			**(32,160)**		(26,994)
Net cash inflow from operating and investing activities			**46,592**		37,516
Cash flows from financing activities					
Repayment of lease liabilities		**(11,993)**		(12,647)	
Increase in bank borrowings and overdrafts		**32,091**		—	
Repayment of bank borrowings and overdrafts		**(22,518)**		(24,912)	
Interest paid	6	**(424)**		(881)	
Dividend and profit share paid to non-controlling interest partners	9	**(2,538)**		(686)	
Dividend paid to shareholders of the Parent	9	**(9,832)**		—	
Net cash outflow from financing activities			**(15,214)**		(39,126)
Net (decrease)/increase in cash and cash equivalents			**31,378**		(1,610)
Cash and cash equivalents at beginning of the year			**26,831**		28,661
Exchange loss on cash held			**7**		(220)
Cash and cash equivalents at end of the year			**58,216**		26,831

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

Notes to the accounts
for the year ended 31 January 2022

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

C. Basis of consolidation *continued*

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

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

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

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

D. Merger reserve (included in other reserves)

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

E. Revenue and other income

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

Revenue comprises commission and fees earned and is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Payment terms across the Group vary, but the Group is generally paid in arrears for its services and payment is typically due between 60 and 90 days.

Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. In the majority of cases, relevant output measures such as the completion of distinct performance obligations set out in the contract are used to assess proportional performance. Where this is not the case then an input method based on costs incurred to date is used to measure performance. The primary input of substantially all work performed is represented by labour. As a result of the relationship between labour and cost there is normally a direct correlation between costs incurred and the proportion of the contract performed to date.

Notes to the accounts continued
for the year ended 31 January 2022

1 Accounting policies continued

E. Revenue and other income *continued*

The amount of revenue recognised depends on whether we act as an agent or as a principal. The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal the revenue recorded is the gross amount billed. Out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as a direct cost. Certain other arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases, we are acting as an agent and we do not control the relevant good or service before it is transferred to the client. When the Group is acting as an agent, the revenue is recorded at the net amount retained. There is deemed to be no significant judgements in applying IFRS 15 and in evaluating when customers obtain control of the promised goods or services.

Direct costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients but where the Group retains quality control oversight, such as production or research costs.

Further details on revenue recognition in terms of the nature of contractual agreements are as follows:

- retainer fees relate to arrangements whereby we have an obligation to perform services to the customer on an ongoing basis over the life of the contract. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition;
- where project fees relate to assignments carried out under contractual terms which entitle the Group to payment for its performance to date in the event of contract termination, then fees are recognised over the period of the relevant assignments. Revenue is typically recognised in line with the value delivered to the customer which is the amount assigned to the project milestones completed set out in the contract. Where this is not the case then an input method based on costs incurred is used; and
- revenue can be derived from media placements, for which the revenue for commissions on purchased media is typically recognised at the point in time the media is run.

The Group has variable incentive-based revenue, typically in the form of volume based rebates provided to certain clients. The variable consideration is estimated using the most likely amount and is included in revenue to the amount that is highly probably not to result in a significant reversal of the cumulative revenue recognised.

Accrued and deferred income

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers prior to satisfaction of performance obligations and recognised as deferred income on the Group’s balance sheet. These balances are considered contract liabilities and are typically related to prepayments for third-party expenses that are incurred shortly after billing.

Finance income

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

1 Accounting policies continued

F. Intangible assets

Goodwill

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

Software

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

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

Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives of up to 20 years.

Customer relationships

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

Notes to the accounts continued
for the year ended 31 January 2022

1 Accounting policies continued

F. Intangible assets *continued*

Non-compete

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

G. Property, plant and equipment

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

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

H. Impairment

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

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

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

1 Accounting policies continued

H. Impairment *continued*

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

I. Foreign currency

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

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

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

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

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

J. Operating segments

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

Notes to the accounts continued
for the year ended 31 January 2022

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables
All trade receivables held by the Group are financial assets held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and short-term (less than 3 months) call deposits held with banks, with deemed low credit risk. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Balance Sheet, except where there is a pooling arrangement with a bank that allows them to be offset against cash balances. In such cases the net cash balance are shown within cash and cash equivalents in the Consolidated Balance Sheet.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors.

Such provisions are recorded in a separate allowance account, with the loss being recognised as an expense in the other operating charges line in the Consolidated Income Statement.

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

The Group has a portion of consideration which is payable subject to continuing employment of the previous owner within the Group. The expected liability is recognised within operating costs evenly over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision.

1 Accounting policies continued

K. Financial instruments *continued*

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

Share purchase obligation

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

Trade payables

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

Bank borrowing

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

Hedging activities

The Group designates certain derivatives as hedging instruments in respect of hedges of net investments in foreign operations. The Group has chosen to continue to account for these under IAS 39 as allowed by the transition provisions for IFRS 9.

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

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

Notes to the accounts continued
for the year ended 31 January 2022

1 Accounting policies continued

K. Financial instruments *continued*

Hedging activities continued

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

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

L. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material. Provisions are created for acquisition-related payments linked to the continuing employment of the sellers and is recognised over the required period of employment. Provisions comprise liabilities where there is uncertainty about the timing of the settlement and are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

M. Retirement benefits

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

N. Share-based payments

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

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

1 Accounting policies continued

N. Share-based payments *continued*

The Group grants brand equity appreciation rights to key individuals in the form of LLC units or restricted Ordinary Shares in the relevant subsidiary. The LLC units or restricted Ordinary Shares give the individuals a right to a percentage of the future appreciation in their particular brand's equity. Appreciation is measured based on a multiple of the brand's operating earnings in subsequent year(s), over the base line value determined at the date of grant. Since any brand appreciation payments are to be settled in Group equity, they are accounted for as equity-settled share-based payments. The value is recognised as a one-off share-based payment 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. Therefore, adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's performance and enhances comparability year on year.

O. Leased assets

The Group leases various assets, comprising mostly of properties and office equipment. The Group assesses whether a contract is or contains a lease, at inception of a contract, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (approximately less than £5,000), where the Group has elected to use the exemption. The total rentals payable under these leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease. When this rate cannot be determined, the Group uses the incremental borrowing rate for the same term as the underlying lease. Lease payments comprise fixed payments less any lease incentives receivable and variable lease payments as at the commencement date. The lease liability is subsequently remeasured when there is a change in future lease payments due to a renegotiation or market rent review, or a reassessment of the lease term. Lease modifications result in remeasurement of the lease liability with a corresponding adjustment to the related right-of-use asset. Interest expense is included within finance expense in the Consolidated Income Statement. The right-of-use asset is initially measured based on the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, plus the estimated cost for any restoration costs the Group is obligated to at lease inception. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset.

Notes to the accounts continued
for the year ended 31 January 2022

1 Accounting policies continued

O. Leased assets *continued*

At times, entities of the Group will sublet certain of their properties when underlying business requirements change. The Group assesses the classification of these subleases with reference to the right-of-use asset, not the underlying asset. As a result, certain subleases are classified as finance leases and a sublease receivable is recognised and recorded as a financial asset within trade and other receivables on the Consolidated Balance Sheet and any relating right-of-use asset is derecognised.

When the Group acts as an intermediate lessor it accounts for the head lease and the sublease separately. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership in relation to the underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as finance lease receivables at the amount of the Group's net investment in the leases using the effective interest rate method. The Group recognises lessor payments under operating leases as income on a straight-line basis over the lease term.

P. Current tax

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

Q. Deferred tax

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

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

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

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

1 Accounting policies continued

Q. Deferred tax *continued*

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

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

R. Dividends

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

S. Employee Share Ownership Plan (‘ESOP’)

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

T. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group’s accounting policies

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

Notes to the accounts continued
for the year ended 31 January 2022

1 Accounting policies continued
T. Critical accounting judgements and key sources of estimation uncertainty *continued*

I. Identification of acquired intangible assets

As part of the acquisition accounting under IFRS 3, the Group must identify and value the intangibles it has acquired. The identification of the intangibles acquired, such as customer relationships, intellectual property, non-compete agreements and brand names, requires judgement following an assessment of the acquired business. This involves reviewing the past performance of the acquiree and future forecasts to ascertain the intangible assets which the purchase price should be allocated to.

Key sources of estimation uncertainty

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

I. Impairment of goodwill

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

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations for the purposes of the goodwill impairment review. Further details on the scenarios considered have been described in note 11.

1 Accounting policies continued

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

Key sources of estimation uncertainty continued

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

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

U. New standards and amendments not applied

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards which have been published but are only effective for accounting periods beginning on or after 1 February 2022 or later periods. These new pronouncements are listed below:

- IFRS 17 'Insurance Contracts'; and
- IFRS 10 'Consolidated Financial Statements' and IAS 28 (amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

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

2 Segment information

Reportable segments

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

The Group's business is separated into a number of brands which are considered to be the underlying cash-generating units ('CGUs'). These brands are organised into service segments based on the work they do for their customers and into geographical segments based on where the brand is located; within these reportable segments the Group operates a number of separate businesses which generally offer complementary products and services to their customers.

Notes to the accounts continued
for the year ended 31 January 2022

2 Segment information continued
Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, amortisation of acquired intangibles and other costs not associated with the performance of the business, details of which are included in the Glossary section on page 196. Total adjusted operating profit is reconciled to operating profit in note A2 to the Glossary, which in turn is reconciled to statutory profit before tax in the Consolidated Income Statement. Head office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

The Group has previously reported its results split into three operating segments: Brand Marketing, Data and Insights and Creative Technology. From 1 February 2021, the Group structure has been enhanced, moving from three segments to four: Customer Engagement, Customer Delivery, Customer Insight and Business Transformation. Therefore the split of the revenue for the year ending 31 January 2021 has been restated to reflect this.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transformation £'000	Head office £'000	Total £'000
Year ended 31 January 2022						
Revenue	**238,275**	**120,182**	**56,325**	**55,273**	**—**	**470,055**
Adjusted operating profit/(loss) after interest on lease liabilities	**40,434**	**28,501**	**9,023**	**15,221**	**(13,832)**	**79,347**
Year ended 31 January 2021						
Revenue	201,984	59,267	44,099	18,318	—	323,668
Adjusted operating profit/(loss) after interest on lease liabilities	36,866	15,232	4,876	3,906	(11,394)	49,486

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2022						
Revenue	**189,586**	**11,375**	**249,687**	**19,407**	**—**	**470,055**
Adjusted operating profit/(loss) after interest on lease liabilities	**30,910**	**2,504**	**58,355**	**1,410**	**(13,832)**	**79,347**
Year ended 31 January 2021						
Revenue	126,811	9,621	170,467	16,769	—	323,668
Adjusted operating profit/(loss) after interest on lease liabilities	22,402	1,997	34,150	2,331	(11,394)	49,486

3 Employee information

Staff costs for all employees, including Directors, consist of:

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Wages and salaries	**213,850**	161,630
Social security costs	**15,619**	12,045
Pension costs	**4,848**	4,227
Share-based payment charge (note 21)	**24,628**	11,628
	258,945	189,530

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

	Year ended 31 January 2022	Year ended 31 January 2021
UK	**1,174**	969
Europe and Africa	**109**	101
US	**907**	854
Asia Pacific	**425**	337
Head office	**71**	56
	2,686	2,317

Key management personnel are considered to be the Board of Directors as set out on pages 65 to 67.

