Parent Company Accounts for Bite Communications Limited,
Company Number 03023521

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Next Fifteen Communications Group plc
Annual Report 2019

Company number 01579589

Next 15 agencies work with some of the most innovative and exciting companies in the world. Our customers are asking more of their business partners and our agencies are well positioned to respond. The ability to understand customers, brands and markets in order to deploy data, technology and creativity to build profitable sales is what Next 15 agencies bring to clients, be they market leaders or disruptors.

Financial highlights

Net revenue
£224.1m +14%

19	£224.1m
18	£196.8m
17	£171.0m

Dividend per share
7.56p +20%

19	7.56p
18	6.30p
17	5.25p

Net cash from operating activities
£32.1m +30%

19	£32.1m
18	£24.6m
17	£30.9m

Adjusted diluted earnings per share
33.1p +19%

19	33.1p
18	27.8p
17	23.4p

Adjusted profit before tax
£36.0m +23%

19	£36.0m
18	£29.3m
17	£24.2m

Statutory profit for the year
£14.5m +56%

19	£14.5m
18	£9.3m
17	£1.7m

Adjusted measures are reconciled to the statutory results in notes 2, 5 and 10 to the financial statements.

At a glance

Employees
1,979
2018: 1,782
2017: 1,610

Offices
50
2018: 56
2017: 39

Countries
14
2018: 14
2017: 14

Our business

There are many marketing agency groups. Some showcase flamboyant creativity. Others give the impression that only number crunching counts. What makes Next 15 different is the unique way we blend both approaches to create what's next in marketing. We are passionate about creating marketing and communications initiatives that get noticed, and we are precisely focused on delivering marketing and communications that get results.

Our brands and sectors

Next 15 aims to become the world's largest and most respected data and technology-led marketing group. To do this, the Group continues to build a portfolio of businesses that cater to the different needs of the various market sectors and geographies in which it operates. At the same time, the Group seeks to attract the best talent in the industry by creating excellent career paths that enable people to take part in international business and, where appropriate, help with the formation of new Group businesses, new service divisions, or new international locations.

Next 15 remains ambitious and is committed to expanding the international presence of its existing brands, with the possibility of further acquisitions if the strategic fit and value is compelling.

See page 3 for a list of our brands or find out more about our brands at **www.next15.com/portfolio**.

Our clients

We work with some of the biggest brands in technology and beyond including Apple, Cisco, Google, Hasbro, Marriott, Microsoft, Sony, Telefónica Digital and YouTube. We have an extraordinary track record in retaining business in the long term too because we keep them ahead of whatever's next in an age of unprecedented change.

Making brands famous is in our DNA and is behind our name, the origin of which was explained by Tim Dyson: "Everyone will be famous for 15 minutes, but we care about what happens next."

We continue to place the highest priority on retaining an outstanding and diverse pool of talent. However keen the strategy, it will succeed only if the right people are in the right roles, appropriately incentivised and, importantly, working for the right clients. So, working with best in class customers, or businesses committed to becoming best in class, is a big part of what makes our Group special.

Chairman's statement

Our results this year were good. Revenues and profits have again reached record levels. Net revenues were 13.9% up to £224.1m (2018: £196.8m) while adjusted profit before tax rose by 22.9% to £36.0m (2018: £29.3m). Statutory revenue rose 16.5% to £272.4m (2018: £233.9m) and statutory operating profit rose 20.3% to £20.7m (2018: £17.2m). Fully diluted adjusted earnings per share rose by 19.1% to 33.1p and basic earnings per share rose by 50.9% to 17.5p.

Like last year, these results were influenced by several factors: strong organic growth alongside additional well-executed acquisitions. Organic growth remained well ahead of industry averages at 6.4%. This number masks greater progress in our data and technology-led businesses and over the coming years, as these businesses become a larger part of our portfolio, we see organic growth that should remain comfortably ahead of industry averages.

During the year the Group continued to make structural changes to enhance the rolling reinvention of the Group. We added Technical Associates Group to expand our Publitek business. We added Activate and Planning-inc as new stand-alone data-led entities. We also added Wealth-X to what is now Savanta, the new name for MIG, which now houses all our research businesses. We also moved Connections Media to become part of OutCast. Lastly, we took the big step of merging our very first business, Text 100, with our second agency, Bite, to create Archetype. Through Archetype we aim to create a new type of global agency.

We continue to place the highest priority on retaining an outstanding and diverse pool of talent. However keen the strategy, it will succeed only if the right people are in the right roles, appropriately incentivised and, importantly, working for the right clients. So, working with best in class customers, or businesses committed to becoming best in class, is a big part of what makes our Group special. I am therefore proud to say that we added Beiersdorf, Capital One and Pearson to the client list this year.

At Next 15 we believe that diversity and inclusion are crucial to our long-term success. We believe that a diverse workforce is not just a social good but a commercial advantage. As a result, we will continue to put a strong emphasis on fair practices in our hiring and talent development.

GDPR legislation in Europe has had a positive impact on the marketing industry in that abuses of customers' personal privacy have been defined and outlawed. We believe the impact of this regulation has yet to settle fully but it is encouraging to see our clients embrace leading-edge data science while also respecting the privacy of the users who generated that data.

Observations about the scale of business disruption are no longer original, but I am struck by the seriousness with which responsible businesses are now questioning the resilience of established approaches to markets. Geopolitical instability, social change and technological progress only add to the sense that 'tried and tested' cannot be trusted.

Next 15 agencies work with some of the most innovative and exciting companies in the world. Against this backdrop of uncertainty, our customers are asking more of their business partners and our agencies are well positioned to respond. The ability to understand customers, brands and markets in order to deploy data, technology and creativity to build profitable sales is what Next 15 agencies bring to clients, be they market leaders or disruptors.

In truth, some still hire us at the very end of the development life-cycle to present their brand to the market. However, our most productive interactions occur further upstream, before product or service design has become a fait accompli. Taking the money to polish up average products is not what Next 15 is best at and I believe this is why the Group is prospering.

Looking to the year ahead, I am pleased to report that the business remains well placed to deliver further growth both organically and through judicious acquisition. As long-standing shareholders will know, the Board is averse to high levels of debt, so we are encouraged to see the strength of the Company's balance sheet at the year end.

Finally, on behalf of the Board, I would like to thank the roughly 2,000 people who make up Next 15. It is their hard work, creativity and ingenious use of data and technology that delivered these results and that make the Group what it is today.

Richard Eyre CBE
Chairman
2 April 2019

Next 15 continues to reinvent itself. We do this because standing still would lead to our demise and because it is what our customers – and our people – want and need. In truth there are very few businesses that can simply find a winning formula and then sit back. Almost every company on the planet has to innovate. Innovation means rethinking what problem it is that you solve for the customer. This challenge is a huge one, but thanks to technology and data, it is one that we are starting to solve.

Chief Executive Officer's statement

Dear Shareholder,

Next 15 continues to reinvent itself. We do this because standing still would lead to our demise and because it is what our customers – and our people – want and need. In truth there are very few businesses that can simply find a winning formula and then sit back. Almost every company on the planet has to innovate. Innovation means rethinking what problem it is that you solve for the customer. It means looking for friction and pain points in the system and deciding how best to remove them. In our case this means asking what frustrates businesses the most about their marketing. In almost every case frustration lies in the unpredictability of costly marketing projects – that they do not know until they have run a campaign whether they spent their budget as effectively as possible. This challenge is a huge one but, thanks to technology and data, it is one that we are starting to solve.

Next 15 has changed a great deal in the last five years. We have built a set of data businesses that now account for 10% of our net revenue. Five years ago, that was less than 1%. We have also built a set of technology-led businesses that account for 30% of our net revenue. Five years ago, they counted for 12% of our net revenue. Our brand marketing revenues have also grown but far more slowly as we look to evolve them from being content delivery businesses into more strategic consultancies that offer deeper corporate marketing and creative content services. This will take time but I am excited about where it will take us.

But these changes to our business are just the start. Better marketing starts with the best companies and the best products. Going forward we have to challenge ourselves to help our customers be the best versions of themselves they can be. This will require us to challenge clients to make changes to their businesses, using our skills not merely to make their products as attractive as possible to the buyer. Instead we will be helping them make the product the best possible solution to a customer's challenge, needs and desire. In the words of the old epithet, we will not be putting lipstick on the pig; we will be helping them redesign the pig.

To drive this, the Group will invest in businesses that understand how to help companies undergo this level of change. In some cases, we will be helping clients to reinvent the very business model they have, not just the brand that goes around it. This will be a multi-year strategy for Next 15 but I believe it will result in stronger and deeper relationships with our customers that will drive higher levels of engagement and thus revenues.

The last year has been another good one for the Group. We have again delivered record revenues and profits. We have also added some exciting businesses to the Group such as Activate and Planning-inc. Lastly, we have made moves to simplify our Group with Connections Media becoming a part of OutCast, and Text 100 and Bite merging to become Archetype. In short, we have a strong platform for continued growth in the coming years. Our growth and prospects are despite Brexit, the turmoil in US politics, trade wars, Russian meddling in elections and the slowdown in the Chinese economy. Imagine how well we, and others, could be doing without these headwinds?

In truth, I believe that businesses that grow up in these times will be more resilient, more innovative and more thoughtful about the responsibilities they have to the communities they serve and the world we live in. In other words, I am excited about the future we have as a Group. We are undaunted by the geopolitical headwinds and I am confident that, as we look to the future, we are well placed to solve the very challenge our customers ask of us: make them the best they can be and let the world know it.

Tim Dyson
Chief Executive Officer
2 April 2019

Business model

Our vision

Next 15 believes the future of marketing lies in its ability to drive business goals. Marketing that simply makes brands more attractive isn't enough. Marketing needs to ensure the organisation is solving its customers' pain points, needs and wants with the best possible solution and through the best possible experiences. It needs to use data and technology to predict and evaluate the best ways to interact with its audiences and creativity to demonstrate its personality, values and relevance. Marketing needs to leave the organisation better than it found it.

Our business services

Next 15 agencies offer one, or a combination, of these business services to some of the most innovative and exciting companies in the world.

Data

Technology **X** **Innovation consulting**

Brand marketing

Strategy

To build a portfolio of businesses that cater to the different needs of the various market sectors and geographies in which Next 15 operates.

To attract the best talent in the industry by creating excellent career paths that enable people to take part in international business and, where appropriate, help with the formation of new Group businesses, new service divisions, or new international locations.

Three objectives

1 Build and buy technology-enabled brand marketing and data businesses.

2 Leverage strength of US businesses and their relationships with high growth companies.

3 Drive higher level consulting around business-critical activities.

Principles

Data
Data and analytics are increasingly embedded across the Group; we believe that over time this will drive growth in our technology and brand marketing businesses as customers' marketing activities increasingly utilise these tools to predict campaign success and spend levels.

Innovation consulting
Innovation consulting involves understanding change to seek out and resolve friction in customer relationships. Marketing can no longer simply put the best face on a company. To be effective it has to help redesign the company and its products so that it can succeed. As a business we are keen to move away from simply putting lipstick on the pig and towards a business that is helping design the pig.

Brand marketing
The body of content, ideas and expectations surrounding a product is what constitutes a brand. Developing digital content that travels gracefully across technology platform, app and language is essential to consistent brand marketing.

Technology
Technology is now the essential partner of even the biggest creative idea. By utilising the right platforms and technologies, businesses can now serve up the right content to the right people at the right time without the need for a traditional set of marketing activities. Furthermore, as Google, Facebook and Amazon increase their reach to consumers, the ability of agencies to understand the best ways to use their platforms becomes increasingly important.

Approach to acquisitions: strength and success
We deliver consistently good results for investors because we stay true to our principles. These include building a group of businesses that organically fit together, are passionate about what they do, and have strong leadership teams empowered to pursue their own vision of success.

Invest in the best talent
Our people are at the heart of everything we do. As a Group we focus on the 'who' before the 'what'. This principle, espoused by the author Jim Collins, creates a different way of running a Group. In essence it pushes you to trust key talent to drive their business in the direction they believe is best, instead of the Group telling leaders what is best.

Growth in core markets
Next 15 will continue to develop its existing brands and make acquisitions where the strategic fit and value is compelling. In the last few years the bulk of the Group's efforts have been around strengthening our UK and US businesses as we believe these markets will drive our long-term success.

Diversity and inclusion
Next 15 believes that a diverse 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 agency cultures, are key to the Group's success and the encouragement of diverse voices within it.

The last 12 months have been a period of significant progress and change across the Group. We have grown our total group net revenues by almost 14% and by 6.4% on an organic basis, whilst increasing the operating profit margin to a record 16.5%.