Notes to the accounts continued
for the year ended 31 January 2022

3 Employee information continued
Directors' remuneration consists of:

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Short-term employee benefits	**1,629**	976
Pension costs	**107**	101
Share-based payment charge	**1,136**	603
	2,872	1,680

The highest paid Director received total emoluments of £1,174,000 (2021: £756,000).

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

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Depreciation of owned property, plant and equipment	**3,296**	3,880
Depreciation of right-of-use assets	**6,146**	7,729
Amortisation of intangible assets	**19,317**	16,394
Impairment of right-of-use assets	**1,378**	8,503
Loss on sale and impairment of property, plant and equipment	**(189)**	6,885
Share-based payment charge	**3,637**	1,402
Share-based payment charge – adjusted (see glossary page 196)	**20,991**	10,226
Short-term sublease income	**(12)**	(453)
Short-term lease expense	**413**	933
Low-value lease expense	**17**	78
UK furlough grant – adjusted (see glossary page 196)	**1,396**	(1,396)
Other government grants	**—**	(748)
Foreign exchange loss	**186**	775

5 Auditor's remuneration

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

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**474**	320
The auditing of financial statements of the subsidiaries pursuant to legislation	**4**	107
Non-audit services:		
Tax advisory services	**—**	—
Other assurance services	**5**	5
	483	432

6 Finance expense

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Financial liabilities at amortised cost		
Bank interest payable	**398**	877
Interest on lease liabilities	**1,043**	1,408
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	**811**	459
Change in estimate of future share purchase obligation (note 17)	**3,898**	2,908
Unwinding of discount on contingent and deferred consideration (note 17)	**7,488**	4,694
Change in estimate of future contingent consideration payable (note 17)	**107,720**	6,534
Other		
Other interest payable	**26**	4
Finance expense	**121,384**	16,884

Notes to the accounts continued
for the year ended 31 January 2022

7 Finance income

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Financial assets at amortised cost		
Bank interest receivable	**35**	43
Finance lease interest receivable	**65**	34
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	**—**	176
Change in estimate of future contingent consideration (note 17)	**915**	1,202
Other		
Other interest receivable	**34**	4
Finance income	**1,049**	1,459

8 Taxation
The major components of income tax expense for the year ended 31 January 2022 and year ended 31 January 2021 are:

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	**17,109**	8,472
Adjustments in respect of current income tax in prior years	**(312)**	(334)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(31,244)**	(5,464)
Adjustments in respect of deferred tax for prior years	**(28)**	(31)
Income tax (credit)/expense reported in the Consolidated Income Statement	**(14,475)**	2,643
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based payment	**(2,757)**	(491)
Income tax benefit reported in equity	**(2,757)**	(491)

8 Taxation continued

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2021: 19%). The difference is explained below:

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Factors affecting the tax (credit)/charge for the year		
Loss before income tax	**(80,139)**	(1,306)
Corporation tax expense at 19% (2021: 19%)	**(15,226)**	(248)
Effects of:		
Disallowed expenses	**5,315**	2,947
Recognition of previously unrecognised tax losses	**(2)**	—
Non-utilisation of tax losses	**21**	4
Higher rates of tax on overseas earnings	**(4,117)**	305
Deduction for overseas taxes	**(126)**	—
Adjustments in respect of prior years	**(340)**	(365)
	(14,475)	2,643

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2021: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Net corporation tax paid during the year totalled £14.1m (2021: £8.4m).

Notes to the accounts continued
for the year ended 31 January 2022

9 Dividend

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Dividends paid during the year		
Final dividend paid for prior year of 7p per Ordinary Share (2021: £Nil)	**6,491**	—
Interim dividend paid of 3.6p per Ordinary Share (2021: £Nil)	**3,341**	—
	9,832	—
Non-controlling interest dividend[1]	**2,538**	686

1 During the year, a profit share was paid to the holders of the non-controlling interest of Blueshirt of £194,506 (2021: £159,595), M Booth of £489,732 (2021: £329,906), BCA of £1,854,029 (2021: £Nil), and Outcast of £Nil (2021: £196,152).

The ESOP waived its right to dividends in the financial years ended 31 January 2022 and 2021.

A final dividend of 8.4p per share (2021: 7p) has been proposed, which is a total amount of £7,796,136 (2021: £6,368,808). This has not been accrued. This makes the total dividend for the year 12p per share (2021: 7p). The final dividend, if approved at the AGM on 23 June 2022, will be paid on 12 August 2022 to all shareholders on the Register of Members as at 8 July 2022. The ex-dividend date for the shares is 7 July 2022.

10 Earnings per share

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Loss attributable to ordinary shareholders	**(69,219)**	(4,938)

	Number	Number
Weighted average number of Ordinary Shares	**92,395,619**	89,382,909
Dilutive LTIP & options shares	**2,389,017**	820,997
Dilutive growth deal shares[1]	**916,215**	1,552,359
Other potentially issuable shares	**2,386,786**	2,062,239
Diluted weighted average number of Ordinary Shares	**98,087,637**	93,818,504
Basic loss per share	**(74.9)p**	(5.5)p
Diluted loss per share[2]	**(74.9)p**	(5.5)p

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

2 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.

Notes to the accounts continued
for the year ended 31 January 2022

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-compete £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 2020	12,836	16,565	66,610	6,871	112,476	215,358
Additions	290	—	—	—	—	290
Capitalised internal development	1,819	—	—	—	—	1,819
Acquired through business combinations[1]	5	2,108	7,207	1,286	14,735	25,341
Disposals	(397)	—	—	—	—	(397)
Exchange differences	(25)	(336)	(949)	(97)	(1,757)	(3,164)
At 31 January 2021	14,528	18,337	72,868	8,060	125,454	239,247
Additions	40	—	—	—	—	40
Capitalised internal development	2,614	—	—	—	—	2,614
Acquired through business combinations[1]	810	1,795	15,830	913	14,994	34,342
Disposals	(11)	—	—	—	—	(11)
Exchange differences	15	226	562	72	1,107	1,982
At 31 January 2022	**17,996**	**20,358**	**89,260**	**9,045**	**141,555**	**278,214**
Amortisation and impairment						
At 31 January 2020	8,159	6,042	31,681	3,376	10,692	59,950
Charge for the year[2]	1,684	1,441	11,944	1,325	—	16,394
Disposals	(158)	—	—	—	—	(158)
Exchange differences	(23)	(157)	(551)	(63)	78	(716)
At 31 January 2021	9,662	7,326	43,074	4,638	10,770	75,470
Charge for the year[2]	2,122	1,576	14,530	1,089	—	19,317
Disposals	(18)	—	—	—	—	(18)
Exchange differences	10	98	348	38	(99)	395
At 31 January 2022	**11,776**	**9,000**	**57,952**	**5,765**	**10,671**	**95,164**
Net book value at 31 January 2022	**6,220**	**11,358**	**31,308**	**3,280**	**130,884**	**183,050**
Net book value at 31 January 2021	4,866	11,011	29,794	3,422	114,684	163,777

1 During the year, the Group acquired SMG and BCA as well as other acquisitions and a number of trade and asset purchases, none of which are individually significant to the Group (note 26).

2 Amortisation charge for the period includes acquired intangibles of £1,089,000 for non-compete agreements, £14,530,000 for customer relationships, £1,576,000 for trade names and £492,000 relating to software.

11 Intangible assets continued

Impairment testing for cash-generating units containing goodwill

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

	2022 £'000	2021 £'000
Archetype	**8,268**	8,268
Outcast (US)	**12,356**	12,077
M Booth (US)	**20,993**	20,519
Blueshirt (US)	**5,109**	4,993
Savanta[1]	**12,832**	9,608
ODD	**4,950**	4,950
Publitek	**9,873**	9,873
Twogether	**10,620**	10,620
Velocity	**5,653**	5,653
ELVIS	**2,179**	2,179
Activate (US)	**5,510**	5,386
Brandwidth	**2,212**	2,212
Planning-inc	**2,157**	2,157
CRE	**4,351**	4,351
Mach49 (US)	**8,973**	8,771
SMG	**8,766**	—
BCA (US)	**2,482**	—
Other[2]	**3,600**	3,067
	130,884	114,684

1 The goodwill in Savanta has increased in the year due to the acquisition of YouthSight (£3,217,000) and the remainder of the change is due to change in foreign exchange.

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

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

Notes to the accounts continued
for the year ended 31 January 2022

11 Intangible assets continued

Impairment testing for cash-generating units containing goodwill *continued*

The Group performs an impairment testing process by considering:

Stage 1) The performance of the brands during the previous financial year and the value in use of the brands at 31 January 2022. The value in use is calculated by taking the present value of expected future cash flows based on minimum expected standard growth rates applied to the Board-approved FY23 budget.

Stage 2) The value in use of the brands, calculated by taking the present value of expected future cash flows based on management's best estimate of brand-specific growth rates for the following four years applied to the Board-approved FY23 budget.

Note that the growth rates in stages 1 and 2 applied for year five are dependent on the geographical region of the respective brand. The long-term perpetuity growth rates applied for year five onwards for the US, UK and APAC regions are 2% (2021: 2%), 1.5% (2021: 1.5%) and 1% (2021: 1%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 2% (2021: 2%), 2% (2021: 2%) and 3% (2021: 3%) respectively.

Sensitivity Analysis

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations. The Group has performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY23 budget and there is no growth in perpetuity, no impairment would be required. Secondly, with all other variables unchanged, if the discount rate increased by 5% to 16.9%, no impairment would be required.

Cash flow projections

The recoverable amounts of all CGUs have been determined from value-in-use calculations based on the pre-tax operating profits before non-cash transactions including amortisation and depreciation taken from the most recent financial budgets approved by management for the next financial year. The Board-approved budgets are based on assumptions of client wins and losses, rate card changes and cost inflation as well as any other one-off items expected in the year for that particular CGU. The cash flow forecasts extrapolate the FY23 budgeted cash flows for the following four years based on the estimated regional growth rates, which is applied to revenue and costs. This rate does not exceed the average long-term growth rate for the relevant markets. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets. The growth rate in relation to the geographical region of the brand is then applied into perpetuity after five years.

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 11.9% (2021: 12.7%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 11.9% to be calculated using appropriate methodology and reference to market yields of long-term government bonds. This rate is already in the higher end of the spectrum amongst its peers, and the Board views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2020	18,499	9,297	3,814	2	31,612
Exchange differences	(387)	(130)	(91)	—	(608)
Additions	386	1,231	381	—	1,998
Acquired through business combinations	74	48	5	—	127
Disposals	(5,518)	(1,803)	(747)	—	(8,068)
At 31 January 2021	13,054	8,643	3,362	2	25,061
Exchange differences	196	45	12	—	253
Additions	475	2,341	290	—	3,106
Acquired through business combinations	—	51	105	—	156
Disposals	(602)	(1,343)	(1,391)	(2)	(3,338)
At 31 January 2022	**13,123**	**9,737**	**2,378**	**—**	**25,238**
Accumulated depreciation					
At 31 January 2020	8,057	7,146	2,183	2	17,388
Exchange differences	(277)	(102)	(89)	—	(468)
Charge for the year	1,736	1,493	651	—	3,880
Disposals	(2,494)	(1,619)	(530)	—	(4,643)
At 31 January 2021	7,022	6,918	2,215	2	16,157
Exchange differences	139	25	16	—	180
Charge for the year	1,382	1,495	419	—	3,296
Impairment	1,378	—	—	—	1,378
Disposals	(750)	(1,338)	(1,189)	(2)	(3,279)
At 31 January 2022	**9,171**	**7,100**	**1,461**	**—**	**17,732**
Net book value at 31 January 2022	**3,952**	**2,637**	**917**	**—**	**7,506**
Net book value at 31 January 2021	6,032	1,725	1,147	—	8,904

Notes to the accounts continued
for the year ended 31 January 2022

13 Trade and other receivables

	2022 £'000	2021 £'000
Current		
Trade receivables	**94,591**	59,825
Less: provision for impairment of trade receivables	**(591)**	(476)
Trade receivables – net	**94,000**	59,349
Other receivables	**2,405**	1,405
Prepayments	**5,385**	4,146
Accrued income	**14,112**	9,389
Finance lease receivables	**3,774**	3,241
	119,676	77,530
Non-current		
Rent deposits	**821**	860

Trade receivables disclosed above are measured at amortised cost. There were no significant changes in the accrued income balances during the reporting period, other than the increase reflecting the change in revenue.

13 Trade and other receivables continued

As of 31 January 2022, trade receivables of £591,000 (2021: £476,000) were impaired. Movements in the provision were as follows:

	2022 £'000	2021 £'000
At start of year	**476**	310
Provision for receivables impairment	**415**	478
Receivables written off during the year as uncollectable	**(233)**	(269)
Unused amounts reversed	**(76)**	(25)
Foreign exchange movements	**9**	(18)
At end of year	**591**	476

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

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

	2022 £'000	2021 £'000
Not past due	**63,637**	44,516
Up to 30 days	**18,968**	10,344
31 to 60 days	**6,880**	2,899
Greater than 61 days	**4,515**	1,590
At end of period	**94,000**	59,349

Notes to the accounts continued
for the year ended 31 January 2022

14 Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade creditors	**23,254**	13,964
Other taxation and social security	**8,421**	5,593
Short-term compensated absences	**1,930**	1,766
Other creditors	**10,925**	5,295
Accruals	**29,513**	14,997
Deferred income	**46,290**	35,704
	120,333	77,319
Non-current		
Other creditors	**401**	1,576
	401	1,576

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

There were no significant changes in the deferred income balances during the reporting period, other than the increase reflecting the change in revenue. All the brought forward deferred income balance was recognised as revenue in the current reporting period. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

15 Provisions

	Property[1] £'000	Acquisition payments[2] £'000	Other[3] £'000	Total £'000
At 31 January 2020	1,122	4,821	521	6,464
Additions	36	8,041	20	8,097
On acquisition of subsidiary	18	—	—	18
Used during the year	(486)	(1,256)	(35)	(1,777)
Exchange differences	5	(11)	—	(6)
At 31 January 2021	695	11,595	506	12,796
Additions	4	15,167	—	15,171
On acquisition of subsidiary	—	—	—	—
Used during the year	—	(5,454)	—	(5,454)
Exchange differences	(4)	2	—	(2)
At 31 January 2022	**695**	**21,310**	**506**	**22,511**
Current	**150**	**7,628**	**—**	**7,778**
Non-current	**545**	**13,682**	**506**	**14,733**

1 Property provisions are primarily for dilapidations and include assumptions of a cost per square foot required to make good the property at the end of the lease.

2 Acquisition payments are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision.

3 Other includes provisions for potential tax liabilities and redundancy provisions.

Notes to the accounts continued
for the year ended 31 January 2022

16 Leases
The movements in the year ended 31 January 2022 were as follows:

Right-of-use assets:	Land and buildings £'000
Cost	
At 1 February 2020	48,471
Exchange differences	(1,348)
Additions	1,137
Acquired through business combinations	3,543
Disposals	(6,201)
At 31 January 2021	45,602
Exchange differences	688
Additions	1,379
Acquired through business combinations	398
Disposals	(787)
At 31 January 2022	**47,280**
Accumulated depreciation	
At 1 February 2020	6,816
Exchange differences	(940)
Charge for the year	7,729
Impairment	8,503
Disposals	(2,514)
At 31 January 2021	19,594
Exchange differences	470
Charge for the year	6,146
Impairment	1,761
Disposals	(639)
At 31 January 2022	**27,332**
Net book value at 31 January 2022	**19,948**
Net book value at 31 January 2021	26,008

16 Leases continued

Lease liabilities:	Land and buildings £'000
At 1 February 2021	42,769
Exchange differences	485
On acquisition of subsidiary	683
Additions	1,282
Interest expense related to lease liabilities	1,043
Disposals	(1,286)
Repayment of lease liabilities	(11,993)
At 31 January 2022	**32,983**
Current	**10,698**
Non-current	**22,285**

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts recognised as finance income and finance costs:

	2022 £'000	2021 £'000
Depreciation of right-of-use assets	**6,146**	7,729
Short-term lease expense	**413**	933
Low-value lease expense	**17**	78
Short-term sublease income	**(12)**	(453)
Charge to operating profit	**6,564**	8,287
Sublease finance income	**(65)**	(34)
Lease liability interest expense	**1,043**	1,408
Lease charge to profit before income tax	**7,542**	9,661

Notes to the accounts continued
for the year ended 31 January 2022

16 Leases continued
The maturity of the lease liabilities is as follows:

	2022 **£'000**	2021 £'000
Amounts payable:		
Within one year	**11,448**	11,981
In two to five years	**21,427**	28,998
After five years	**2,006**	4,723
Total gross future liability	**34,881**	45,702
Effect of discounting	**(1,898)**	(2,933)
Lease liability at 31 January	**32,983**	42,769

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 19 for management of liquidity risk.

17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration[1] £'000	Other contingent liability £'000	Share purchase obligation £'000	Total £'000
At 31 January 2020	2,715	42,181	—	3,367	48,263
Arising during the year[1]	—	12,885	—	—	12,885
Changes in estimates[2]	—	5,332	—	2,732	8,064
Exchange differences	—	(1,979)	—	(50)	(2,029)
Utilised[3]	(4,037)	(14,635)	—	—	(18,672)
Reclassification	2,405	(2,405)	—	—	—
Unwinding of discount	179	4,515	—	459	5,153
At 31 January 2021	1,262	45,894	—	6,508	53,664
Arising during the year[1]	—	9,073	3,888	—	12,961
Changes in estimates[2]	—	106,805	—	3,898	110,703
Exchange differences	—	3,795	170	35	4,000
Utilised[3]	(1,300)	(10,199)	—	—	(11,499)
Reclassification	133	(133)	—	—	—
Unwinding of discount	38	6,306	1,144	811	8,299
At 31 January 2022	**133**	**161,541**	**5,202**	**11,252**	**178,128**
Current	**133**	**36,496**	**—**	**1,535**	**38,164**
Non-current	**—**	**125,045**	**5,202**	**9,717**	**139,964**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in SMG and BCA, as well as a number of other acquisitions, none of which are material to the Group. (2021: Mach49, CRE and Marlin). See note 26 for additional information on these acquisitions.

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

3 The amounts utilised were settled £9.7m in cash and £1.8m in shares.

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY23 budget with further consideration being given to current and forecast wider market conditions, together with current trading and recent significant contract wins. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earn-out period and discounted back to present value using a pre-tax discount rate.

Notes to the accounts continued
for the year ended 31 January 2022

17 Other financial liabilities continued

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 are incorrect, 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 interest expense, while a decrease would result in a further gain.

Sensitivity analysis

The following table shows the increase to the value of the combined liabilities due to earn-out agreement which would occur were there to be an increase in the estimated future revenue growth rate, profit margin and the discount rate. A range of percentage point increases/decreases applied to the assumptions used by management have been shown below.

	5% Increase £'000	10% Increase £'000	15% Increase £'000
Net revenue growth rate	**9,805**	**24,539**	**35,005**
Profit margin	**25,924**	**41,893**	**47,529**
Discount rate	**(17,406)**	**(31,845)**	**(43,952)**

There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing by one year on the earn-out agreements would have approximately a £3,696,000 impact on the liabilities.

When increasing the estimated future revenue growth rate, profit margin and the discount rate for the most sensitive individual earn-out, the value of the liability increases as follows:

	5% Increase £'000	10% Increase £'000	15% Increase £'000
Net revenue growth rate	**7,897**	**21,357**	**30,461**
Profit margin	**22,661**	**34,229**	**36,593**
Discount rate	**(15,261)**	**(27,808)**	**(38,233)**

18 Deferred taxation

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

	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 January 2020	(1,170)	252	1,546	85	244	5,864	608	7,429
Reclassification	377	—	(780)	—	780	(377)	—	—
(Charge)/credit to income	508	(38)	133	43	4,136	1,108	(395)	5,495
Exchange differences	12	(7)	—	(5)	(250)	(223)	6	(467)
Acquisition of subsidiaries	(7)	—	—	—	(1,028)	74	—	(961)
Taken to equity	—	—	589	—	—	—	—	589
At 31 January 2021	(280)	207	1,488	123	3,882	6,446	219	12,085
Credit to income	85	22	1,319	24	29,134	528	160	31,272
Exchange differences	(2)	3	—	3	533	175	(3)	709
Acquisition of subsidiaries	(25)	—	—	—	(3,392)	—	—	(3,417)
Taken to equity	—	—	2,514	—	—	—	—	2,514
At 31 January 2022	**(222)**	**232**	**5,321**	**150**	**30,157**	**7,149**	**376**	**43,163**

Notes to the accounts continued
for the year ended 31 January 2022

18 Deferred taxation continued

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

	2022 £'000	2021 £'000
Net deferred tax balance		
Deferred tax assets	**46,350**	15,314
Deferred tax liabilities	**(3,187)**	(3,229)
Net deferred tax asset	**43,163**	12,085

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

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £0.4m (2021: £0.2m).

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £10.4m (2021: £7.9m). No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

19 Financial instruments

Financial risk management, policies and strategies

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

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax at 31 January 2022, based on period-end balances and rates.

19 Financial instruments continued

Interest rate risk *continued*

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

	Movement in basis points	**2022 £'000**	2021 £'000
Group	+200	**(455)**	(260)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities.

On 2 September 2021, the Group entered into a new multicurrency £60m revolving credit facility ('RCF') with a £40m accordion, with HSBC and Bank of Ireland, which is available until 2 September 2024 (with further extension options to 2 September 2026). This replaces the previous facilities agreements with HSBC of £40m revolving credit facility and a £20m loan. The interest rate is variable dependent on a Leverage Ratio. The Group also has a $7m facility available in the US.