Financial review

Another year of significant progress across the Group

We have had another strong year of trading with our key measures of adjusted EBITDA and adjusted profit before income tax both increasing by over 20%, whilst we have significantly strengthened our data and analytic capabilities and invested in our technology agencies, alongside simplifying our portfolio of brand marketing agencies.

In total for the 12 months to 31 January 2019, the Group delivered net revenue of £224.1m, adjusted operating profit of £37.0m, adjusted profit before income tax of £36.0m and adjusted diluted earnings per share of 33.1p. This compares with net revenue of £196.8m, adjusted operating profit of £30.0m, adjusted profit before income tax of £29.3m and adjusted diluted earnings per share of 27.8p for the 12 months to 31 January 2018.

Key performance indicators

Adjusted results	Year to 31 January 2019 £m	Year to 31 January 2018 £m	Growth %
Net revenue	**224.1**	196.8	13.9%
EBITDA	**41.7**	34.4	21.2%
Operating profit	**37.0**	30.0	23.3%
Operating profit margin	**16.5%**	15.3%	
Profit before income tax	**36.0**	29.3	22.9%
Tax rate on adjusted profit	**20.0%**	20.0%	
Diluted earnings per share	**33.1p**	27.8p	19.1%
Statutory results			
Revenue	**272.4**	233.9	16.5%
Operating profit	**20.7**	17.2	20.3%
Profit before income tax	**18.8**	13.3	41.4%
Diluted earnings per share	**16.3p**	10.5p	55.2%

In order to assist shareholders' understanding of the underlying performance of the business, I have focused my comments on the adjusted performance of the business for the 12 months to 31 January 2019 compared with the 12 months to 31 January 2018. The commentary refers to financial measures which have been adjusted to take account of items which are not related to underlying trading in the current year including amortisation, impairments, brand equity incentive schemes, restructuring charges and certain other items. The Group also presents net revenue which is calculated as revenue less direct costs as shown on the consolidated income statement.

Statutory revenue for the year, which has been restated for the impact of IFRS 15 on the Group, was £272.4m (2018: £233.9m) which resulted in profit before income tax of £18.8m, compared with £13.3m in the prior year. Diluted earnings per share were 16.3p, compared with 10.5p in the previous year.

Financial review continued

Adjusted operating profit
£37.0m +23.3%

19 £37.0m
18 £30.0m
17 £25.0m

Net debt
£5.2m

19 £5.2m
18 £11.6m
17 £11.4m

Statutory profit before income tax
£18.8m +41.4%

19 £18.8m
18 £13.3m
17 £2.9m

Review of adjusted results to 31 January 2019

Group profit and loss account

The last 12 months have been a period of significant progress and change across the Group. We have grown our total group net revenues by almost 14% and by 6.4% on an organic basis, whilst increasing the operating profit margin to a record 16.5%. Our Twogether, Savanta, M Booth and Publitek agencies have been stand out performers, whilst we have achieved solid performances pretty much across the portfolio.

In addition, we have implemented a number of operational improvements including the merger of our Text and Bite agencies and their relaunch under the Archetype brand. Also, we consolidated our market research agencies under the Savanta brand. This has had the benefit of simplifying the group's operating structure as well as increasing our underlying operating margin.

The Group adjusted operating margin increased to *16.5% from 15.3% in the prior year.*

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2019 £m	Year to 31 January 2018 £m
Adjusted operating profit	**37.0**	30.0
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments	**(2.1)**	(3.1)
Deal costs	**(0.6)**	(0.5)
Costs associated with restructuring	**(4.4)**	(1.7)
Charge associated with office moves	**(0.2)**	(0.5)
Amortisation of acquired intangibles	**(9.0)**	(7.0)
Statutory operating profit	**20.7**	17.2

Adjusted results represent the audited performance, adjusted to exclude amortisation, restructuring charges, brand equity incentive schemes, movements in acquisition-related consideration and certain other items. They are reconciled to the statutory results in notes 2 and 5 to the financial statements.

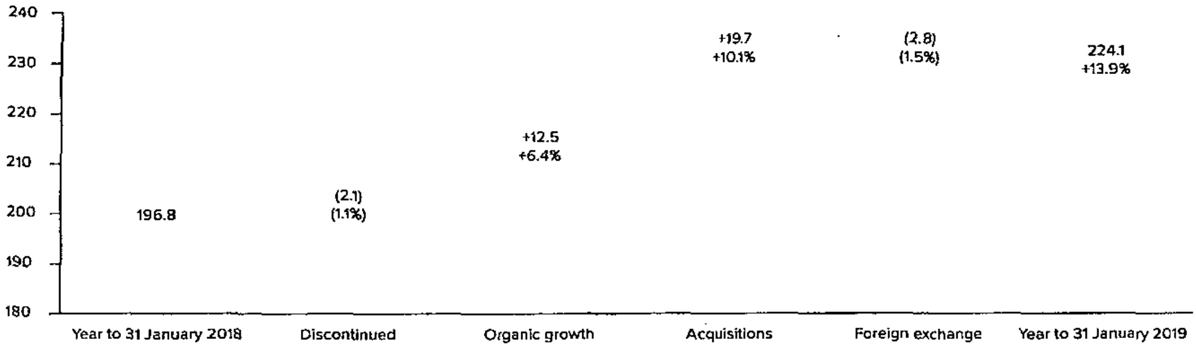
We incurred £1.3m of share-based payment charges on new growth shares for M Booth, ODD, Savanta, Encore and Twogether and £0.8m in relation to employment-related acquisition payments.

We incurred £0.6m of deal costs in relation to acquisitions.

We incurred £4.4m of restructuring costs in relation to the merger of Text and Bite and their relaunch under the Archetype brand, the consolidation of our market research activities under the Savanta brand and further restructuring in the US agencies.

Amortisation of acquired intangibles was £9.0m in the period.

Net revenue bridge (£m)



Taxation

The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2019 was at a rate of 20%, compared to the statutory rate of 23%. The adjusted effective tax rate was the same as the rate achieved in the previous period as we continued to benefit from a higher proportion of our profit coming from lower tax regimes such as the UK and the successful resolution of a number of historical tax queries.

The Group believes that 20% is a sustainable long-term Effective Tax Rate for Next15. The Group does not have any open tax audits, nor does it have any complex structures in place to manage its taxes which could give rise to future challenges from tax or competition authorities.

Earnings

Diluted adjusted earnings per share has increased by 19% to 33.1p for the year to 31 January 2019 compared with 27.8p achieved in the prior period, as a result of improved profitability.

Geographical review

	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
Year ended 31 January 2019						
Net revenue	**83,528**	**8,735**	**117,911**	**13,919**	**—**	**224,093**
Organic net revenue growth[1]	**15.5%**	**7.3%**	**2.8%**	**(2.1%)**	**—**	**6.4%**
Adjusted operating profit	**20,482**	**1,504**	**22,047**	**2,207**	**(9,284)**	**36,956**
Adjusted operating margin[2]	**24.5%**	**17.2%**	**18.7%**	**15.9%**		**16.5%**
Year ended 31 January 2018						
Net revenue	58,329	7,851	115,941	14,690	—	196,811
Organic revenue growth	7.6%	3.4%	5.1%	(0.7%)	—	5.2%
Adjusted operating profit	12,984	752	23,181	2,002	(8,893)	30,026
Adjusted operating margin	22.3%	9.6%	20.0%	13.6%		15.3%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2019 compared to the 12 months to 31 January 2018, excluding the impact of acquisitions until they have been in the Group for more than one year.

2 *Adjusted operating profit margin is calculated as the margin on net revenue.*

US

Our US businesses have continued to perform steadily led by our M Booth and former Bite brands, with Activate, our most recent acquisition, performing very well. In the year to 31 January 2019, total US net revenues grew by 1.7% to £117.9m from £115.9m which equated to an organic growth rate of 2.8%, taking account of movements in exchange rates. Organic growth has been impacted in the short-term by the merger of Text and Bite. We incurred £2.2m in restructuring costs pursuant to the merger of Text and Bite and a further £0.9m of restructuring costs in the US generally. The adjusted operating profit from our US businesses was £22.0m compared with £23.2m in the previous 12 months to 31 January 2018.

Financial review continued

UK

The UK businesses have delivered a very strong performance over the last 12 months, with net revenue increasing by 43.2% to £83.5m from £58.3m in the prior period. This growth was partly due to a busy period on the acquisitions front, but we also delivered organic net revenue growth in the UK of 15.5% with exceptionally strong performances from our Twogether and Savanta agencies. The adjusted operating profit increased to £20.5m from £13.0m in the prior year with the adjusted operating margin increasing to 24.5% from 22.3% in the prior period.

In July we acquired Technical, a B2B content marketing agency with a focus on technology clients, and merged it with Publitek, and in January 2019 we acquired Planning-inc, a data science business focused on the consumer sector.

EMEA

We have delivered a solid trading performance in EMEA as we have continued to focus our efforts on markets of potential scale. Net revenue increased by 11.3% to £8.7m (2018: £7.9m) and adjusted operating profit increased to £1.5m at an improved adjusted operating margin of 17.2%.

APAC

Net revenue decreased by 5.2% to £13.9m (2018: £14.7m), however the operating margin increased to 15.9% from 13.6% in the prior period and the operating profit increased to £2.2m (2018: £2.0m).

Segmental review

In order to assist shareholders' understanding of the key growth drivers of the Group, we have enhanced the disclosure of the Group's performance to include an analysis of the results by operational segment. We have prepared the analysis by three operational segments, namely Brand Marketing, Data and Analytics and Creative Technology.

Brand Marketing

This segment includes our Archetype, OutCast, M Booth, Blueshirt and Publitek agencies. During the year we merged our former Text and Bite agencies and then relaunched them in February 2019 under the Archetype brand. We also merged the former Connections Media agency with OutCast. In July 2018 we acquired Technical and merged it into Publitek. The segment produced resilient earnings, despite the planned restructuring actions, led by our M Booth and Publitek agencies. Total net revenue reduced by 1.1% to £133.2m with an organic growth of 0.1% but the adjusted operating profit increased by 7.7% to £29.6m at an improved operating margin of 22.2%.

Data and Analytics

This segment includes Savanta, Encore and our recently acquired Activate and Planning-inc agencies. During the year we merged all of our market research brands and relaunched them in January 2019 under the Savanta brand. In November 2018 we acquired the US-based lead generation agency Activate and in January 2019 we acquired the data science agency Planning-inc. The segment produced an outstanding performance with net revenue growing by 67.3% to £23.2m with organic growth of 30.6% and delivered operating profit of £7.2m at an operating margin of 30.9%.

Creative Technology

This segment includes our ODD, Elvis, Brandwidth, Beyond, Twogether, Agent3 and Velocity agencies. Brandwidth was acquired in February 2018. The segment delivered a strong performance with Twogether and Beyond UK excelling. Overall the segment delivered net revenue growth of 40.3% to £67.7m with organic net revenue growth of 17.0%. The adjusted operating profit increased by 19.4% to £9.5m at an operating profit margin of 14.0%.

	Brand Marketing £'000	Data and Analytics £'000	Creative Technology £'000	Head office £'000	Total £'000
Year ended 31 January 2019					
Net revenue	**133,163**	**23,209**	**67,721**	**—**	**224,093**
Organic net revenue growth	**0.1%**	**30.6%**	**17.0%**	**—**	**6.4%**
Adjusted operating profit	**29,580**	**7,171**	**9,489**	**(9,284)**	**36,956**
Adjusted operating margin	**22.2%**	**30.9%**	**14.0%**	**—**	**16.5%**
Year ended 31 January 2018					
Net revenue	134,678	13,869	48,264	—	196,811
Organic net revenue growth	1.0%	48.5%	12.2%	—	5.2%
Adjusted operating profit	27,465	3,509	7,945	(8,893)	30,026
Adjusted operating margin	20.4%	25.3%	16.5%	—	15.3%

Cash flow

Cash flow KPIs	Year to 31 January 2019 £m	Year to 31 January 2018 £m
Net cash inflow from operating activities	**37.2**	33.1
Changes in working capital	**1.2**	(4.2)
Net cash generated from operations	**38.4**	28.9
Income tax paid	**(6.2)**	(4.3)
Investing activities	**(37.2)**	(19.4)
Dividend paid to shareholders	**(5.2)**	(4.1)
Net (decrease)/increase in bank borrowings	**(10.9)**	4.5
Proceeds from share placing	**19.5**	–

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2019 increased to £37.2m from £33.1m in the prior period. Our management of working capital improved with a small inflow from working capital. This resulted in our net cash generated from operations before tax being £38.4m (2018: £28.9m). Income taxes paid increased to £6.2m from £4.3m in the prior year reflecting increased Group profitability.

Our strong cash flow, an increased £60m bank facility and a £20m cash placing from shareholders have allowed us to continue to invest in acquisitions. Our investment in acquisitions includes the acquisitions of Technical, Activate and Planning-inc and the settlement of contingent consideration to Encore. The increase in investing activities to £37.2m also reflects the funding of property moves in London and New York.

Dividends paid to Next 15 shareholders increased to £5.2m from £4.1m in the prior period reflecting the strong trading and our confidence in the future. Net interest paid to the Group's banks increased due to higher borrowings to approximately £1.2m (2018: £0.8m).

Balance sheet

The Group's balance sheet remains in a very healthy position with net debt as at 31 January 2019 of only £5.2m (2018: £11.6m), representing 0.12x adjusted EBITDA.

Treasury and funding

The Group operates a £60m revolving credit facility ('RCF') with HSBC available until July 2022, having extended it in February 2018 to include a £20m term loan. The £40m 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 term loan of £20m has been fully drawn down and is repayable in equal annual instalments; the last repayment is due in December 2021. The Group also has a US facility of $7m (2018: $6m) 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
2 April 2019

How we manage our risks

Next 15 is exposed to a variety of risks (both threats and opportunities) that can have financial, operational and regulatory impacts 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.

Risk management
The focus of the Risk Management Framework is the annual risk assessment. The assessment is performed by brand management at an operating company level and by Next 15 senior leaders for the Group-wide risks. The outcome of the bottom-up/top-down assessment is presented to the Board for review and challenge and includes detailed progress of any action plans agreed in the prior year to manage the risks.

In addition to providing oversight of the key risk areas (being customers, people and operations, including information security), the Board also focuses on acquisition activities, ensuring management understands the risks involved in acquiring new businesses and that suitable controls are in place to manage them.

Internal controls
The Board has ultimate responsibility for the Group's system of internal control and regularly reviews its effectiveness in accordance with revised guidance on internal control published by the Financial Reporting Council. This control system, which centres around a supporting set of minimum controls, is designed to manage rather than eliminate risk of failure to achieve business objectives and to provide reasonable but not absolute assurance that assets are safeguarded against unauthorised use or material loss, that its transactions are properly authorised and recorded, and that material errors and irregularities are prevented or, failing which, are discovered on a timely basis.

Internal audit
The Group's Internal Audit function, which was established in 2012, provides assurance over the Group's control environment with lead internal auditors in the US and the UK. The recently appointed Head of Internal Audit has helped to increase the independence of the function and will lead the initiative to transform how internal audit services are delivered at Next 15.

The results of internal audit activities are reported to the Audit Committee at each Audit Committee meeting and the risk-based Internal Audit Plan is updated as required to respond to the risks faced by Next 15.

Board oversight
The Board gains assurance over the adequacy of design and operation of internal controls across the Group through the following process:

- significant findings from Internal Audit engagements are reported to management, the Executive Directors and the Audit Committee. Reporting covers significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Board;
- depending on the risk associated with any weaknesses noted, recommendations made are followed up and reported back to the Audit Committee until they are adequately resolved; and
- Internal Audit independently reviews the risk identification procedures and control processes implemented by management and advises on policy and procedure changes.

During its review of the risk management and internal control systems, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Whistle blowing and UK Bribery Act 2010
Whistle blowing procedures are in place for individuals to report suspected breaches of law or regulations or other malpractice. The Group has implemented an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

Principal risks and uncertainties

The system of risk management used to identify the principal risks facing the Group is described on page 16. Risk identification and evaluation, including the nature, likelihood and materiality of the risks affecting each Group business, are owned and assessed by management. The Board and the Audit Committee review risks and assess and monitor actions to mitigate them.

Based on these assessments, the risks outlined below are those that the Group believes are the principal and material risks. The matters described below are not intended to be an exhaustive list of possible risks and uncertainties and it should be noted that additional risks, which the Group does not consider material, or of which it is not aware, could have an adverse impact.

Risk description	Mitigating actions	Change in risk
Operational risk		
Cyber security risk The Group notes the increased risk facing companies with third-party attempts to exploit weaknesses in brand infrastructure and Software as a Service ('SaaS'), which is constantly evolving. Inadequate security controls could lead to business disruptions, damage to reputation and loss of assets.	The initiative to develop a more formalised Information Security Management System ('ISMS'), based on ISO 27001, has greatly increased our ability to monitor and respond to cyber-related threats. The programme of works to roll out this system is expected to be completed in late 2019. A third party has also been engaged to assess the maturity of our cyber defences and to get external validation that we have identified the major cyber threats and risks facing Next 15. The Group Information Security team continues to monitor and improve the Group's IT security in light of the continually evolving threat.	
Reliance on key customers Losing a major client unexpectedly can have a significant impact on the resourcing, revenue and profit of an individual brand. The impact of this will depend on the brand.	The Group's strategy is to build a portfolio of brands which is diversified across different communications markets and geographic regions. As well as growing organically, the Group expands through acquisitions, which typically increases the diversification of the Group. Regular client feedback is sought and appropriate steps are taken to retain existing clients. The Board regularly reviews the Group's reliance on key customers through top ten client analysis in the management accounts and reviews of customers with revenues greater than $1m per annum. We note that the overall risk for the Group is decreasing and the Group is not deemed to be overly reliant on any one customer.	
Staff retention and recruitment The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. The market for these employees is competitive and there is a risk we are unable to attract or retain the best talent. The Group is heavily reliant on the talent of the leaders of the underlying businesses and losing one of those individuals could be particularly detrimental.	The Remuneration Committee considers the retention and incentive mechanisms in place for key personnel at both brand and Group level, and reviews remuneration trends across the Group to ensure we attract and retain the best talent within the Group. The Group's Human Resources teams seek to recruit skilled employees and to offer exciting and challenging career opportunities with competitive remuneration and benefits. Policies are regularly reviewed to ensure high levels of staff motivation and development, which in the past year has included a particular focus on diversity and inclusion across the Group. Where possible the businesses ensure that client relationships are maintained as a team rather than by an individual.	

Principal risks and uncertainties continued

Risk description	Mitigating actions	Change in risk
Operational risk continued		
Data protection regulation The Group stores, transmits and relies on critical and sensitive data such as personally identifiable information and the intellectual property of customers. Security of this type of data is exposed to escalating external threats that are increasing in sophistication as well as internal data breaches. There is a risk that if the Group has not implemented suitable procedures and updated relevant business processes, in the event of a security incident it may be in breach of its regulatory and contractual requirements leading to fines, damages and reputational damage.	The development of a defined and more robust Information Security Framework, including the rollout of new Group-wide policies, has strengthened our ability to preserve the integrity of business information and ensure compliance with local legal requirements. In preparation for the implementation of GDPR the Group worked with external lawyers to perform gap analyses and provide remediation plans for each of the UK brands. Remediation steps included the development of personal data maps and rollout of employee privacy notices. Our people were also required to undertake training to increase their awareness and understanding of the new data privacy and security policies, something which will continue to be monitored and refreshed as required. The finalisation of the ISMS Programme will continue to enhance the Group's data security position, and we will continue to monitor any changes to regulation and assess the potential impact on the Group.	
IT infrastructure The Group has grown both organically and by acquiring new businesses, which has resulted in the use of numerous legacy accounting and operating systems. There is a risk that these various systems do not work effectively, resulting in misreporting of financial information. There is also a risk that our Cloud infrastructure is not fit for purpose with the changing cyber security risk and IT innovations. As we become more technology driven, our IT infrastructure needs to keep up.	The Group has largely completed its implementation of a common finance IT platform (Maconomy) and is also working with new acquisitions to manage their transition. The common finance system gives the Group greater visibility over the effectiveness and appropriateness of local controls. Although good progress has been made with the roll out of Maconomy, non-financial-based IT systems and infrastructure vary across the Group and require work to standardise and ensure our security risk is managed. Our technology and IT infrastructure, including the Cloud, is being reviewed as part of the ISMS Programme.	
Business continuity There is a risk that unforeseen circumstances could arise, which mean that the business is unable to operate, such as natural disasters, property damage, IT failure or absence of significant personnel.	There are business continuity plans in place across the Group to ensure that we can continue to deliver world-class service to our customers in case of a significant business disruption. The development of these plans, including the consideration of disaster recovery in the context of IT infrastructure, is key. However, to further ensure the resilience of our networks, services and business critical information, work is underway to further develop and mature our business continuity and resilience framework. In addition, the Group has insurance cover in place to mitigate against business disruption.	

Risk description	Mitigating actions	Change in risk

Operational risk continued

Speed of change in the digital marketing space
The Group continues to innovate and invest to develop market-leading offerings to its customers. However, the speed of change and perceived opportunities in the industry has meant more companies, including non-traditional players, are developing their digital marketing capability and thus shifting the competitive landscape.

There is a risk to our ongoing growth and market position if we do not respond to the pace of change and be at the forefront of technological solutions to stay ahead of the competition.

The Group follows a strategy of focusing acquisitions on technology-driven marketing agencies. It also encourages all the brands to have data and technology as a central part of their business. This is monitored through regular meetings between the Executive Directors and the brands, and through our annual Group-wide strategy session.

The Group also monitors its performance through three service segments: digital content and communications, data, and technology. The focus on the businesses in the digital content and communications segment is to evolve their product to incorporate more data and technology.

Acquisitions – choice of target and integration into existing business
The Group has always pursued acquisitions as part of its overall growth strategy. One of the inherent risks of acquisitions is that the Group enters unfamiliar markets/regions and works with new personnel, who may not be sufficiently aligned with Group strategy. The acquisition may therefore not generate the financial or commercial benefit it was intended to.

Integration of acquired businesses within the overall Group, or as part of an existing business, can be challenging and time consuming. Without appropriate capacity at head office, the critical business issues needing to be enhanced to enable future growth, as identified during the due diligence process, may remain uncapitalised.

The Board is very careful when selecting potential acquisition partners and we spend a significant amount of time upfront on the chemistry to make sure the individuals are a good fit for the Group.

Robust due diligence is performed prior to all acquisitions, with representations, warranties and indemnities being obtained from vendors where possible. The consideration paid for a business typically includes a significant element of deferred consideration, contingent upon future performance. Vendors are also encouraged to retain a minority equity stake to ensure their retention within the Group.

Internal Audit works with newly acquired businesses to ensure that they are assimilated into the Group's control environment.

Macroeconomic uncertainty
Turbulence in the macroeconomic environment could result in fewer client assignments (including client consolidation), longer procurement processes and downward pressure on budgets and pricing, which may impact revenue growth and operating margins. There is likely to be continued volatility in markets in the wake of Brexit and the election of Trump.

The impact of this is dependent on sector focus and often brands which lack diversification are more exposed to macroeconomic risk. For example, strategic financial communications businesses operating in the IPO market can see significant volatility in revenues year on year.

The Group's strategy of building a portfolio of brands which is diversified across different communications markets and geographic regions minimises the risk that the Group is overly reliant on any one territory, sector or client.

Regular client feedback is sought (for instance via client surveys) and appropriate changes or response plans set.

Principal risks and uncertainties continued

Risk description	Mitigating actions	Change in risk

Operational risk continued

Impact of Brexit on the Group If the UK leaves the EU without a deal this could have consequences for EU nationals working for the Group in the UK, impact the ability of the Group to efficiently take excess cash out of Europe, and subject the Group to withholding taxes on billing to its EU clients/within the Group. The ability for Next 15 to access the required talent may be significantly diminished if the UK becomes less desirable for working professionals as a result of Brexit and may also cause wage inflation in response to the skilled labour shortage.	The Group has set up a Brexit working group consisting of finance, legal, HR and tax personnel to assess the impact and put a plan in place for a no-deal scenario. Actions already taken include encouraging EU nationals working for the Group in the UK to obtain UK citizenship, taking all excess cash out of Europe and looking at how we can minimise withholding taxes.	