At 31 January 2022 the Group had an undrawn amount of £37,440,663 (2021: £31,848,833) on the RCF in the UK and $3,779,363 (2021: $3,220,637) available on the $7m US facility (this allows for the letters of credit in place).

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2022 and 31 January 2021, based on contractual undiscounted payments:

	Within one year £'000	Between two and five years £'000	More than five years £'000	Total £'000
At 31 January 2022				
Financial liabilities	**123,699**	**228,313**	**33,298**	**385,310**
At 31 January 2021				
Financial liabilities	70,581	101,177	4,723	176,481

Notes to the accounts continued
for the year ended 31 January 2022

19 Financial instruments continued

Currency risk

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

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

	Weakening against sterling	**2022 £'000**	2021 £'000
US dollar	20%	**479**	(4,647)
Euro	20%	**(391)**	(512)
Australian dollar	20%	**(238)**	(228)
Indian rupee	20%	**64**	(17)

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

	Weakening against sterling	**2022 £'000**	2021 £'000
US dollar	20%	**3,557**	(13)
Euro	20%	**(549)**	(509)
Australian dollar	20%	**(397)**	(349)
Indian rupee	20%	**(115)**	(110)

19 Financial instruments continued

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on an expected credit loss model driven by historical experience and factors specific to certain debtors, see note 13.

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

Maximum exposure to credit risk

	2022 £'000	2021 £'000
Total trade and other receivables	**119,676**	77,530
Cash and cash equivalents	**58,216**	26,831

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2022 to 2027.

	2022 £'000	2021 £'000
Total loans and borrowings[1]	**22,478**	12,810
Less: cash and cash equivalents	**(58,216)**	(26,831)
Net cash excluding lease liabilities	**(35,738)**	(14,021)
Total equity	**61,459**	116,881
Total capital	**25,721**	102,860

1 Total loans and borrowings is made up of current obligations (£22.5m) and non-current obligations (£Nil).

Notes to the accounts continued
for the year ended 31 January 2022

19 Financial instruments continued
Capital risk management *continued*

	2022 £'000	2021 £'000
Net cash excluding lease liabilities	**(35,738)**	(14,021)
Share purchase obligation	**11,252**	6,508
Contingent consideration	**161,541**	45,894
Other contingent liability	**5,202**	—
Deferred consideration	**133**	1,262
Net debt plus earn-out liabilities	**142,390**	39,643

The movement in net debt/(cash) is as follows:

	At 1 February 2020 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2021 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	**At 1 February 2022 £'000**
Total loans and borrowings	38,007	(24,912)	—	(285)	12,810	6,073	3,500	95	**22,478**
Less: cash and cash equivalents	(28,661)	(22,026)	23,636	220	(26,831)	(56,020)	24,642	(7)	**(58,216)**
Net debt/(cash) excluding lease liabilities	9,346	(46,938)	23,636	(65)	(14,021)	(49,947)	28,142	88	**(35,738)**
Lease liabilities	54,233	(12,647)	3,823	(2,640)	42,769	(11,993)	683	1,524	**32,983**
Net debt/(cash) including lease liabilities	63,579	(59,585)	27,459	(2,705)	28,748	(61,940)	28,825	1,612	**(2,755)**

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

Fair values of financial assets and liabilities
Fair value is the amount at which a financial instrument can be exchanged in an arm's-length transaction between informed and willing parties, other than a forced or liquidation sale. The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 January 2022, with the exception of lease liabilities. The book value of obligations under finance leases is £32,983,000 (2021: £42,769,000) and the fair value is £34,881,000 (2021: £45,702,000). The fair value of obligations under finance leases is estimated by discounting future cash flows to net present value and is Level 3 within the fair value hierarchy.

19 Financial instruments continued

Financial instruments – detailed disclosures

Financial instruments recognised in the balance sheet

The IFRS 9 categories of financial assets and liabilities included in the balance sheet and the line in which they are included are as follows:

At 31 January 2022	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	8,483	—	—	8,483
Other receivables	—	—	—	821	821
	—	8,483	—	821	9,304
Current financial assets					
Cash and cash equivalents	—	—	—	58,216	58,216
Trade and other receivables	—	—	—	114,291	114,291
	—	—	—	172,507	172,507
Current financial liabilities					
Trade and other payables	—	—	65,622	—	65,622
Lease liabilities	—	—	10,698	—	10,698
Provisions	—	—	7,778	—	7,778
Contingent consideration[1]	36,496	—	—	—	36,496
Share purchase obligation[1]	1,535	—	—	—	1,535
Deferred consideration[1]	—	—	133	—	133
	38,031	—	84,231	—	122,262
Non-current financial liabilities					
Loans and borrowings	—	—	22,478	—	22,478
Lease liabilities	—	—	22,285	—	22,285
Provisions	—	—	14,733	—	14,733
Other payables	—	—	401	—	401
Contingent consideration[1]	125,045	—	—	—	125,045
Other contingent liability[1]	5,202	—	—	—	5,202
Share purchase obligation[1]	9,717	—	—	—	9,717
	139,964	—	59,897	—	199,861

1 See note 17.

Notes to the accounts continued
for the year ended 31 January 2022

19 Financial instruments continued
Financial instruments – detailed disclosures *continued*
Financial instruments recognised in the balance sheet continued

The Group has no fair value Level 1 instruments (2021: none). The investments in equity instruments are Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than quoted prices, such as historical quoted prices.

All other instruments at fair value through profit or loss were Level 3 instruments as per the table above in the current year and were as per the table below in the prior year. Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data.

At 31 January 2021	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	955	—	—	955
Other receivables	—	—	—	860	860
	—	955	—	860	1,815
Current financial assets					
Cash and cash equivalents	—	—	—	26,831	26,831
Trade and other receivables	—	—	—	73,384	73,384
	—	—	—	100,215	100,215
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	36,022	—	36,022
Lease liabilities	—	—	10,957	—	10,957
Provisions	—	—	5,656	—	5,656
Contingent consideration[1]	1,206	—	—	—	1,206
Share purchase obligation[1]	9,700	—	—	—	9,700
Deferred consideration[1]	—	—	1,262	—	1,262
	10,906	—	58,897	—	69,803

19 Financial instruments continued

Financial instruments – detailed disclosures *continued*

Financial instruments recognised in the balance sheet continued

At 31 January 2021	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial liabilities					
Loans and borrowings	—	—	7,810	—	7,810
Lease liabilities	—	—	31,812	—	31,812
Provisions	—	—	7,140	—	7,140
Other payables	—	—	1,576	—	1,576
Contingent consideration[1]	36,194	—	—	—	36,194
Share purchase obligation[1]	5,302	—	—	—	5,302
	41,496	—	48,338	—	89,834

1 See note 17.

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2022:

	Effective interest rate	**2022 £'000**	2021 £'000
Current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**—**	5,000
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**22,478**	7,810

The Group is able to draw down in both GBP and USD under the revolving credit facility ('RCF'). The fair value of the borrowings not denominated in GBP as at 31 January 2022 is US$11,000,000 (£8,198,000) (2021: US$11,000,000 (£8,013,000)). As a result of ineffectiveness, £Nil was transferred during the period from the hedging reserve to the income statement (2021: £Nil).

Notes to the accounts continued
for the year ended 31 January 2022

20 Share capital
Called-up share capital

Ordinary Shares of 2.5p each:

	2022 Number	**2022 Nominal Value £'000**	2021 Number	2021 Nominal Value £'000
Authorised, allotted, called-up and fully paid				
At start of year	**90,982,974**	**2,274**	86,552,648	2,163
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	**964,776**	**24**	1,661,610	42
Issued in the year in satisfaction of vested LTIPs (note 21)	**113,425**	**3**	187,001	5
Issued in the year in respect of growth share sales	**749,970**	**19**	2,581,715	64
At end of year	**92,811,145**	**2,320**	90,982,974	2,274

Fully paid Ordinary Shares carry one vote per share and the right to dividends. No amounts were received for the newly issued shares in the year.

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

In the period ended 31 January 2022 the Group recognised a charge of £24,628,000 (2021: £11,628,000) made up of £3,637,000 (2021: £1,402,000) in respect of employment-related LTIP shares, share options and restricted stock units; £582,000 (2021: £2,185,000) given in respect of the grant of brand equity interests of 30% in Brandwidth Marketing Limited and 12% in Publitek Limited (2021: 8.5% in M Booth & Associates LLC, 9.5% in ODD London Limited, 15% in Savanta Group Limited and 20% in Twogether Creative Limited); £5,242,000 (2021: £Nil) given in respect of the additional new incentive scheme for the sellers of Activate Marketing Services LLC, as well as £15,167,000 (2021: £8,041,000) for employment-linked acquisition-related payments.

21 Share-based payments continued

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

	Outstanding 31 January 2021 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	**Outstanding 31 January 2022 Number ('000)**	**Exercisable 31 January 2022 Number ('000)**
Long-Term Incentive Plan – performance shares	1,078	377	(58)	(113)	**1,284**	**242**

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

	May 2021	September 2021	September 2021
Fair value of performance shares granted under the LTIP (p)	757	1,018	1,006
Share price at date of grant (p)	848	1,120	1,120
Risk-free rate (%)	1.44	1.44	1.44
Expected life (years)	3	1	3
Expected volatility (%)	46.9	48.0	48.0
Dividend yield (%)	0.83	0.63	0.63

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

Performance shares issued by the Company under the Next Fifteen Communications Group plc Long-Term Incentive Plan are granted at a nil exercise price. The weighted average share price at the date of exercise for share options exercised in the year was 782p (2021: 365p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2021: one year).

Notes to the accounts continued
for the year ended 31 January 2022

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

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications Group plc				
Long-Term Incentive Plan	47,593	1 February 2017	31 January 2022	2 May 2017
	80,798	1 February 2018	31 January 2023	10 April 2018
	194,762	1 February 2019	31 January 2022	25 April 2019
	74,564	1 February 2019	31 January 2024	25 April 2019
	508,554	1 February 2020	31 January 2023	30 July 2020
	342,303	1 February 2021	31 January 2024	6 May 2021
	32,000	28 September 2021	28 September 2022	28 September 2021
	3,000	28 September 2021	28 September 2024	28 September 2021
	1,283,574			

During the period the Company issued 113,425 shares to satisfy the vesting under the Next 15 LTIPs. These were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23). The Company's current Long-Term Incentive Plan is the 2015 LTIP, which was approved by shareholders at the Company's 2015 AGM. Under the 2015 LTIP performance shares or share options may be awarded. The performance is measured over a period of either three or five consecutive financial years of the Group, commencing with the financial year in which the award was granted. The Committee decided that for the FY22 awards, initially, there will be two performance conditions:

(a) an earnings per share ('EPS') target, which will determine 67% of the total vesting. Diluted adjusted EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. For certain participants, if the growth in the Company's earnings per share in the relevant year is at least 38%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 20% and 38% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For certain other participants the targets are different, whereby if the growth in the Company's earnings per share in the relevant year is at least 50%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 20% and 50% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For all participants, if EPS does not grow at an average of 20% or more, the full award will lapse; and

(b) a key performance indicator ('KPI') target, which will determine 33% of the total vesting. Each participant will have a number of KPIs relating to his or her role. The Remuneration Committee will determine the extent to which the KPIs have been met in each relevant year. 100% of 33% of the total award will vest if the KPIs have been met in full. A smaller percentage of 33% of the total award will vest if the Committee determines that the KPIs have been substantially met.