Financial risk

Misappropriation of assets/fraud/misreporting Particularly in smaller brands with fewer opportunities to segregate duties, there is a risk that, without appropriate oversight and review, there could be fraudulent activity and misreporting of financial information. The risk of misappropriation of assets and fraud is also increased due to the siloed nature of the Next 15 operating model and the level of influence founders can have within their specific company environments.	Overseen by the Audit Committee, the Internal Audit function provides assurance of the Group's control environment, with particular focus given to segregation of duties. The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances. The annual External Audit also provides comfort.	
Remuneration and incentive schemes The Group operates a number of earn-out mechanism and incentive schemes in order to attract and retain senior talent across the Group. As we look to be flexible in how we incentivise our talent these schemes can be complex. This gives rise to a local risk of management override and financial misreporting. In addition, culturally, there is a risk that earn-outs will encourage a 'silo culture' and discourage collaboration between the brands, or that the incentive mechanisms in place encourage the wrong behaviour or do not appropriately incentivise our key staff.	The Remuneration Committee reviews, challenges and approves all incentive schemes across the Group. External advisers are used where necessary to advise the Board and individuals on any new schemes. Furthermore, in response to this risk the Group has created a framework from which all new incentive schemes will be developed. The new framework will help to create standardisation and set a minimum expectation for all new acquisitions.	

Risk description	*Mitigating actions*	Change *in risk*

Financial risk continued

Currency risk 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 the majority of its profit outside of the UK. Most of the Group's revenue is matched by costs arising in the same currency, but some global contracts are in a single currency of the client's choosing. This has resulted in significant gains in the UK, in the wake of Brexit, but is now very volatile. When acquisitions are made in a non-functional currency, the foreign exchange impact can be significant.	The Board and Group treasury function considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates on a case by case basis. Net investment hedges are used where appropriate for significant foreign currency investments. The global and local short-term cash flow forecasts are used to monitor future large foreign currency payments, and natural currency hedging is used where possible across the Group. The Group generates 60% of its revenues outside the UK, and a proportion of its UK revenue is also billed in currencies other than GBP. The Group has therefore been impacted by the recent weakening of GBP.	
Compliance with laws and regulations The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations. Any failure to respond quickly to legislative requirements could result in civil or criminal liabilities, leading to fines, penalties or restrictions being placed upon the Group's ability to trade, resulting in reduced sales and profitability and reputational damage.	The Group has maintained an in-house legal function over the whole of its life as a public company and also uses external legal counsel to advise on local legal and regulatory requirements. The Group has an in-house tax function to ensure compliance with tax legislation globally, which consults with external advisers. The Group also circulates policies/procedures to all staff on joining so that the Group is not exposed to any legal issues. In addition, the Group ensures that it has adequate insurance cover in place, including professional indemnity.	

The Strategic Report as set out on pages 1 to 21 was approved by the Board on 2 April 2019 and signed on its behalf by:

Tim Dyson
Chief Executive Officer

Richard Eyre CBE
Chairman

Tim Dyson
Chief Executive Officer

Peter Harris
Chief Financial Officer

Genevieve Shore
Senior Independent Director

Penny Ladkin-Brand
Non-Executive Director

Nick Lee Morrison
General Counsel and Company Secretary

Board of Directors

Richard Eyre CBE A R

Chairman

Appointed May 2011

Richard is Non-Executive Chairman and a member of the Audit and Remuneration Committees.

He is also Chairman of the UK Internet Advertising Bureau and the Media Trust.

Skills and experience

Richard has 43 years' experience across the media and marketing industries, including time as CEO of ITV Network LTD, CEO of Capital Radio plc, and Content and Strategy Director of RTL Group plc. He has served as Chairman of RDF Media plc, GCap plc, I Play, Rapid Mobile and The Eden Project. He was also a board member at the Guardian Media Group plc, Grant Thornton LLP and Results International LLP.

In 2013, he was awarded the prestigious Mackintosh Medal for outstanding personal and public service to advertising and in the 2014 New Year Honours list, Richard was awarded a CBE for services to advertising and the media.

Tim Dyson

Chief Executive Officer

Appointed August 1988

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, Sun and Intel. Tim moved from London to set up the Group's first US business in 1995 in Seattle and is now based in Palo Alto. 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, Elvis, Velocity, Planning-inc and Publitek in the UK.

Outside Next 15, Tim has served on 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

Peter joined Next 15 as its Chief Financial Officer in November 2013 and was appointed as 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 20 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.

Genevieve Shore A R

Senior Independent Director

Appointed February 2015

Genevieve joined Next 15 as a Non-Executive Director and, in July 2017, was also appointed Senior Independent Director. She chairs the Remuneration Committee and is a member of the Audit Committee.

Skills and experience

Genevieve brings digital, technology and commercial expertise to Next 15 from a career in the media, education and technology sectors. Previously, she was Chief Product and Marketing Officer of Pearson plc, and Chief Information Officer and Director of Digital Strategy.

Genevieve is also a Non-Executive Director at Santander UK and Moneysupermarket.com Group PLC. She is also a Non-Executive Director at the Rugby Football Union and the independently owned Arup Ltd. Until early 2018 she was an advisory board member for Lego Education. She also invests in a number of education technology start-ups and works with female executives as a coach and mentor.

Penny Ladkin-Brand A R

Non-Executive Director

Appointed July 2017

As a Non-Executive Director of Next 15, Penny chairs the Audit Committee and is a member of the Remuneration Committee.

Skills and experience

Penny is also Chief Financial Officer at Future plc, a global platform for specialist media. She was previously Commercial Director at Auto Trader Group plc responsible for digital monetisation. Penny brings considerable experience of digital disruption and transformation to the Board. Penny qualified as a Chartered Accountant with PwC before moving into corporate finance, gaining experience of M&A in both public and private markets.

Nick Lee Morrison

General Counsel and Company Secretary

Appointed January 2016

Nick spent seven years in private practice at global law firms working with a wide range of technology, media and communications clients. In 2013, Nick moved in-house at a global media brand, before joining Next 15 as General Counsel and Company Secretary in 2016.

Chair of Committee

A Audit Committee

R Remuneration Committee

Corporate governance report

2016 (the 'UK Code'); however, the Board supports the UK Code and considers its application when appropriate given the Group's size and operations.

The Board seeks to promote the long-term success of the Company for the benefit of our shareholders and, as Chairman, my role is to provide the leadership to enable the Board to do so effectively.

I look forward to meeting you at our AGM.

Richard Eyre CBE
Chairman
2 April 2019

Chairman's corporate governance statement
As Chairman I am responsible for leading the Board and for its governance of the Group, in the determination of its strategy and in achieving its objectives. I am responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and for effective communication with our shareholders.

The Board recognises that effective governance and management of risk are crucial to promoting the long-term success of our business for the benefit of our shareholders and our other stakeholders. The Board is responsible for ensuring that all aspects of our business are conducted transparently, ethically and effectively in a way which promotes a sustainable and successful future for the Company.

Accordingly, on behalf of the Board, I am pleased to introduce our report on the arrangements which the Board has established to ensure that, throughout the Group, the highest standards of corporate governance are applied and maintained in a way which is consistent with our values and fosters a corporate culture that encourages growth.

The Board formally adopted the UK's Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') with effect from 6 August 2018. The Board believes that our compliance with the QCA Code enables us not only to serve the interests of our investors, by maintaining and enhancing long-term shareholder value, but also those of our other stakeholders including, in particular, our talented and dedicated colleagues. As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code

Statement of compliance
Next 15 has adopted the QCA Code and is compliant with its principles. Disclosures required by the QCA Code have been made both in this Annual Report and on our website.

The Board of Directors
The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. During the year ended 31 January 2019 the Board comprised two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors.

Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on page 23.

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 Board aims to convene once a month, with additional meetings being held as required. As Tim Dyson is located in San Francisco, some of the Board meetings are held by telephone conference. The Board meets in person whenever possible and aims to do so at least quarterly. Details of Board and Committee meetings held during the financial year and the attendance records of individual Directors can be found on page 27.

In addition, the Board meets once a year to discuss the Group's strategy, typically face-to-face over three days, including meetings with each of the Group's businesses.

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. The Board is satisfied that the Chairman and the Non-Executive Directors each devotes sufficient time to the Company and that there have been no significant changes to their other commitments.

The Board's responsibilities and processes
The principal matters considered by the Board during the period included:

- the Group's strategy, budget and financial resources;
- the Group's performance and outlook, including that of individual brands;
- the Group's financial results for the interim and year end;
- Information Security Management System ('ISMS') arrangements across the Group including cyber security;
- review of the Group's risk management and internal controls;
- review of opportunities to expand by acquisition;
- post-integration monitoring of acquisitions; and
- corporate governance matters including QCA Code compliance, GDPR and succession planning.

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

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.

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 at each AGM of the Company one-third of the Directors must retire by rotation. At the forthcoming AGM Richard Eyre along with Peter Harris will offer themselves for re-election by the shareholders.

With regard to the Directors who are offering themselves for re-election at the next AGM, the Board is satisfied that the contributions of both Richard Eyre and Peter Harris continue to be effective and demonstrate sufficient time commitment to their respective roles. The Board also believes that each Director standing for re-election is independent in character and judgement. The Board acknowledges that Richard Eyre will exceed nine years' tenure on 12 May 2020 and is already considering its succession arrangements and, after consultation with key investors, will report on them in our annual report and accounts next year. In any event, if Richard Eyre continues on the Board after 12 May 2020, it would be his intention to see re-election annually consistent with the QCA Code. The Board therefore recommends that the Company and its shareholders support the re-election of each of the Directors listed above.

Biographical details of each Director standing for re-election can be found on page 23 of this report.

The roles of the Chairman and Chief Executive
The Chairman of the Board, Richard Eyre CBE, leads the Board in the determination of its strategy and in achieving its objectives. The Chairman 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 his appointment as Chairman, Richard Eyre CBE was considered independent in accordance with the provisions of the UK Code.

Corporate governance report continued

The roles of the Chairman and Chief Executive continued
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.

Senior Independent Director
Genevieve Shore holds the position of Senior Independent Director of the Company. Any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the Senior Independent Director. Genevieve is considered to be independent as defined by the UK Code and in accordance with the principles of the QCA Code.

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. The last Board evaluation was facilitated internally during the year to 31 January 2018 and involved a questionnaire to each Board Director. During the year to 31 January 2019, the Board reviewed its governance arrangements against the principles and guidance set out in the QCA Code and is satisfied that it is compliant. The next Board evaluation is scheduled for the summer of 2019 and will include a review of the matters reserved for the Board and of the terms of reference of its Committees. It is envisaged that, as the business continues to develop, the Board's governance practices will continue to evolve. In this regard, the Board is open minded to change and welcomes insight that may come from a number of different sources including industry bodies, institutional investors, advisers and emerging practice.

The Board has agreed that its succession planning framework should ensure that Board appointments provide an appropriate mix of skills and experience and a level of independence which will support the Group's objectives for business growth and its key strategic goals. The outcomes from the Board's regular evaluation processes will help inform these assessments and, in particular, can highlight where gaps in Board skills or experience might exist or arise, either as the business evolves and new skills are needed or as a result of future vacancies.

The Board believes in the importance of diverse Board membership. Our Board has 40% female representation which meets the recommendation set out by Lord Davies on diversity for a minimum of 33% female representation (applicable to FTSE 350 boards) by 2020. The Board considers that gender is not the only diversity factor and account is also taken of a range of other factors in assessing the balance of the Board. We set out our Group-wide approach to diversity and inclusion in our Report of the Directors on page 44.

In place of having a separate Nomination Committee, the Board as a whole leads 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.

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 Audit and Remuneration Committees. The Board appoints the Committee members. The reports of these Committees can be found on pages 30 to 42.

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.

The Audit Committee comprises three Non-Executive Directors: Penny Ladkin-Brand (Chair), Richard Eyre and Genevieve Shore. 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, 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: Genevieve Shore (Chair), Penny Ladkin-Brand and Richard Eyre. 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.

During the year to 18 September 2018, the Company had a Nomination Committee comprised of Richard Eyre (Chair), Penny Ladkin-Brand, Genevieve Shore and Tim Dyson. On 18 September 2018, the Board dissolved the Nomination Committee with immediate effect as it was agreed that nomination matters such as Board recruitment and appointment processes as described on page 26 were best dealt with by the Board as a whole for the time being.

Our corporate culture

We have a strong corporate culture based on personal responsibility and treating stakeholders fairly. Businesses within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility; however, the Board and its Committees set a high standard for ethical behaviour and ensure the Group complies with applicable laws and regulation.

The Group determines that ethical values and behaviours are recognised and respected through:

- the emphasis on the 'who' before the 'what' during due diligence when the Group acquires new businesses;
- presentations by each business to the Board during the Group's annual strategy sessions;
- quarterly Executive Committee meetings with the CEO and senior management; and
- HR policies, appraisals and training within each business.

Board and Committee attendance for the year ended 31 January 2019

Attendance records for the scheduled Board and Committee meetings held during the year are shown below. Further unscheduled Board, Audit Committee and Remuneration Committee meetings were convened as required throughout the year. Additional committees of the Board were also constituted to review and approve certain 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
Richard Eyre	9 of 9	4 of 4	6 of 6
Tim Dyson	9 of 9	—	—
Peter Harris	9 of 9	—	—
Penny Ladkin-Brand	9 of 9	4 of 4	6 of 6
Genevieve Shore	8 of 9	4 of 4	6 of 6

Our communities and wider society

We take our social responsibilities seriously and are committed to advancing policies and processes across the Group to ensure we address and monitor all aspects of social responsibility and community engagement that are relevant to our business. These range from concern for employee health and safety, care for the environment, protection of any personal data which we hold and community involvement.

Specific activities undertaken by our businesses include the following:

- developing fair and equitable employee practices including programmes that encourage diversity;
- minimising environmental impacts through recycling and offsetting flight emissions;
- monitoring potential risks and applying mitigating policies;
- involvement in community activities and encouraging our employees to give back through volunteering programmes;
- implementing and monitoring health and safety practices, including implementing employee mental health awareness initiatives and well-being programmes; and
- corporate matching of charity donations and fundraising activities.

Our shareholders

The Board recognises the importance of maintaining an effective dialogue with its shareholders, to ensure that its strategy and performance are clearly understood. We communicate with our shareholders through our annual report and accounts, full-year and half-year results announcements, trading updates, AGMs and face-to-face meetings. A range of corporate information is available from the Group's website at www.next15.com (including copies of presentations, announcements, historical annual reports, historical notices of general meetings, AGM voting records, and other governance-related materials for the last five years).

The Chief Executive, 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.

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. After the AGM, shareholders can meet informally with the Directors. Shareholders are also encouraged to submit questions to the Board throughout the year.

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. The Senior Independent Director is also available in any circumstances where the usual channels of investor communication have not resolved concerns.

Our employees and workers

We invest in people and Next 15's people are at the heart of everything we do. As a Group we focus on the 'who' before the 'what'. We trust key talent to drive their businesses in the direction they believe is best, instead of the Group telling leaders what is best. We encourage the businesses in the Group to take the same approach.

Our employees are key to the Group's success and we rely on a committed workforce to help us to achieve our short-term and long-term objectives. It is right that our employees share in the success of Next 15. Accordingly, a number of incentive arrangements operate across the business to reward colleagues for the contribution they are making, as a result of their efforts to grow the business, towards generating the rewards which our investors enjoy. In addition, the Group regularly keeps employees appraised of the Group's financial performance, through a combination of meetings and electronic communications.

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. Trends and issues are reported to our Chief Executive Officer at quarterly Executive Committee meetings of senior management.

We leverage the feedback to help develop a people strategy for each business that creates a work environment, benefits package and policies that add to business culture and maintain compliance.

The Group has established arrangements by which individuals may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The Group has an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it, or its subsidiaries and associates, operate.

Our 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.

Our suppliers

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.

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.

Environment

Due to the nature of its businesses, the Board considers that the Group's direct or indirect impact on the environment is minimal and of low risk. However, the Group still seeks to minimise the environmental impact of its activities and its business practices support environmental good practice, such as reducing paper wastage through reuse, recycling, using electronic communications, and reducing business travel by replacing face-to-face meetings with conference calls where practicable.

Risk

Our approach to risk management is set out on page 16, and the principal risks to our business, and the actions we have taken to mitigate them, are set out on pages 17 to 21.

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 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 15.

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 47.

Audit Committee report

I am pleased to present the report of the Audit Committee (the 'Committee') for the year to 31 January 2019. This report details the Committee's roles, responsibilities and key activities during the period. The principal aims of the Committee are to review and report to the Board on the Group's financial reporting, to ensure the integrity of the financial information provided to our shareholders, and to support the development and maintenance of the Group's risk management and internal control environment.

I look forward to meeting our shareholders at the AGM and will be happy to answer any questions you may have.

Penny Ladkin-Brand
Audit Committee Chair
2 April 2019

Composition of the Audit Committee
The Committee is composed entirely of Non-Executive Directors who between them possess a range of commercial and financial experience as detailed on page 23. The current members of the Committee are Penny Ladkin-Brand (Chair), Richard Eyre and Genevieve Shore. The Board is satisfied that the Committee members are sufficiently competent in financial matters and that the Chair has recent and relevant financial experience.

The Committee meets periodically, at least three times a year, and the External Auditor, other Directors, the Head of Internal Audit and other management attend by invitation. Attendance records of meetings held during the year can be found on page 27. The Committee Chair is in frequent contact with the Chief Financial Officer, the Head of Internal Audit and the External Auditor and preparatory meetings are held ahead of some Committee meetings to identify and discuss key areas for consideration by the Committee.

Provision is made for the External Auditor and Head of Internal Audit to discuss any concerns they may have with the Committee in the absence of management.

Roles, responsibilities and activities during the reporting period
The Committee works to a programme of activities aligned to key events in the financial reporting cycle, standing items which occur regularly as required by the Committee's terms of reference, and other agenda items that the Committee identifies.

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the Group's financial statements and other announcements relating to its financial performance;
- considering the Group's accounting policies and practices, application of accounting standards and significant judgements;

- overseeing the relationship with the Group's External Auditor, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the External Auditor's re-appointment and fees;
- keeping under review the effectiveness of the Group's internal control and risk management systems; and
- monitoring the remit and effectiveness of the Group's Internal Audit function.

The Committee's terms of reference are available from the Group's website at www.next15.com.

During the period the Committee's activities included:

- considering significant financial reporting issues and judgements around adjusting items, tax matters, goodwill impairment, earn-out liabilities, and acquisition accounting;
- assisting the Board in its assessment of the Group's risk environment, internal controls and risk management processes;
- reviewing reports from the Internal Audit function;
- discussing the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements; and
- overseeing the relationship with the External Auditor, including agreeing the external audit plan, reviewing the non-audit fees policy and assessing their independence.

During the course of the year, the Committee reviewed the Internal Audit function with a focus on increasing the seniority and independence of the function. A key activity for the Committee in the forthcoming year will be evaluating the progress of this change.

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 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. 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.

Directors' remuneration report

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2019. The report explains the work of our Remuneration Committee (the 'Committee') during the year and our strategic approach to pay, benefits and incentives. We also report upon the remuneration arrangements in place during the year for the Directors and how these both support our pay for performance strategy and align management's short and long-term goals with the aspirations of our shareholders.

In a highly competitive environment for talent, within a disruptive marketplace, our remuneration philosophy is to ensure a competitive remuneration framework is in place, which incentivises our senior management team and enables us to attract and retain the key talent we rely upon throughout the Group. It is our talent which continues to fuel our growth. As you will note in our Group strategy: "Our people are at the heart of everything we do". We focus on the 'who' before the 'what' and it is important that our remuneration arrangements continue to reflect this.

It has been another year of strong performance for the Group. Over FY19, growth was at a level that outran the sector average for revenue growth and also exceeded industry average organic growth. As referenced in the Financial Review, and in our Chairman's Statement, net revenues were 13.9% up to £224.1m (2018: £196.8m) while adjusted profit before tax rose by 22.9% to £36.0m (2018: £29.3m). Fully diluted adjusted earnings per share rose by 19.1% to 33.1p. Last year the Group enhanced its portfolio with a number of acquisitions in line with our strategy, adding Brandwidth, Planning-inc, Technical and Activate to the Next 15 Group.

As reported last year, FY18 saw a focus on the Group's wider strategic approach to remuneration but without making further structural changes to the Group's remuneration framework as significant changes had been made following consultation with our shareholders in FY17. In response to some concerns around the Long-Term Incentive Plan (the 'LTIP'), we introduced holding periods (so that the total of any vesting and holding period would always be at least three years), along with new obligations regarding malus, a mechanism for clawback and a shareholding requirement of 200% of base salary.

LTIP awards to the Executive Directors made during FY19 will vest annually up to a maximum of 20% of the total award over a five-year period (subject to performance conditions and continued employment), with holding periods such that vested awards are only released after years three and five.

We believe this even more closely aligns the objectives of the LTIP with the interests of our shareholders and we were delighted to obtain a vote of 97.53% for the FY18 Directors' Remuneration Report and an understanding that our frameworks continue to be aligned with the creation of shareholder value.

As a result of the ongoing monitoring of our LTIP performance, industry guidance and the ever-evolving regulatory landscape during the period we will now also change the way targets are set for future LTIP awards, such that 60% of any executive LTIP award from FY20 will be subject to performance measured over a three-year period, based on performance targets over each financial year. We will also introduce additional holding periods such that 100% of any award made during FY20 onwards will be subject to a total vesting and holding period of five years from award.

As in previous years we continue to develop our equity-based schemes for our brands. They are an important mechanism for attracting and retaining our entrepreneurial talent and growth share plans are in place or in the process of being implemented at 11 of our brands. Further details of the Group's equity incentive schemes are shown at note 21 to the financial statements.

Although the Company is not required, due to its size and structure, to report under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 our internal review of our approach to gender pay in FY18 also prompted the Committee to review our wider diversity and inclusion strategy during FY19. The Group's CEO is leading our brands' approach to diversity and inclusion, identifying and seeking to measure relevant data and enabling the sharing of best practice across the Group. The initial results of this review are available on our website at www.next15.com but this will be an ongoing project for our leadership team.

As the Company is AIM listed, our Directors are not required to prepare a Directors' Remuneration Report for each financial year under section 420(1) of the Companies Act 2006. However, the Company adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') with effect from 6 August 2018 and, where practicable, also seeks to consider those provisions of the UK Corporate Governance Code 2016 (the 'UK Code') which are most appropriate, given the size of the Group and the nature of its operations. The Remuneration Report will, as in previous years, be subject to an advisory vote at the AGM.

You will have seen that the Company is committed to review continually its remuneration practices and disclosures and accordingly we have also increased the level of reporting this year to improve transparency and align with best practice. We have made these changes where it has been possible to do so, and we will continue to monitor developments. We thank our investors for their continued guidance and input and look forward to our ongoing dialogue and support at our AGM where I will be available to answer any questions.

Genevieve Shore
Remuneration Committee Chair
2 April 2019

Key activities of the Committee during the year
The principal matters considered by the Committee during the year included:

- reviewing the ongoing appropriateness and relevance of the remuneration framework as it aligns to Group strategy and our pay for performance goals;
- undertaking the annual review of remuneration for both Executive Directors;
- setting both financial and non-financial targets for the annual bonus plan FY19;
- reviewing and setting appropriate stretching performance targets for LTIP awards FY19;
- considering pay trends across the Group's brands and the remuneration arrangements of brand senior management;
- undertaking an external benchmarking exercise for senior roles to review market competitiveness;
- 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:

- a review of the pension arrangements for Executive Directors, and how these compare with the pension opportunity for the majority of the workforce;
- consideration of post-employment shareholding requirements for Executive Directors;
- consideration of the principles governing the Group's brand equity schemes and any adjustments required; and
- consideration of additional disclosures including pay ratios.

Remuneration framework

To ensure that the Group continues to grow, organically and inorganically, we must have the right remuneration framework in place to incentivise our senior management team and attract and retain key talent throughout the Group. We are committed to creating strong alignment with the interests of our shareholders and are mindful of changing regulatory guidance and best practice.

In setting our remuneration framework the Committee considers:

- the responsibilities of each individual's role, their experience and performance;
- 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;
- the pay and benefits arrangements elsewhere in the Group and in the sector;
- periodic external benchmarking to consider market conditions and remuneration practices for roles of a similar size and complexity; and
- the need to align the overall reward arrangements with the Group's strategy, both in the short and long term.

Our Executive Director and Non-Executive Director remuneration frameworks are set out below to assist with understanding the following sections of this report and demonstrate alignment with short and long-term strategic objectives for each element of pay.

Executive Director remuneration framework

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 below. 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.

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 in February.	Attracts and retains the best talent with the necessary expertise to deliver the Group's strategy.	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; KPMG tax fees paid on his behalf; and car allowance (lease and associated fees). 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.	N/A	N/A
Bonus	Discretionary annual cash bonus plan. Targets closely aligned with the Group's short and longer-term 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 currently 60% 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.	N/A
Long-Term Incentive Plan ('LTIP')	Awards are granted under the 2015 LTIP (Details of awards made during the period can be found on page 38) and may be performance share awards or nil-cost options as considered appropriate. LTIPs vest on a phased basis over a total period of five years. Following vesting of each tranche, shares will be subject to a holding period, such that the total of any vesting and holding period will not be less than five years (for awards granted during FY20 onwards) or three years (for awards granted during the period). The Committee may adjust and amend awards in accordance with the LTIP rules.	Rewards long-term sustainable performance, in line with the Company's strategy. Focuses Executive Directors on delivering outstanding value creation for shareholders.	100% 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. Performance targets are currently based on the annual rate of increase of EPS over the relevant financial year and other strategic financial KPIs. The strategic financial KPIs include Operating Profit against Budget, Working Capital, Organic Revenue Growth and Operating Profit Margin against Budget. The Committee retains certain discretions, in line with market practice, in relation to the operation and administration of the plan as further described below.	Right to cancel or reduce LTIP awards which have not yet vested, in the event of a material misstatement of the Company's financial results, miscalculation of a participant's entitlement, individual misconduct or an event resulting in material loss or reputational damage to the Company or any member of the Group. The Committee also has the right to recover all or part of the value of LTIP awards and dividend equivalent amounts received within two years of the date that such awards vested and became exercisable, 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 years to which the performance periods relate, 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
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 no less than 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 £300,000 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.