23 Investment in own shares

Employee share ownership plan ('ESOP')

The purpose of the ESOP is to enable the Company to offer participation in the ownership of its shares to Group employees, principally as a reward and incentive scheme. Arrangements for the distribution of benefits to employees, which may be the ownership of shares in the Company or the granting of options over shares in the Company held by the ESOP, are made at the ESOP's discretion in such manner as the ESOP considers appropriate. Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

At 31 January 2022 the ESOP held Nil (2021: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 113,425 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 113,425 shares for £Nil consideration (2021: 187,001 shares for £Nil consideration). Nil shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2021: Nil shares for £Nil proceeds).

24 Other reserves

	Merger reserve £'000	ESOP reserve[1] £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2020	3,075	—	(2,467)	608
Purchase and take on of shares	—	(5)	—	(5)
Movement due to ESOP LTIP and growth shares exercises	—	5	—	5
At 31 January 2021	3,075	—	(2,467)	608
Purchase and take on of shares	—	(3)	—	(3)
Movement due to ESOP LTIP and growth shares exercises	—	3	—	3
At 31 January 2022	**3,075**	**—**	**(2,467)**	**608**

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

Notes to the accounts continued
for the year ended 31 January 2022

25 Commitments and contingent liabilities
Operating leases – Group as lessee
As a result of the transition to IFRS 16, leases previously classified as operating leases have now been recognised on balance sheet, except for the short-term leases and leases of low-value assets which are included below.

As at 31 January 2022, the Group's total future minimum lease rentals are as follows:

	2022		2021	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In respect of operating leases which will be paid in the following periods:				
Within one year	**29**	**14**	10	69
In two to five years	**—**	**20**	—	56
After five years	**—**	**—**	—	—
	29	**34**	10	125

26 Acquisitions and equity transactions
During the year the following material transactions took place:

1. the acquisition of UK-based Shopper Media Group Limited; and
2. the acquisition of US-based Blueshirt Capital Advisors LLC.

More details on each transaction are provided below.

On 9 April 2021, Next 15 purchased the entire share capital of Shopper Media Group Limited ('SMG') and its subsidiaries Capture Marketing Limited, Lobster Agency Limited, and Threefold Agency Limited. SMG specialises in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store.

Goodwill of £8,766,000 arises from anticipated profitability and future operating synergies from the acquisition.

26 Acquisitions and equity transactions continued

1. Shopper Media Group Limited ('SMG')

In the post-acquisition period SMG has contributed £12,524,000 to net revenue and £4,572,000 to profit before tax. If acquired on 1 February 2021 SMG would have contributed net revenue of £15,029,000 and profit before tax of £5,486,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	—	13,382	13,382
Property, plant and equipment	217	—	217
Current assets			
Cash and cash equivalents	10,106	—	10,106
Other current assets[1]	11,819	—	11,819
Current liabilities	(13,371)	—	(13,371)
Deferred tax liability	—	(2,963)	(2,963)
Net assets acquired	8,771	10,419	19,190
Goodwill			8,766
			27,956
Consideration			
Initial consideration settled in cash[2]			18,914
Initial consideration settled in Ordinary Shares of the Parent			3,916
Total discounted contingent consideration			5,126
			27,956

1 The fair value of receivables acquired is £8,947,000.

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

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £250,000. Further consideration is payable based on the profit before interest and tax of SMG over the next four years.

Notes to the accounts continued
for the year ended 31 January 2022

26 Acquisitions and equity transactions continued

2. Blueshirt Capital Advisors LLC

On 1 May 2021, Next 15 acquired a controlling interest in Blueshirt Capital Advisors LLC ('BCA'), the tech focused capital markets advisory business. Next 15 initially owned 20% of BCA and as part of the shareholders' agreement Next 15 has exercised the option to increase its shareholding from 20% to 51%. Next 15 has the option to increase its shareholding in BCA to 80% in two years' time.

Goodwill of £2,406,000 ($3,331,000) arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period BCA has contributed £8,671,000 to net revenue and £4,604,000 to profit before tax. If acquired on 1 February 2021 BCA would have contributed net revenue of £11,561,000 and profit before tax of £6,139,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group. The due diligence over the identifiable assets acquired is still in progress; therefore, the fair value of the assets used below are provisional.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	—	2,122	2,122
Property, plant and equipment	3	—	3
Current assets			
Cash and cash equivalents	677	—	677
Other current assets[1]	1,262	—	1,262
Current liabilities	(786)	—	(786)
Net assets acquired	1,156	2,122	3,278
Goodwill[2]			2,406
Non-controlling interests			(566)
Investment in equity accounted associate			(1,168)
			3,950
Consideration			
Consideration settled in cash[2]			3,950

1 The fair value of receivables acquired is £1,220,000.

2 Goodwill is denominated in USD and therefore the exchange rate at the point of acquisition has been used.

None of the goodwill is expected to be deductible for tax purposes.

26 Acquisitions and equity transactions continued

The following table summarises the net cash outflow and value of shares issued on acquisition of subsidiaries during the year ending 31 January 2022:

	Consideration settled in cash £'000	Cash and cash equivalent balances acquired £'000	Total net cash outflow £'000	Value of shares issued £'000
SMG	**18,914**	**(10,106)**	**8,808**	**3,916**
BCA	**3,950**	**(677)**	**3,273**	**—**
Other[1]	**2,790**	**(417)**	**2,373**	**—**
	25,654	**(11,200)**	**14,454**	**3,916**

1 Other represents amounts in relation to a number of acquisitions, none of which is individually significant to the Group.

27A Subsidiaries

The Group's subsidiaries as at 31 January 2022 are listed below.

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Activate Marketing Services LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Agent3 Limited	United Kingdom	✓	56.89	75 Bermondsey Street, London, England, SE1 3XF
Agent3 LLC	USA		56.89	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Agent3 Pty Ltd	Australia		56.89	GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia
Archetype Agency AB	Sweden		100	1, Ferkens gränd, 111 30 Stockholm, Sweden
Archetype Agency Beijing Limited	China		100	Room 1703, 1705, 14F, Tower 2, Guanghuala Soho, No.22 Guanghua Road, Chaoyang District, Beijing, 100020, China
Archetype Agency BV	Netherlands		100	Silodam 1D, 1013AL, Amsterdam, Netherlands
Archetype Agency GmbH	Germany		100	Nymphenburger Str. 168 80634, Munich, Germany
Archetype Agency Limited	Hong Kong	✓	100	Rooms 1102 &1103 11th Floor, 299QRC, Nos. 287-299 Queens Road Central, Sheung Wan, Hong Kong
Archetype Agency Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Archetype Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Archetype Agency Private Ltd	India		100	Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India
Archetype Agency Pte Ltd	Singapore		100	36 Prinsep Street, #05-01/02, 188648, Singapore
Archetype Agency Pty Ltd	Australia		100	GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia
Archetype Agency S.L.	Spain		100	Calle Gran Vía, 27 Madrid Spain
Archetype Agency S.R.L.	Italy		100	Piazzale Principessa, Clotilde 8, CAP 20121, Milan, Italy
Archetype Agency SARL	France		100	4-6 boulevard Montmartre 75009 Paris France
Archetype Agency SDN. BHD.	Malaysia		100	BO3-B-12-1, Level 12, Menara 3A, Kuala Lumpur, Malaysia
August.One Communications International Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Berne (UK) Limited	United Kingdom		56.89	75 Bermondsey Street, London, England, SE1 3XF
Bite Communications Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Bite Communications Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Blueshirt Capital Advisors LLC	USA		51	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336

27A Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Brandwidth Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Brandwidth LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Brandwidth Marketing Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
BYND Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Capture Marketing Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
CommunicateResearch Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Conversion Rate Experts Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
ELVIS Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Encore Digital Media Limited	United Kingdom		100	3 Melville Street, Edinburgh, Scotland, EH3 7PH
HPI Research Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Hypertext Communications Private Limited	India		100	Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India
Hypertext Pte Ltd	Singapore		100	600 North Bridge Road, #23-01 Parkview Square, Singapore, 188778, Singapore
IF.Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Lobster Agency Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
M.Booth & Associates LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
M.Booth Health LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Mach49 LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Mach49 Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Mach49 Singapore Pte Ltd	Singapore		100	22 Malacca Street #04-03 RB Capital Building Singapore 048980
Market Making Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Marlin PR Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Narration LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

27A Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Nectar Communications LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen HoldCo1 Limited	United Kingdom		100	3 Melville Street, Edinburgh, Scotland, EH3 7PH
ODD Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
ODD London Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
OpinionPanel Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Outcast London Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Palladium Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Planning-inc Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Publitek GmbH	Germany		100	Nymphenburger Straße 168, 80634, Munchen, Germany
Publitek Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Publitek LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Savanta Analytics Limited	Canada		100	3250 Bloor Street West, East Tower, Suite 600 Toronto, ON, M8X 2X9, Canada
Savanta Analytics Private Limited	India		99.98	C-1101 Antriksh Golf View 2, Sector-78, Noida, Gautam Buddha Nagar, Uttar Pradesh, 201301, India
Savanta Group Limited	United Kingdom	✓	100	3 Melville Street, Edinburgh, Scotland, EH3 7PH
Savanta Group LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Shopper Media Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Technical Publicity Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Text 100 (Proprietary) Limited	South Africa		100	13 Wellington Road, Parktown, 2193, Private Bag X60500, Houghton, Johannesburg, 2041, South Africa
Text 100 International Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Text 100 Pty Ltd	Australia		100	Level 17, 383 Kent Street, Sydney NSW 2000, Australia
The Blueshirt Group LLC	USA		89.3	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
The Craft Consulting Limited	United Kingdom		56.89	75 Bermondsey Street, London, England, SE1 3XF
The Lexis Agency Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF

27A Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
The Outcast Agency LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Threefold Agency Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
To This Day Limited	United Kingdom		100	75 Bermondsey Street, London, England, SE1 3XF
Twogether Creative Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Twogether Creative LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Velocity Partners Limited	United Kingdom	✓	100	75 Bermondsey Street, London, England, SE1 3XF
Velocity Partners US Inc	USA		100	CT Corporation System, 28 Liberty Street, New York, NY 10005
Vox Public Relations India Private Ltd	India		100	Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India

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

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

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

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2022 by virtue of section 479A of the Companies Act 2006: Agent3 Limited (08331678), Archetype Agency Limited (03329933), August.One Communications International Limited (03224261), Berne (UK) Limited (06577006), Bite Communications Group Limited (04131879), Bite Communications Limited (03023521), Brandwidth Group Limited (09599858), Brandwidth Marketing Limited (03860505), BYND Limited (07123452), Capture Marketing Limited (06667381), Communicate Research Limited (04810991), Conversion Rate Experts Limited (05895439), ELVIS Communications Limited (04768344), Encore Digital Media Limited (SC449653), HPI Research Limited (05816194), Lobster Agency Limited (10331017), Mach49 Limited (12281031), Market Making Limited (07913465), Marlin PR Limited (06480768), Next Fifteen Holdco1 Limited (SC364548), ODD Communications Limited (07861569), ODD London Limited (05107477), OpinionPanel Limited (05013113), Outcast London Limited (07831770), Palladium Group Limited (09460746), Planning-inc Limited (04118854), Publitek Limited (05287915), Savanta Group Limited (SC281352), Shopper Media Group Limited (10366845), Technical Publicity Limited (02384040), Text 100 International Limited (02433862), The Craft Consulting Limited (09439145), The Lexis Agency Limited (04404752), Threefold Agency Limited (10366888), To This Day Limited (10479051), Twogether Creative Limited (07824276) and Velocity Partners Limited (04128107).

27B Associates

The Group's associates and investments as at 31 January 2022 are listed below:

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage owned by the group	Address
Fearless Labs Limited	United Kingdom	✓	20.98%	75 Bermondsey Street, London, England, United Kingdom, SE1 3XF
Phrasee Limited	United Kingdom	✓	10%*	82 St John Street, London, United Kingdom, EC1M 4JN
StartPulsing Limited	United Kingdom	✓	10%	1st Floor 143-149 Fenchurch Street, London, England, EC3M 6BL

* The interest in Phrasee Limited was divested on 14 March 2022.

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated and registered in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. During the period to 31 January 2022 there were the following related-party transactions:

Brand	Services	Related party	**Income impact 2022 £'000**	**Asset at year end 2022 £'000**	Income impact 2021 £'000	Asset at year end 2021 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors was an associate of Next 15 for part of the year	**233**	**—**	823	771
Next Fifteen Communications Group plc	Consultancy	Fearless Labs is an associate of Next 15	**47**	**—**	—	—

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris, Penny Ladkin-Brand, Helen Hunter and Robyn Perriss received dividends of £535,460, £40,930, £9,023, £Nil and £Nil respectively (2021: £Nil, £Nil, £Nil, £Nil and £Nil). Key management personnel compensation is disclosed in note 3.

29 Operating lease rental receivables

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

	2022 £'000	2021 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	**245**	251
In two to five years	**—**	—
	245	251

30 Events after the balance sheet date

Engine Acquisition Limited

On 8 March 2022 Next 15 acquired Engine Acquisition Limited ("Engine UK"). Engine UK is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients. The acquisition of Engine UK for an enterprise value of £77.5m, with £61.7m paid on completion in cash.

The Acquisition was funded from the Company's debt facilities and the proceeds of a placing of new ordinary shares in the Company. A total of 4,505,000 new ordinary shares in the capital of the Company of 2.5p each have been placed by Numis Securities Limited and Joh. Berenberg, Gossler & Co. KG at a price of 1,110p per Placing Share, raising gross proceeds of approximately £50m (before expenses). We expect to recognise goodwill on this acquisition due to the anticipated profitability and operating synergies. Due to the recent timing of the acquisition, the IFRS 3 acquisition accounting has not yet been completed.

Significant new contract win

In February 2022, Next 15 announced that its wholly owned subsidiary Mach49, the growth incubator for global businesses, has entered into a five-year strategic alliance with a global technology and digital company, currently operating in stealth mode. Under the agreement, they will be tasked with helping create and launch a series of innovation-led, technology-driven, sustainable ventures across the world.

Over the term of the contract, total fees including third party expenses are expected to be in excess of $400 million, with revenues in the first year to be approximately $50m. This has materially increased the earnout payable to Mach49's equity holders and the discounted increase in the potential liability has been included in our statutory profit and loss account as a finance expense.

Company balance sheet
as at 31 January 2022 and 31 January 2021

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Non-current assets					
Intangible assets	2	**–**		313	
Tangible assets	3	**1,387**		1,310	
Right-of-use assets	4	**4,284**		5,663	
Investments in subsidiaries	5	**213,176**		183,925	
Investment in financial assets		**8,146**		834	
Deferred tax assets	10	**109**		892	
			227,102		192,937
Current assets					
Trade and other receivables	6	**35,260**		36,421	
Current tax asset		**2,259**		2,259	
			37,519		38,680
Current liabilities					
Borrowings		**–**		5,000	
Trade and other payables	7	**34,179**		23,270	
Lease liabilities	4	**1,691**		1,973	
Provisions	9	**7,006**		4,636	
Contingent consideration	8	**9,836**		1,596	
Deferred consideration		**–**		1,262	
			52,712		(37,737)
Net current (liabilities)/assets			**(15,193)**		943
Total assets less current liabilities			**211,909**		193,880
Non-current liabilities					
Borrowings	8	**22,437**		7,810	
Other financial liabilities	8	**10,618**		8,349	
Lease liabilities	4	**3,116**		5,478	
Provisions	9	**13,235**		6,076	
			49,406		(27,713)
Net assets			**162,503**		166,167

Company balance sheet continued

as at 31 January 2022 and 31 January 2021

	Note	**2022 £'000**	**2022 £'000**	2021 £'000	2021 £'000
Equity					
Share capital	11	**2,320**		2,274	
Share premium account		**104,800**		92,408	
Merger reserve		**3,075**		3,075	
Share-based payment reserve		**11,029**		9,008	
Other reserve		**26,460**		26,460	
Retained earnings		**14,819**		32,942	
Equity attributable to owners of the Company			**162,503**		166,167

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

The Company reported a loss for the financial year ended 31 January 2022 of £15,603,000 (2021: profit of £3,175,000).

These financial statements were approved and authorised for issue by the Board on 4 April 2022.

Peter Harris
Chief Financial Officer

Company number 01579589

Company statement of changes in equity

for the year ended 31 January 2022 and 31 January 2021

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve[1] £'000	Retained earnings £'000	Total £'000
At 1 February 2020	2,163	76,019	3,075	8,136	—	26,460	29,771	145,624
Profit for the period	—	—	—	—	—	—	3,175	3,175
Fair value loss on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	(4)	(4)
Shares issued in satisfaction of vested share options and performance shares	69	10,162	—	(5)	—	—	—	10,226
Shares issued on acquisition	42	6,227	—	—	—	—	—	6,269
Movement in relation to share-based payments	—	—	—	877	—	—	—	877
Movement due to ESOP share purchases	—	—	—	—	(5)	—	—	(5)
Movement due to ESOP share option exercises	—	—	—	—	5	—	—	5
At 1 February 2021	2,274	92,408	3,075	9,008	—	26,460	32,942	166,167
Loss for the period	—	—	—	—	—	—	(15,603)	(15,603)
Fair value gain on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	7,312	7,312
Dividends	—	—	—	—	—	—	(9,832)	(9,832)
Shares issued in satisfaction of vested share options and performance shares	22	5,385	—	(3)	—	—	—	5,404
Shares issued on acquisition	24	7,007	—	—	—	—	—	7,031
Movement in relation to share-based payments	—	—	—	2,024	—	—	—	2,024
Movement due to ESOP share purchases	—	—	—	—	(3)	—	—	(3)
Movement due to ESOP share option exercises	—	—	—	—	3	—	—	3
At 31 January 2022	**2,320**	**104,800**	**3,075**	**11,029**	**—**	**26,460**	**14,819**	**162,503**

1 Other reserves relates to the hedging reserve.

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

Notes forming part of the Company financial statements
for the year ended 31 January 2022

1 Accounting policies
A. Basis of preparation
Next Fifteen Communications Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the page 209. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 63. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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

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

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

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

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

The monthly average number of employees during the year was 58 and employee costs for the year totalled £7,402,000 (2021: £4,813,000). This was made up of £5,231,000 in respect of wages and salaries (2021: £3,632,000); £916,000 in respect of social security (2021: £584,000); £205,000 in respect of pension costs (2021: £162,000) as well as £1,050,000 in relation to share-based payment charges (2021: £435,000). Disclosures relating to the remuneration of the Parent company's Directors are included in the Directors' remuneration report on pages 83 to 100.

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

Notes forming part of the Company financial statements continued
for the year ended 31 January 2022

1 Accounting policies continued

C. Going concern

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

Although the Company is in a net current liability position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, including receiving dividends from its subsidiaries. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

D. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

I. Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £213m.

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

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which, if inappropriate, would result in a material adjustment to the value of these liabilities within the next financial year. Further details are contained in note 17 in the Group financial statements and note 8 in the Company financial statements.

2 Intangible assets

	Computer software £'000
Cost	
At 1 February 2021	3,721
Additions	2
At 31 January 2022	**3,723**
Accumulated depreciation	
At 1 February 2021	3,408
Charge for the year	315
At 31 January 2022	**3,723**
Net book value	
At 31 January 2022	**—**
At 31 January 2021	313

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2021	2,432	822	3,254
Additions	520	285	805
At 31 January 2022	**2,952**	**1,107**	**4,059**
Accumulated depreciation			
At 1 February 2021	1,287	657	1,944
Charge for the year	548	180	728
At 31 January 2022	**1,835**	**837**	**2,672**
Net book value			
At 31 January 2022	**1,117**	**270**	**1,387**
At 31 January 2021	1,145	165	1,310

Notes forming part of the Company financial statements continued
for the year ended 31 January 2022

4 Leases
The movements in the year ended 31 January 2022 were as follows:

Right-of-use assets:

	Land and buildings £'000
Cost	
At 1 February 2020	10,214
Additions	769
At 31 January 2021	10,983
Additions	532
At 31 January 2022	**11,515**
Accumulated depreciation	
At 1 February 2020	4,099
Charge for the year	1,221
At 31 January 2021	5,320
Charge for the year	1,911
At 31 January 2022	**7,231**
Net book value at 31 January 2022	**4,284**
Net book value at 31 January 2021	5,663

4 Leases continued

Lease liabilities

	Land and buildings £'000
At 31 January 2021	7,451
Interest expense related to lease liabilities	175
Disposals	(784)
Repayment of these liabilities	(2,035)
At 31 January 2022	**4,807**

The maturity of the lease liabilities is as follows:

	2022 £'000	2021 £'000
Amounts payable:		
Within one year	**1,806**	2,163
In two to five years	**2,766**	4,841
After five years	**520**	939
Total gross future liability	**5,092**	7,943
Effect of discounting	**(285)**	(492)
Lease liability at 31 January	**4,807**	7,451

5 Investments

	Total £'000
Cost	
At 1 February 2021	183,925
Acquisitions[1]	29,251
At 31 January 2022	**213,176**

1 On 9 April 2021, the Company purchased 100% of the issued share capital of Shopper Media Group Limited ('SMG') which led to an increase of £28.0m. The remaining increase represents a number of investments, none of which are individually significant in comparison to the total carrying value of the investments. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

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

Notes forming part of the Company financial statements continued
for the year ended 31 January 2022

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

6 Trade and other receivables

	Company 2022 £'000	Company 2021 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**31,339**	33,758
Other debtors	**2,742**	1,643
Prepayments and accrued income	**976**	745
Other taxation	**203**	275
Total trade and other receivables	**35,260**	36,421

7 Trade and other payables

	Company 2022 £'000	Company 2021 £'000
Overdraft	**17,824**	12,644
Trade creditors	**722**	1,074
Amounts owed to subsidiary undertakings	**12,490**	8,514
Other taxation and social security	**175**	175
Other creditors	**43**	—
Accruals and deferred income	**2,925**	863
Total trade and other payables	**34,179**	23,270

8 Non-current liabilities

	Company 2022 £'000	Company 2021 £'000
Bank loan[1]	**22,437**	12,810
Between one and two years	**—**	5,000
Between two and five years	**22,437**	7,810
After five years	**—**	—
Contingent consideration	**10,737**	4,643
Between one and two years	**9,836**	1,596
Between two and five years	**901**	3,047
After five years	**—**	—
Deferred consideration	**—**	1,262
Between one and two years	**—**	1,262
Between two and five years	**—**	—
After five years	**—**	—
Share purchase obligation	**9,717**	5,302
Between one and two years	**—**	—
Between two and five years	**9,717**	5,302
After five years	**—**	—
Total	**42,891**	24,017

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

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2022.