Long-Term Incentive Plan

Historic awards vesting during FY19

During FY19, performance share awards of 150,000 granted to Tim Dyson and 150,000 Ordinary Shares granted to Peter Harris vested in full. These awards were made on 14 November 2014 under the previous Next Fifteen Communications Group plc Long-Term Incentive Plan 2005.

The historic awards granted to the Executive Directors under the Company's previous 2005 Long-Term Incentive Plan which vested during FY19 are summarised below:

Executive Director	Number of performance shares	Targets		Actual performance	Percentage of award vesting	Number of shares vested	Gain on vesting
Tim Dyson	150,000	**Average annual EPS growth in best three of four years target[1]:**	**Proportion vesting:**	48%[2]	50%	150,000	£675,000
		Less than 3% above inflation	0%				
		3% above inflation	10%				
		Between 3% and 10% above inflation	10%–50% (straight-line basis)				
		10% or more above inflation	50%				
		Average profit against budget:	**Proportion vesting:**	110%[3]	50%		
		90% or less	0%				
		For every 1% below budget	5% of award will not vest				
		100% or more	50%				
Peter Harris	150,000	**Average annual EPS growth target**	As above	As above	50%	150,000	£675,000
		Average profit against budget target	As above	As above	50%		

1 As previously disclosed, these awards were granted in November 2014 under the Group's previous 2005 LTIP which did permit vesting on 'best three years out of four basis'. The performance period for these awards ended on 31 January 2018. Following the changes to the Group's incentive structures previously disclosed, no further LTIP awards benefiting from a 'bye-year' have been granted, and there are no further unvested awards benefiting from a bye-year.

2 This has been calculated based on the growth in adjusted diluted EPS less the growth in the consumer price index ('CPI') based on years to 31 January.

3 This has been calculated based on the budgeted profit before interest, amortisation, restructuring costs and share scheme charges at budgeted exchanged rates against actual profit before interest, amortisation, restructuring costs and share scheme charges at actual exchange rates based on years to 31 January.

Long-Term Incentive Plan continued

New awards made during FY19

The FY19 awards to Executive Directors, including holding periods, are summarised below. As with last year, we have shared more detail this year, including the EPS targets and the key areas of strategy to which a portion of these awards relate. Our progress in each of these long-term strategic areas is covered in more detail throughout this annual report.

Executive Director	Tim Dyson	Peter Harris
Number of performance shares	134,105	67,889
	Vesting criteria (for both Executive Directors)	
Up to 70% of maximum award	*Target*	*Proportion of tranche vesting for that year*
Annual rate of increase in earnings per share over relevant financial year	Less than 5%	0%
	5%	17.5%
	Between 5% and 15%	17.5%–70% (straight-line basis)
	15% or more	70% total award
Up to 30% of maximum award		
KPIs	These include metrics relating to operating profit (excluding acquisitions) against budget, working capital, organic revenue growth against budget and operating profit margin against budget	0%–30%
	Vesting tranches (for both Executive Directors)	
	Financial year following which tranche vests	*Maximum proportion of award available for vesting (subject to performance)*
	FY19	20%
	FY20	20%
	FY21	20%
	FY22	20%
	FY23	20%
Holding periods (for both Executive Directors)		
	Financial year following which tranche vests	*Released following*
	FY19, FY20 and FY21	FY21
	FY22 and FY23	FY23

Directors' interests in share plans for the year to 31 January 2019

As at 31 January 2019, the following Directors held performance share awards over Ordinary Shares of 2.5p each under the 2005 LTIP, 2015 LTIP and 2016 Share Award Agreements, as detailed below:

Executive Director	Number of performance shares at 1 February 2018 (or date of appointment if later)	Shares lapsing during the period	Shares vesting during the period	Shares granted during the period	Number of performance shares at 31 January 2019 (or date of resignation if earlier)	Grant date	End of performance period	Total gain on vesting £'000
Tim Dyson								
	150,000	—	150,000	—	—	14.11.2014	31.01.2018	675
	225,000	—	—	—	**225,000**	17.10.2016	31.01.2019[1]	—
	162,597	—	—	—	**162,597**	02.05.2017	31.01.2022[2]	—
	—	—	—	134,105	**134,105**	10.04.2018	31.01.2023[3]	—
Peter Harris								
	150,000	—	150,000	—	—	14.11.2014	31.01.2018	675
	225,000	—	—	—	**225,000**	17.10.2016	31.01.2019[1]	—
	75,367	—	—	—	**75,367**	02.05.2017	31.01.2022[2]	—
	—	—	—	67,889	**67,889**	10.04.2018	31.01.2023[3]	—

1 As reported previously these awards reflect the retroactive modification discussed with shareholders as part of the extensive review of LTIP arrangements during FY17. With the removal of the bye-year, performance for this award will be measured over three years only, bringing forward vesting by one year. The performance targets were otherwise unchanged.

2 As reported previously, the LTIP awards under the 2015 LTIP (granted from 2017) vest on a tranched basis over a total five-year period.

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 2021 (expected April 2021), and up 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).

Short-term incentives

The Executive Directors' remuneration also includes an element of annual performance-related pay so that awards can be aligned to improvements in both short and long-term shareholder value.

The targets are closely aligned to the Company's strategic aims and the interests of shareholders, being based on the performance of the Group against market expectations, the delivery of budget targets and the robust management of cash flow and financial KPIs.

Our strategy is to attract the best talent in the industry by creating excellent career paths that enable people to take part in international businesses and, where appropriate, help with the formation of new Group businesses, new service divisions or new international locations. This is supported by our choice of KPIs for our incentive plans, which are detailed further in this report.

During the year the Committee reviewed the Executive Directors' annual bonus framework and agreed a continued annual maximum opportunity set at 60% of salary.

After a close review of the performance against targets, for the year ended 31 January 2019, an award of 25% salary for each Executive Director has been agreed by the Committee. These are summarised below.

Executive Director	Maximum bonus available for FY19	Targets (for both Executive Directors)		Actual performance (for both Executive Directors)	Total bonus awarded
Tim Dyson	£399,504	Budgeted operating profit excluding acquisitions	Up to 25%	7.5%	£166,460
	($530,461)	Working capital	Up to 25%	13%	($221,026)
Peter Harris	£189,113	Organic revenue growth	Up to 25%	0%	£78,797
		Operating profit margin excluding acquisitions	Up to 25%	25%	

Directors' remuneration report continued

Directors' remuneration for the 12-month period to 31 January 2019

Tim Dyson's basic salary was increased by 2.5% to £665,840 ($884,102) per annum effective 1 February 2018. Peter Harris' basic salary was increased by 2.5% to £315,188 per annum effective 1 February 2018. These increases are in line with those awarded to the wider workforce.

	Salary and fees 2019 £'000	Performance-related bonus 2019 £'000	Pension contributions 2019 £'000	Other benefits 2019 £'000	Total 2019 £'000	Total 2018 £'000
Executive Directors						
Tim Dyson	666	166	75	169	**1,076**	1,063
Peter Harris	315	79	30	1	**425**	444
Non-Executive Directors						
Richard Eyre	150	—	—	—	**150**	150
Penny Ladkin-Brand	46	—	—	—	**46**	24
Genevieve Shore	63	—	—	—	**63**	49

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 2018 and 31 January 2019 are as follows:

	Ordinary Shares		LTIP performance shares	
	31 January 2018 (or date of appointment if later)	**31 January 2019 (or date of resignation if earlier)**	1 February 2018 (or date of appointment if later)	**31 January 2019 (or date of resignation if earlier)**
Executive Directors				
Tim Dyson	5,077,997	**5,077,997**	537,597	**521,702**
Peter Harris	142,372	**242,372**	450,367	**368,256**
Non-Executive Directors				
Richard Eyre	150,000	**100,000**	—	—
Penny Ladkin-Brand	—	—	—	—
Genevieve Shore	—	—	—	—

Directors' service contracts

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

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

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		
Richard Eyre	12 May 2017	3 months
Penny Ladkin-Brand	21 July 2017	3 months
Genevieve Shore	3 July 2017	3 months

Management equity incentive schemes

In order to drive revenue growth and improved margins, the Group has established equity incentive schemes for the senior management teams at a number of its brands. It is a key strategy for the Group that providing senior management with a direct stake in their brand will foster an entrepreneurial spirit, focus on fostering profitable growth in the business and assist with the long-term retention of key individuals and team members.

Under the schemes, new units in the relevant brand subsidiary entity are issued to senior management, granting rights to a percentage of future equity appreciation for the participant's brand and thereby creating a partnership between the Group and the individual executives. Additionally, the units in certain plans hold value based on access to non-cumulative and restricted profit distributions on the business' operating earnings. Equity appreciation is measured based on a multiple of the brand's operating earnings achieved in subsequent years over base line value determined at the date of grant.

At the end of the minimum holding period following an award of equity, the holders of the non-controlling interest have the option to sell a percentage of their brand equity back to Next 15, while the remaining percentage can be sold in subsequent years or held indefinitely (subject in some cases to a call option on the part of Next 15). Value is realised on any subsequent sale of the brand equity units to the Group, restricted by defined terms around the timing and pricing formula. The purchase of the brand equity units will be settled in Next 15 shares, for which there is in some cases no minimum holding period. Under certain plans, if the unit holder leaves the business before the end of the minimum holding period, the Group retains the right to repurchase the shares under a consistent pricing formula or require the participant to wait until the minimum holding period has elapsed.

Further details of the Group's equity incentive schemes are shown in note 21 to the financial statements.

The nature of the equity incentive schemes means that the forecast of the number of shares to be issued contains significant judgements, including forecasting the underlying performance of the business, movement in the Group's share price and foreign currency fluctuations. In the event that the Company is required to issue shares to participants in excess of the authority given by shareholders, the Company's employee trust will purchase shares in the market. In order to ensure that sufficient shares are available, the Company regularly reviews its headroom and has agreed to create a buy-back policy whereby the employee trust will purchase shares as and when required. As at 31 January 2019 no shares had been purchased to settle future vesting of the equity incentive schemes.

The Company's headroom remains within permitted limits and continues to improve. As at 31 January 2019 it was in the low double-digits and is forecast to further improve in the year ahead.

Consideration of shareholder and broader stakeholder views

Next 15 values the views of its investors and has undertaken significant communication with shareholders and shareholder advisory bodies over the last few years, obtaining voting support of 97.53% for the FY18 Directors' Remuneration Report. The Company seeks the support of its shareholders on matters relating to the remuneration of Executive Directors when required, and the Committee ensures that it considers all of the feedback which it receives from its shareholders in this regard. In addition, our brand equity schemes give us a unique way to stay in touch with our senior management and their senior teams.

Composition of the Committee

The Committee comprises three Non-Executive Directors: Genevieve Shore (Committee Chair), Richard Eyre and Penny Ladkin-Brand. The Company's Chief Executive Officer and Chief Financial Officer 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 and has sought advice from Pearl Meyer during the period. Details of the cost can be found below.

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference, which were reviewed during the period and are available from the Group's website at www.next15.com. The Committee had six scheduled meetings during the year and details of attendance can be found in the Corporate Governance Report on page 27.

Payments for loss of office

There were no payments for loss of office during the period.