The Company has no fair value Level 1 instruments (2021: none). The Company's investments in financial assets are Level 2 instruments and are measured at historic quoted prices. All other instruments at fair value through profit or loss are Level 3 instruments being the contingent consideration and share purchase obligation liabilities.

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

Notes forming part of the Company financial statements continued

for the year ended 31 January 2022

9 Provisions

	Employment-related acquisition liabilities £'000	Total £'000
At 31 January 2021	10,712	10,712
Additions	14,261	14,261
Utilised in period	(4,732)	(4,732)
At 31 January 2022	**20,241**	**20,241**

Employment-related acquisition liabilities are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision.

10 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 31 January 2020	35	720	755
Credit to income	85	52	137
At 31 January 2021	120	772	892
Charge to income	(75)	(708)	(783)
At 31 January 2022	**45**	**64**	**109**

11 Share capital and reserves

	2022 £'000	2021 £'000
Authorised, allotted, called up and fully paid		
92,811,145 Ordinary Shares of 2.5p each	**2,320**	2,274

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

12 Related-party transactions

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

	Intercompany interest		Recharges	
	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000	**Year ended 31 January 2022 £'000**	Year ended 31 January 2021 £'000
Agent3 Limited	**—**	—	**2,052**	1,316
Fearless Labs	**27**	—	**—**	—
Blueshirt Capital Advisors LLC	**—**	—	**233**	—
Blueshirt Group LLC	**—**	—	**381**	257

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

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Agent3 Limited	**632**	859
Fearless Labs	**—**	—
Blueshirt Capital Advisors LLC	**238**	—
Blueshirt Group LLC	**102**	121

Glossary – Alternative performance measures

for the 12-month period ended 31 January 2022 (unaudited)

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.

The identification of adjusting items is a judgement in terms of which costs or credits are not associated with the trading of the business or otherwise impact the comparability of the Group's results year-on-year. Adjusting items for the Group include amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs, restructuring costs, UK furlough grant and property impairment.

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

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

APMs	Relevant IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Profit and loss measures			
Net revenue	Revenue	• Excludes direct costs as shown on the consolidated income statement Reconciliation A1	Excludes the direct pass-through costs, as this is more closely aligned to the fees the Group earns for their product and services. This is a key management incentive metric.
Organic net revenue growth	Revenue growth	No direct equivalent Net revenue bridge, in Financial Review	Net revenue growth at constant currency, excluding impact of the 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. This is a key management incentive metric.
Adjusted operating profit after interest on finance lease liabilities	Operating profit	• Excludes exceptional adjusting items • Excludes amortisation of acquired intangibles • Includes interest on lease liabilities Reconciliation A2	Operating profit before the impact of adjusting items and after interest on lease liabilities. The Group considers this to be an important measure of Group performance and is consistent with how the Group is reported and assessed by the Board and is a key management incentive metric.
Adjusted operating profit margin	Operating profit margin	• Not applicable	Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.
Adjusted profit before tax	Profit before tax	• Excludes exceptional adjusting items • Excludes amortisation of acquired intangibles • Excludes fair value remeasurements of financial instruments Reconciliation A4	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure and is consistent with how the Group is reported and assessed by the Board. This measure allows for understandable like-for-like, year-on-year comparisons as and facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors.
Adjusted diluted earnings per share	Diluted earnings per share	• Excludes exceptional adjusting items Reconciliation A6	Profit after tax attributable to owners of the Parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options. This is an important measure for the Group and is used within the performance calculates used for the vesting of employee share options. It allows for understandable like-for-like, year-on-year comparisons as it adjust for non-recurring and uncontrollable measures including remeasurement of acquisition-related liabilities.

Glossary – Alternative performance measures continued
for the 12-month period ended 31 January 2022 (unaudited)

APMs	Relevant IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Net finance expense	Finance expense/ income	• Excludes exceptional adjusting items	Total net finance costs excluding interest on leases and adjusted items. The Group considers this to be an important measure and better reflects the underlying finance cost of the business by adjusting for non-cash items and the remeasurements of acquisition-related liabilities that can vary significantly.
Tax measures			
Effective tax rate on adjusted profit	Effective tax rate	• Adjusting items and their tax impact Reconciliation A7	Total income tax rate for the Group excluding the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax. This measure is more representative of the Group's tax payable position and its ongoing tax rate.
Balance sheet measures			
Net cash/(debt)	None	• Reconciliation of net debt Reconciliation A8	Net debt comprises total loans and borrowings less cash and cash equivalents. Net debt does not include any contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. It also excludes lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A1: Reconciliation of net revenue

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Revenue	**470,055**	323,668
Direct costs	**(107,952)**	(56,782)
Net revenue	**362,103**	266,886

A2: Reconciliation of adjusted operating profit to statutory operating profit

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Operating profit	**39,985**	13,688
Interest on finance lease liabilities	**(1,043)**	(1,408)
Operating profit after interest on finance lease liabilities	**38,942**	12,280
Charge for employee incentive schemes[1]	**5,891**	2,424
Employment-related acquisition payments[2]	**15,167**	8,041
Deal costs[3]	**486**	371
Costs associated with restructuring[4]	**—**	2,746
UK furlough grant[5]	**1,396**	(1,396)
Property impairment[6]	**233**	10,018
Gains on investment activities[7]	**(455)**	—
Total adjusted costs in operating profit excluding amortisation	**22,718**	22,204
Amortisation of acquired intangibles[8]	**17,687**	15,002
Total adjusted costs in operating profit	**40,405**	37,206
Adjusted operating profit after interest on finance lease liabilities	**79,347**	49,486

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A2: Reconciliation of adjusted operating profit to statutory operating profit continued

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Brandwidth Marketing Limited and Publitek Limited (total of £0.6m) (2021: M Booth & Associates LLC, Twogether Creative Limited, Savanta Group Limited and ODD London 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. The remaining £5.2m of the charge relates to an additional new incentive scheme for the sellers of Activate. This value is recognised as an upfront share-based payment 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. It also includes £67,000 (2021: £239,000) of charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (or growth shares) should be excluded from performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands.

2 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 determines they should be excluded from the performance, as the costs solely relate to acquiring the business. The sellers of the business are typically paid market rate 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.

3 These costs are directly attributable to business combinations and although the charge is not significant, the charges are excluded from performance as they would not have been incurred had the business combination not occurred and a higher or lower spend has no relation on the organic business. They do not relate to the trading of the Group and are added back each year to aid comparability of the Group's profitability year on year.

4 In the prior year the Group incurred restructuring costs which primarily relates to Covid-19 redundancy costs taken in the year in response to the pandemic in addition to writing off intangibles. These costs related to specific transformational events; they did not relate to trading of the relevant brand and therefore have been added back to aid comparability of performance year on year. These costs were made up of £2.5m staff-related costs and £0.2m of other costs relating to the intangible write offs.

5 Subsequent to the balance sheet as at 31 January 2021, as a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme which was accounted for as a reduction in staff costs in the prior year. Subsequent to the balance sheet date, the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts paid in the current year are added back to aid comparability of the Group's profitability year on year.

6 In the current period the Group has recognised charges relating to the reorganisation of the property space across the Group. This charge is made up of credits relating to right-of-use assets which were impaired in the prior year and have subsequently been sublet or assigned ahead of expectation. As well as additional excess property identified during the year and therefore taken an impairment charge of right-of-use assets and leasehold improvements. The Group has adjusted for this credit to align to the treatment of the impairment in the prior year and because the additional one-off credit does not relate to the trading of the business and therefore added back to aid comparability.

7 In the current period the Group acquired a controlling interest in BCA and became a subsidiary of the Group, previously accounted for as an associate. As a result of this change, the Group recognised a gain on the revaluation of the previously held investment in equity-accounted associate of £0.9m. The remaining charge relates to the loss on disposal of a separate controlling interest, whereby the Group retained an associate interest at the year end. The overall credit relates to specific transformational events and do not relate to the trading of the relevant brand and therefore have been added back to aid comparability of the performance year on year.

8 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 has been added back to aid comparability.

Glossary – Alternative performance measures continued
for the 12-month period ended 31 January 2022 (unaudited)

A3: Measurement of segment net revenue and adjusted operating 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. Other information provided to them at a Group level is measured in a manner consistent with that in the financial statements. Head office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material. The Group has previously reported its results split into three divisions: Brand Marketing, Data and Insights and Creative Technology. From 1 February 2021, the Group structure has been enhanced, moving from three segments to four: Customer Engagement, Customer Delivery, Customer Insight and Business Transformation. The following tables provides additional information that has been deemed useful to the readers of the financial statements and shows the split of alternative performance measures by operating and geographical segments which have been reconciled elsewhere within this glossary.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transformation £'000	Head office £'000	Total £'000
Year ended 31 January 2022						
Net revenue	**187,566**	**79,951**	**42,109**	**52,477**	**—**	**362,103**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	**40,434**	**28,501**	**9,023**	**15,221**	**(13,832)**	**79,347**
Adjusted operating profit margin	**21.6%**	**35.6%**	**21.4%**	**29.0%**	**—**	**21.9%**
Organic net revenue growth	**15.7%**	**40.0%**	**18.6%**	**99.9%**	**—**	**26.1%**
Year ended 31 January 2021						
Net revenue	166,534	49,557	33,073	17,722	—	266,886
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	36,866	15,232	4,876	3,906	(11,394)	49,486
Adjusted operating profit margin	22.1%	30.7%	14.7%	22.0%	—	18.5%
Organic net revenue (decline)/growth	(9.2)%	17.2%	(3.6)%	9.0%	—	(3.4)%

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A3: Measurement of segment net revenue and adjusted operating profit continued

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2022						
Net revenue	**137,491**	**10,041**	**199,348**	**15,223**	**—**	**362,103**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	**30,910**	**2,504**	**58,355**	**1,410**	**(13,832)**	**79,347**
Adjusted operating profit margin	**22.5%**	**24.9%**	**29.3%**	**9.3%**	**—**	**21.9%**
Organic net revenue growth	**18.3%**	**21.3%**	**33.2%**	**11.9%**	**—**	**26.1%**
Year ended 31 January 2021						
Net revenue	106,247	8,610	138,383	13,646	—	266,886
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	22,402	1,997	34,150	2,331	(11,394)	49,486
Adjusted operating profit margin	21.1%	23.2%	24.7%	17.1%	—	18.5%
Organic net revenue decline	(6.4)%	(4.7)%	(0.8)%	(5.5)%	—	(3.4)%

A4: Reconciliation of adjusted profit before income tax and statutory loss before income tax

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Loss before income tax	**(80,139)**	(1,306)
Unwinding of discount on contingent and deferred consideration (note 17)[1]	**7,488**	4,694
Unwinding of discount on share purchase obligation (note 17)[1]	**811**	459
Total adjusting items in operating profit	**40,405**	37,206
Change in estimate of future contingent consideration payable (note 17)[2]	**106,805**	5,332
Change in estimate of future share purchase obligation (note 17)[2]	**3,898**	2,732
Adjusted profit before income tax	**79,268**	49,117

1 The unwinding of discount on these liabilities is also excluded from 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 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 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.

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A5: Reconciliation of adjusted staff costs

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Staff costs	**258,945**	189,530
Reorganisation costs	**—**	(2,458)
UK furlough grant	**(1,396)**	1,396
Charges associated with equity transactions accounted for as share-based payments	**(5,824)**	(2,185)
Employment-related acquisition payments	**(15,167)**	(8,041)
Adjusted staff costs	**236,558**	178,242

A6: Reconciliation of adjusted earnings per share

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares.

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Loss attributable to ordinary shareholders	**(69,219)**	(4,938)
Unwinding of discount on contingent and deferred consideration	**7,488**	4,694
Unwinding of discount on share purchase obligation	**811**	459
Change in estimate of future contingent consideration payable	**106,805**	5,332
Change in estimate of share purchase obligation	**3,898**	2,732
Costs associated with the current period restructure	**—**	2,746
Charge for employee incentive schemes	**5,891**	2,424
Property impairment	**233**	10,018
Deal costs	**486**	371
Employment-related acquisition payments	**15,167**	8,041
UK furlough grant	**1,396**	(1,396)
Gains on investment activities	**(455)**	—
Amortisation of acquired intangibles	**17,687**	15,002
Tax effect of adjusting items above	**(31,629)**	(7,280)
Adjusted earnings attributable to ordinary shareholders	**58,559**	38,205

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A6: Reconciliation of adjusted earnings per share continued

	Number	Number
Weighted average number of Ordinary Shares	**92,395,619**	89,382,909
Dilutive LTIP shares	**2,389,017**	820,997
Dilutive growth deal shares	**916,215**	1,552,359
Other potentially issuable shares	**2,386,786**	2,062,239
Diluted weighted average number of Ordinary Shares	**98,087,637**	93,818,504
Adjusted earnings per share	**63.4p**	42.7p
Diluted adjusted earnings per share	**59.7p**	40.7p

A7: Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Income tax (credit)/expense reported in the Consolidated Income Statement	**(14,475)**	2,643
Add back tax on adjusting items:		
Costs associated with the current period restructure and office moves	**1,422**	1,965
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	**27,287**	1,956
Share-based payment charge	**414**	141
Amortisation of acquired intangibles	**2,507**	3,196
Employment-related acquisition liabilities	**—**	21
Adjusted tax expense	**17,155**	9,922
Adjusted profit before income tax	**79,268**	49,117
Adjusted effective tax rate	**21.64%**	20%

Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2022 (unaudited)

A8: Reconciliation of net debt

	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
Total loans and borrowings	**22,478**	12,810
Less: cash and cash equivalents	**(58,216)**	(26,831)
Net cash	**(35,738)**	(14,021)
Share purchase obligation (note 17)	**11,252**	6,508
Contingent consideration (note 17)	**161,541**	45,894
Deferred consideration (note 17)	**133**	1,262
Other contingent liability (note 17)	**5,202**	—
Net debt plus earn-out liabilities	**142,390**	39,643

Five-year financial information

for the 12-month period ended 31 January 2022 (unaudited)

	Year ended 2022 IFRS £'000	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000
Profit and loss					
Net revenue	**362,103**	266,886	248,469	224,093	196,811
Staff costs	**258,945**	189,530	171,180	153,247	136,346
Operating profit	**39,985**	13,688	19,413	20,677	17,225
Net finance expense	**(120,335)**	(15,425)	(14,061)	(1,917)	(3,955)
(Loss)/profit before income tax	**(80,139)**	(1,306)	5,556	18,825	13,296
Income tax credit/(expense)	**14,475**	(2,643)	(2,717)	(4,299)	(4,000)
(Loss)/profit for the year	**(65,664)**	(3,949)	2,839	14,526	9,296
Non-controlling interests	**3,555**	989	577	639	664
(Loss)/profit attributable to owners of the Parent	**(69,219)**	(4,938)	2,262	13,887	8,632
Balance sheet					
Non-current assets	**266,158**	216,072	224,370	155,028	120,082
Net current (liabilities)/assets	**(1,651)**	(6,128)	1,780	10,792	15,014
Non-current liabilities	**(203,048)**	(93,063)	(113,439)	(54,367)	(58,775)
Total equity attributable to owners of the Parent	**59,829**	116,957	113,296	112,529	76,964
Non-controlling interests	**1,630**	(76)	(585)	(1,076)	(643)
Total equity	**61,459**	116,881	112,711	111,453	76,321

Five-year financial information continued

for the 12-month period ended 31 January 2022 (unaudited)

	Year ended 2022 IFRS £'000	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000
Cash flow					
(Loss)/profit for the year	**(65,664)**	(3,949)	2,839	14,526	9,296
Non-cash adjustments and working capital movements	**158,525**	76,882	46,662	23,856	19,569
Net cash generated from operations	**92,861**	72,933	49,501	38,382	28,865
Income tax paid	**(14,109)**	(8,423)	(5,993)	(6,237)	(4,284)
Net cash from operating activities	**78,752**	64,510	43,508	32,145	24,581
Acquisition of subsidiaries net of cash acquired	**(14,454)**	(8,097)	(18,501)	(19,281)	(9,824)
Acquisition of property, plant and equipment	**(3,107)**	(1,998)	(3,460)	(5,648)	(2,974)
Net cash outflow from investing activities	**(32,160)**	(26,994)	(28,340)	(37,154)	(19,399)
Net cash movement in bank borrowings	**9,573**	(24,912)	13,039	(10,922)	4,484
Dividends paid to owners of the Parent	**(9,832)**	—	(6,759)	(5,243)	(4,121)
Net cash (outflow)/inflow from financing activities	**(15,214)**	(39,126)	(6,826)	645	(2,034)
Increase/(decrease) in cash for the year	**31,378**	(1,610)	8,342	(4,364)	3,148
Dividend per share (p)	**12.0**	7.0	2.5	7.56	6.30
Basic earnings per share (p)	**(74.9)**	(5.5)	2.7	17.5	11.6
Diluted earnings per share (p)	**(74.9)**	(5.5)	2.5	16.3	10.5
Key performance indicators and other non-statutory measures					
Adjusted staff costs as a % of net revenue[1]	**65.3**	66.8	65.6	65.9	67.0
Adjusted EBITDA[2]	**91,462**	63,895	56,764	41,733	34,388
Adjusted profit before income tax[3]	**79,268**	49,117	40,237	36,004	29,338
Diluted adjusted earnings per share (p)[3]	**59.7**	40.7	34.8	33.1	27.8
Net cash/(debt)[4]	**35,738**	14,021	(9,346)	(5,177)	(11,593)

1 Staff costs excluding restructuring costs. See glossary for further information.

2 Operating profit before depreciation, amortisation, acquisition-related consideration movements and other adjusting items.

3 See glossary for further information.

4 Net debt excludes contingent consideration and share purchase obligations. See glossary for further information.

Shareholder information

Financial calendar

Preliminary results

2022 full-year results announcement	5 April 2022
Annual General Meeting	23 June 2022
2023 half-year results announcement	October 2022
Year end	31 January 2023
2023 full-year results announcement	April 2023

Final dividend

Ex-dividend date	7 July 2022
Record date	8 July 2022
Last date for DRIP election	18 July 2022
Payment of 2022 final dividend	12 August 2022

Interim dividend

Ex-dividend date	October 2022
Record date	October 2022
Last date for DRIP election	November 2022
Payment of 2022 final dividend	November 2022

These dates are provisional and may be subject to change.

Annual General Meeting

Please see page 103 for further details.

Managing your shares and shareholder communications

The Company's shareholder register is maintained by its registrar, Link Group. Information on how to manage your shareholdings can be found at www.signalshares.com. Shareholders can contact Link Group in relation to all administrative enquiries relating to their shares, such as a change of personal details, the loss of a share certificate, out-of-date dividend cheques, change of dividend payment methods and to apply for the Dividend Reinvestment Plan.

Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign up by registering at www.signalshares.com. Should shareholders who have elected for electronic communications require a paper copy of any of the Company's shareholder documentation, or wish to change their instructions, they should contact Link Group.

Registrar

Link Group
10th Floor, Central Square
29 Wellington Street
Leeds LS1 4DL

Telephone from the UK: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Lines are open Monday to Friday (9.00 a.m.– 5.30 p.m.).

Telephone from overseas: +44 (0)371 664 0300

Calls outside the UK will be charged at the applicable international rate.

E-mail: enquiries@linkgroup.co.uk

Dividends

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

For dividends payable on or after 6 April 2018 the dividend nil rate will only apply to the first £2,000 of a person's dividend income. Please refer to HMRC's website www.gov.uk/tax-on-dividends or seek advice from a professional tax adviser if you have any doubt about how this impacts your tax position.

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

Dividend Reinvestment Plan

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

Shareholder fraud

Fraud is on the increase and many shareholders are targeted every year. If you have any reason to believe that you may have been the target of fraud, or attempted fraud, in relation to your shareholding, please contact Link Group immediately. More detailed information can be found on the FCA website at:

www.fsa.gov.uk/consumerinformation/scamsandswindles/investment_scams/boiler_room.

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References

References:

Customer Insight

1. Market research: The Business Research Company (2020)
2. Data management: Estimate
3. Data analytics & implementation: Market and Markets- Global Cloud Analytics (2021)
4. Customer Relationship Management (CRM) implementation: Research and Markets (2021)

Customer Experience

5. Customer experience: International Data Corporation (IDC, 2021)
6. Content, communications & creative: Technavio (2021)

Customer Delivery

7. E-commerce implementation: International Data Corporation (IDC, 2021)
8. Search Engine Optimisation (SEO): Business Wire (2021)
9. Media buying & Planning: Research and Markets (2021)
10. Social Media Management: Markets and Markets (2021)
11. Lead Generation: Business Wire (2021)

Business Transformation

12. Strategy Consulting: The Business Research Company (2020)
    - 12.1. Inc Environmental, Social and Governance (ESG): Business Wire (2021)
    - 12.2. Inc People Change Management (PCM): Absolute Market Insights (2020)
13. Digital Transformation: Market and Markets- Global Cloud Analytics (2021)

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