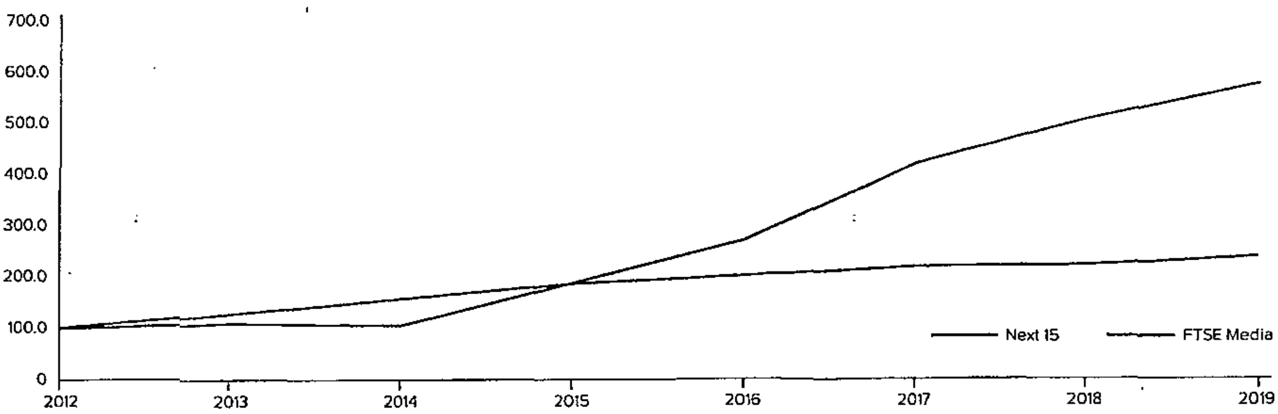
Payments made to remuneration advisers

During the period the Committee was assisted in meeting its responsibilities by Pearl Meyer & Partners UK LLP, who provided advice relating to the remuneration framework, for which they received fees of £18,998 excluding VAT. The Committee is satisfied that the advice it receives is objective and independent.

Total shareholder return

The Company's total shareholder return performance for the seven financial years to 31 January 2019 is shown on the graph below compared with the FTSE Media Index.

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 2019 of £100 invested in the Company on 31 January 2012 compared with £100 invested in the FTSE Media Index.

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 2019.

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.

Group results and dividends

The Group's results for the period are set out in the Consolidated Statement of Comprehensive Income on page 57. The Directors recommend a final dividend of 5.4p per Ordinary Share (2018: 4.5p) to be paid on 26 July 2019 for the year ended 31 January 2019 which, when added to the interim dividend of 2.16p (2018: 1.8p) paid on 23 November 2018, gives a total dividend for the period of 7.56p per share (2018: 6.3p).

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on page 23.

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 32 to 42.

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

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 2019, more detailed disclosure of which can be found in note 26 to the financial statements.

On 6 February 2018, Next 15 acquired the Brandwidth Group Limited, a UK-based digital innovation agency. The initial consideration for the acquisition was £6.2m, which was settled with £4.9m of cash and the issue of 292,235 new Ordinary Shares in Next 15. Further deferred consideration may be payable this year of up to £3.3m and around April 2020 of up to £0.8m based on the EBIT performance of Brandwidth in the year ending 30 June 2018.

On 12 July 2018, Next 15 acquired the Technical Associates Group ('TAG') through the purchase of the entire issued share capital of Technical Publicity Limited. The initial consideration for the acquisition was £2.2m, which was settled with £1.9m of cash and the issue of 67,750 new Ordinary Shares in Next 15. Further deferred consideration of £0.6m is payable in April 2020. Contingent consideration dependent on the combined EBIT performance of TAG and Publitek, an existing Next 15 business, is also payable in April 2020. The maximum total expected consideration of £3.6m represents a 5x multiple on TAG's average adjusted EBIT performance over the last three years ending 31 March 2018.

On 1 November 2018, Next 15 acquired Activate Marketing Services LLC ('Activate'), a B2B demand generation company based in San Francisco and New York. The initial consideration for the acquisition was approximately $9m settled in full in cash. Deferred top-up contingent consideration of up to $2.25m is payable in 2019 based on performance targets for Activate for the nine months ending 31 July 2019 payable in cash or up to 75% in shares at Next 15's discretion. Further deferred contingent consideration is payable over the next five years, in cash or at Next 15's discretion up to 25% in shares, dependent on Activate's profitability and a multiple driven by margin and revenue growth post the acquisition. Taken together the initial consideration and top-up payment represented a valuation of Activate of 6.1x on the forecast 2018 normalised EBIT. The total consideration payable is capped at $48m.

Acquisitions continued
On 10 January 2019, Next 15 acquired Planning-Inc Limited ('Planning-inc'), a predictive analytics and data marketing business. The initial consideration for the acquisition was approximately £6.3m, which was settled with £5.4m in cash and the issue of 187,943 new Ordinary Shares in Next 15. Further deferred contingent consideration may be payable around April 2019 with a top-up payment based on the EBITDA performance of Planning-inc for the year ended 31 December 2018, and around April 2021 and April 2023 based on the EBIT performance of Planning-inc in the two-year periods ending 31 January 2021 and 31 January 2023 respectively. The maximum total consideration is expected to be £15m.

Placing
On 1 November 2018, the Company undertook a non-pre-emptive cash placing to raise gross proceeds of up to £20m (before expenses) (the 'Placing') to fund the acquisition of Activate (as described above) and associated costs and to support future identified acquisition opportunities in the near term. The Placing was conducted through an accelerated bookbuild and was completed on 2 November 2018. A total of 4,210,526 new Ordinary Shares in the Company of 2.5p each (the 'Placing Shares') were placed by Numis at a price of 475p per Placing Share (the 'Placing Price'). The Placing Shares issued represented approximately 5.3% of the issued Ordinary Share capital of the Company prior to the Placing. The Placing Price represented a discount of approximately 2.2% to the closing Ordinary Share price on 1 November 2018.

Significant post-balance sheet events
There are no significant post-balance sheet events.

Likely future developments in the business of the Company
The Group's priorities for 2019/20 are disclosed in the Strategic Report on pages 1 to 21.

Employees and workers
Our employees and workers are considered one of the Company's principal stakeholders as described in the Corporate Governance Report on pages 28 to 29.

Equal opportunities
The Group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of sex, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation. The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

Any candidate with a disability will not be excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having taken into account reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of his or her disability. The Group's policies for training, career development and promotion do not disadvantage people with disabilities.

Diversity and inclusion
The Group's approach to diversity and inclusion is set out on our website at www.next15.com. Our approach to Board diversity is set out on page 26 of the Corporate Governance Report.

Health and safety
The Group recognises and accepts its responsibilities for health, safety and the environment. The Group is committed to maintaining a safe and healthy working environment in accordance with applicable requirements at all locations in the UK and overseas. The Chief Financial Officer is responsible for the implementation of the Group policy on health and safety.

Cyber security

In response to the growing global threat of third-party attempts to exploit weaknesses in IT security systems, the issue of cyber security is now a standing item on the Board's agenda. During the year the IT team has continued its efforts to strengthen the security stature across the Group. In addition to implementing standardised policies, processes and procedures, technical controls and education tools have been added to reduce the risk of threats to the Group's businesses. These include laptop encryption, vulnerability assessments, patch management, phishing campaigns and penetration testing.

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 (2018: £Nil).

Charitable donations

During the year ended 31 January 2019, the Group donated £41,440 to various charities (2018: £75,774).

Acquisition of shares

Acquisitions of shares by the Next Fifteen Employee Trust purchased during the period are as described in note 23 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.

External Auditor

The Board appointed Deloitte LLP to act as External Auditor for the year ended 31 January 2019. 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 AGM will be held at the Company's offices at 75 Bermondsey Street, London SE1 3XF at 4.30 p.m. on Wednesday 26 June 2019. 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 mailed to shareholders who requested a paper copy.

Significant shareholdings

As at 28 February 2019 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.

	2019	
	Total	%
Octopus Investments	11,107,816	13.29
Liontrust Asset Management	10,159,510	12.15
Aviva Investors	7,997,630	9.57
Aberdeen Standard Investments	6,752,539	8.08
Tim Dyson	5,077,997	6.07
Canaccord Genuity Wealth Management	4,527,050	5.42
BlackRock	4,467,053	5.34
Herald Investment Management	3,841,419	4.59
Slater Investments	3,224,152	3.85
Bestinver Asset Management	3,009,119	3.60

Approved by the Board on 2 April 2019 and signed on its behalf by:

Nick Lee Morrison
General Counsel and Company Secretary
2 April 2019

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) as adopted by the European Union 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 judgments 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 2 April 2019 and is signed on its behalf by:

Peter Harris
Chief Financial Officer

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

Report on the audit of the financial statements
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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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 statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30 and Parent Company notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. 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).

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 '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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment of acquired goodwill • valuation of acquired intangibles • valuation of acquisition-related liabilities • classification and presentation of Adjusting items
Materiality	The materiality that we used for the Group financial statements was £1.73m, which was determined based on a blended measure and represents 4.8% of adjusted profit before tax and 0.6% of revenue. Adjusted profit before tax is disclosed in note 5 to the financial statements.
Scoping	Our scoping is based on both a qualitative and quantitative assessment of the individual brands. 73% of Group revenue was subject to full audit scope and a further 10% was subject to specified audit procedures performed by the Group auditor.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	*We have nothing to report in respect of these matters.*

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.*

Impairment of acquired goodwill

Key audit matter description	As at 31 January 2019 the Group had recognised goodwill of £79.5m (2018: £65.9m). Determining whether the carrying value of acquired goodwill is recoverable is a significant judgement given the acquisitive business model of the Group, the number of cash generating units ('CGUs') within the Group with material Goodwill balances and the significant assumptions underpinning the Directors' impairment assessment of Brand CGUs. In determining forecast growth and profitability assumptions within their impairment models, the Directors considered the possible impact of Brexit on Brand performance across the Group, particularly on UK centric Brands. Although there is not a clear consensus across commentator that Brexit will lead to recession, the Directors sensitised down short and medium-term growth rates for UK Brands to 0.5%, to model a prudent scenario of the impact of Brexit. This scenario would not result in an impairment and the Directors have not recognised an impairment in the current year. For further details, see notes 1, 2 and 11.
How the scope of our audit responded to the key audit matter	In order to address this key audit matter, our audit work included: • evaluating the design and implementation of key controls around the impairment review process and the budgeting process; • considering historical forecasting accuracy; • assessing the relevance of growth rate assumptions based on our knowledge of that brand, in the context of Brexit; • benchmarking the forecast growth and retention rates against other Group companies and available industry data; • involving valuation specialists to benchmark the discount rate as well as the key inputs used in the calculation; • considering the appropriateness of CGUs and the changes in CGUs in the year; • reviewing the disclosure in the financial statements to assess whether it is compliant with IAS 36 Impairment of Assets; and • performing sensitivity analysis of the critical assumptions to assess whether a reasonable change would trigger an impairment which would require additional disclosure.

Impairment of acquired goodwill continued

Key observations

The discount rate applied is within our acceptable range. The rate used by the Directors is towards the higher end of our acceptable range for the UK (that is, more prudent) and towards the lower end for the US (that is, more optimistic).

We are satisfied that the growth rates applied in the impairment model are appropriate in the context of the wider uncertainty related to the UK economy and Brexit.

We are satisfied that the mechanics of the Group's estimate and the application of the assumptions comply with IAS 36.

Based on the evidence received, we concluded that the valuation of goodwill for the businesses above and the disclosures under IAS 36 in the Group financial statements are appropriate.

Valuation of acquired intangibles

Key audit matter description

The Group acquired Brandwidth, TAG, Activate & Planning-Inc in the year resulting in the recognition of £24.3m of intangible assets and £10.8m of goodwill. Acquired intangibles typically include brand names, customer lists, non-compete agreements and intellectual property.

Given the value of acquisitions in the year, there is a risk that the identification and valuation of separately identifiable intangible assets are not in accordance with IFRS 3 Business Combinations, or that the Directors use inappropriate assumptions such as the discount rates and future cash flows of the acquired businesses in their valuation models, leading to material errors in the valuation of goodwill and intangible assets.

For further details, see the Report of the Directors, the Financial Review and notes 1, 2, 11 and 26.

How the scope of our audit responded to the key audit matter

In order to address the risk relating to identification and valuation of intangible assets, our audit work included:

- evaluating the design and implementation of controls around acquisition accounting, as well as Group review of the compliance of the calculation with IFRS 3 Business Combinations;
- considering the appropriateness of the Group's process for identifying and valuing acquired intangibles;
- benchmarking the Useful Economic Life ("UEL") of acquired intangibles against industry peers;
- reviewing the Share Purchase Agreement (SPA) and holding discussions with management to understand the nature of the businesses acquired in order to assess whether all intangible assets have been identified;
- reviewing the mechanical accuracy of the Group's valuation models;
- challenging the assumptions against historical data, comparable external data and performance of other Group companies; and
- challenging the individual discount rates used including benchmarking against the year-end Group Weighted Average Cost of Capital, reviewing the risk adjustments made in either the discount rate or cash flows and benchmarking against discount rates used for similar brands acquired across the Group.

Key observations

We consider the Group's valuation models applied to identify and value the separately identifiable intangible assets as appropriate and consistent with prior periods.

The discount rate applied is within our acceptable range.

Valuation of acquisition-related liabilities

Key audit matter description	As at 31 January 2019 the Group had £31.1m of acquisition related liabilities (2018: £25.6m) which consist mainly of contingent consideration payable based on a share of the average profit of the businesses acquired. The value of these liabilities can be highly judgemental as they are based on forecast future performance of specific brands, whilst they are also sensitive to changes in exchange rates and the discount rate applied. There is a risk that these liabilities are inappropriately valued if they are based on inappropriate assumptions. For further details, see and notes 1, 2 and 17.
How the scope of our audit responded to the key audit matter	Our audit work relating to acquisition-related liabilities included: • evaluating the design and implementation of controls around the recognition and calculation of the acquisition related liabilities, including appropriate review of the forecasts used and assumptions made by the respective brand management teams; • reviewing terms of the SPAs of all new acquisitions in the year to assess whether any acquisition related liabilities should be included at year-end and that the liabilities are calculated in accordance with the terms; • challenging revenue growth and profit margin assumptions considering historical accuracy of budgeting and benchmark data; • challenging forecasting estimates to determine whether changes in estimate are based on information obtained post-acquisition; • involving valuation specialists to benchmark the discount rate as well as the key inputs used in the calculation; • benchmarking the forecasts against other Group companies and available industry data; and • performing sensitivity analysis of the critical assumptions to assess whether a reasonable change would trigger an impairment which would require additional disclosure.
Key observations	We consider the Directors' judgements regarding future performance of the brands with acquisition-related liabilities to be appropriate, although we note that they are sensitive to these judgements as set out in Note 17. The discount rate applied is within our acceptable range.

Classification and presentation of Adjusting items

Key audit matter description	The Group present Profit Before Tax adjusted for certain Adjusting items to aid users understanding of the financial performance of the Group. The Group receive certain income and incur certain costs that are either one-off in nature or relate to multiple years, and the Directors therefore provide Adjusted metrics which seek to reflect the underlying performance of the Group. Profit Before Tax for the year was £18.8m compared to Adjusted Profit Before Tax of £36.0m. Judgement is required when determining the accounting policy for Adjusting Items and subsequently when determining the classification of Adjusting items in accordance with that policy. While there is no definition of adjusting items within IFRS, this is an area of focus for regulators and there is a risk that items may be classified as Adjusting items which are underlying or recurring items and may distort the reported Adjusted profit. The key audit matter is focused on whether the following Adjusting items in particular are appropriate and whether they are adequately disclosed by the Group in the financial statements: Amortisation of acquired intangibles (debit of £9.0m): In line with its peer group, the Group classifies amortisation on acquired intangibles as Adjusting items. 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 their peers and as such amortisation of acquired intangibles been added back to aid comparability. Restructuring costs (debit of £4.4m): For these to be classified as Adjusting items, they typically relate to clearly identifiable initiatives and do not recur year on year or for an undefined period. Growth share schemes (debit of £1.3m): Share-based payments are a cost of acquiring a business and relieve companies of an alternative cash expense. The Directors have however excluded growth share scheme charges from Adjusted metrics as the legal form of the Group's scheme means that while the mechanism is aimed at incentivising management performance over a period of time, the charge is booked upfront as there is no vesting period. For further details, see the Financial Review and notes 1, 2 and 5.
How the scope of our audit responded to the key audit matter	Our audit work relating to classification and presentation of Adjusting items included: • understanding the rationale for classifying balances as Adjusting items, considering whether this is reasonable, in line with the Group's accounting policy and whether there is a consistent treatment of items that increase and decrease the Adjusted profit measure; • challenging whether any other items of income or expense ought to be included in or excluded from Adjusting items; • considering whether the classification of Adjusting items is consistent with industry peers; • evaluating whether the Group's policy to exclude each cost from Adjusted is appropriate in light of IFRS requirements, ESMA and FRC guidance; and • assessing whether the disclosures within the financial statements adequately explain the nature of these items and how adjusted results are reconciled to statutory results.
Key observations	We concur with the Directors' assertion that the Adjusting items are in line with the Group's accounting policies and that the presentation of Adjusting items is consistent between the periods presented.

Our application of materiality

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	£1.73m	£1.55m
Basis for determining materiality	We have considered the adjusted profit before tax, statutory profit before tax and revenue measures in determining materiality. Adjusted profit before tax is disclosed in note 5 to the financial statements. Materiality equates to 4.8% of the adjusted profit before tax figure of £36.0m and 0.6% of the revenue figure of £272.4m.	Parent company materiality represents 1.4% of net assets which is capped at 90% of Group materiality.
Rationale for the benchmark applied	We considered a number of relevant benchmarks in our determination of materiality. Adjusted profit before tax is the main measure used in reporting the results for Next Fifteen Communications plc as this is the key performance indicator for the users of the financial statements of the Group. In addition, we incorporated revenue and net revenue as additional benchmark as it reflects the growth of the Group.	The Parent company is a holding company, and net assets is indicative of the company's ability to support its subsidiaries.

Performance materiality

We set performance materiality at a lower level than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of Group materiality for the 2019 audit. This equates to £1.12m and £1.0m for the audits of the Group and parent company financial statements respectively. In determining performance materiality, we considered the following:

- Prior period errors: our experience of the audit has indicated a low level of corrected and uncorrected misstatements in prior periods; and
- Statutory audit of components: For UK components in scope for the Group audit, which constitute 32.4% of consolidated Group revenue, we use entity specific statutory materiality figures. These range from £0.1m to £0.4m and are lower than we would otherwise have required for the purposes of the Group audit.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.08m for the Group, 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

An overview of the scope of our audit

As a result of the disaggregated nature of the Group, a significant portion of audit planning time is spent so that the scope of our work is appropriate to address the Group's identified risks of material misstatement. 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.

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 22 components, 17 of which were subject to full audit scope and 5 were subject to specified audit procedures. Our procedures of these 22 components provided coverage of 83% of the Group's consolidated revenue and 82% of the Group's 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 45% of Group materiality.

Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 or 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.

Matters on which we are required to report by exception

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.

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.

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.

Andrew Evans

Andrew Evans (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
2 April 2019

Consolidated income statement

for the year ended 31 January 2019 and the year ended 31 January 2018

	Note	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000 Restated[1]	Year ended 31 January 2018 £'000 Restated[1]
Billings			**291,037**		243,485
Revenue	2		**272,413**		233,922
Direct costs			**(48,320)**		(37,111)
Net revenue			**224,093**		196,811
Staff costs	3	**153,247**		136,346	
Depreciation	4,12	**4,199**		3,985	
Amortisation	4,11	**9,624**		7,413	
Other operating charges		**36,346**		31,842	
Total operating charges			**(203,416)**		(179,586)
Operating profit	2,5		**20,677**		17,225
Finance expense	6		**(6,584)**		(5,833)
Finance income	7		**4,667**		1,878
Net finance expense			**(1,917)**		(3,955)
Share of profit from associate			**65**		26
Profit before income tax	5		**18,825**		13,296
Income tax expense	8		**(4,299)**		(4,000)
Profit for the year			**14,526**		9,296
Attributable to:					
Owners of the Parent			**13,887**		8,632
Non-controlling interests			**639**		664
			14,526		9,296
Earnings per share					
Basic (pence)	10		**17.5**		11.6
Diluted (pence)	10		**16.3**		10.5

1 Restated following the adoption of IFRS 15; refer to note 1.

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

All results relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 31 January 2019 and the year ended 31 January 2018

	Note	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Profit for the year		14,526	9,296
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on investments in equity instruments designated as FVTOCI		(682)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		2,886	(5,427)
(Loss)/gain arising on hedging instruments designated in hedges of the net assets *in foreign operation*	19	(700)	1,190
Total other comprehensive income/(expense) for the year		1,504	(4,237)
Total comprehensive income for the year		16,030	5,059
Total comprehensive income attributable to:			
Owners of the Parent		15,391	4,395
Non-controlling interests		639	664
		16,030	5,059

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 2019 and 31 January 2018

	Note	31 January 2019 £'000	31 January 2019 £'000	31 January 2018 £'000	31 January 2018 £'000
Assets					
Property, plant and equipment	12	15,870		13,567	
Intangible assets	11	126,149		94,843	
Investment in equity-accounted associate		98		132	
Investments in financial assets		1,587		1,211	
Deferred tax assets	18	10,521		9,794	
Other receivables	13,19	803		535	
Total non-current assets			155,028		120,082
Trade and other receivables	13,19	66,123		49,538	
Cash and cash equivalents	19	20,501		24,283	
Corporation tax asset		799		784	
Total current assets			87,423		74,605
Total assets			242,451		194,687
Liabilities					
Loans and borrowings	19	20,678		34,465	
Deferred tax liabilities	18	4,503		3,869	
Other payables	14,19	4,622		4,290	
Provisions	15,19	1,825		141	
Deferred consideration	17,19	2,464		1,784	
Contingent consideration	17,19	20,147		13,271	
Share purchase obligation	17,19	128		955	
Total non-current liabilities			(54,367)		(58,775)
Loans and borrowings	19	5,000		1,406	
Trade and other payables	14,19	60,173		45,003	
Provisions	15,19	1,118		1,405	
Corporation tax liability		1,985		2,154	
Deferred consideration	17,19	2,182		4,255	
Contingent consideration	17,19	4,565		5,368	
Share purchase obligation	17,19	1,608		—	
Total current liabilities			(76,631)		(59,591)
Total liabilities			(130,998)		(118,366)
Total net assets			111,453		76,321
Equity					
Share capital	20	2,089		1,892	
Share premium reserve		62,993		28,611	
Share purchase reserve		(2,673)		(2,673)	
Foreign currency translation reserve		7,697		4,811	
Other reserves	24	1,019		1,719	
Retained earnings		41,404		42,604	
Total equity attributable to owners of the Parent			112,529		76,964
Non-controlling interests			(1,076)		(643)
Total equity			111,453		76,321

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

These financial statements were approved and authorised by the Board on 2 April 2019.

Peter Harris
Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2019 and the year ended 31 January 2018

	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 31 January 2018 as previously stated		1,892	28,611	(2,673)	4,811	1,719	42,604	76,964	(643)	76,321
Change in accounting policy (IFRS 9)[2]		—	—	—	—	—	48	48	—	48
At 1 February 2018 as restated		1,892	28,611	(2,673)	4,811	1,719	42,652	77,012	(643)	76,369
Profit for the year		—	—	—	—	—	13,887	13,887	639	14,526
Other comprehensive income/(expense) for the year			—	—	2,886	(700)	(682)	1,504	—	1,504
Total comprehensive income/(expense) for the year		—	—	—	2,886	(700)	13,205	15,391	639	16,030
Shares issued on satisfaction of vested performance shares	20	68	10,593	—	—	—	(10,697)	(36)	—	(36)
Shares issued on acquisitions	20,26	24	4,433	—	—	—	—	4,457	—	4,457
Shares issued on placing	20	105	19,356	—	—	—	—	19,461	—	19,461
Obligation to purchase non-controlling interest		—	—	—	—	—	—	—	(515)	(515)
Movement in relation to share-based payments		—	—	—	—	—	2,510	2,510	—	2,510
Tax on share-based payments	8	—	—	—	—	—	203	203	—	203
Dividends to owners of the Parent	9	—	—	—	—	—	(5,243)	(5,243)	—	(5,243)
Movement due to ESOP share purchases		—	—	—	—	(12)	—	(12)	—	(12)
Movement due to ESOP share option exercises		—	—	—	—	12	—	12	—	12
Movement on reserves for non-controlling interests		—	—	—	—	—	(1,226)	(1,226)	1,226	—
Non-controlling interest purchased in the period		—	—	—	—	—	—	—	(383)	(383)
Non-controlling dividend		—	—	—	—	—	—	—	(1,400)	(1,400)
At 31 January 2019		**2,089**	**62,993**	**(2,673)**	**7,697**	**1,019**	**41,404**	**112,529**	**(1,076)**	**111,453**

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

2 Refer to note 1 for the restatement required following adoption of IFRS 9.

Consolidated statement of changes in equity continued
for the year ended 31 January 2019 and the year ended 31 January 2018

	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 31 January 2017		1,834	25,681	(2,673)	10,238	529	31,962	67,571	926	68,497
Profit for the year		—	—	—	—	—	8,632	8,632	664	9,296
Other comprehensive (expense)/income for the year		—	—	—	(5,427)	1,190	—	(4,237)	—	(4,237)
Total comprehensive (expense)/income for the year		—	—	—	(5,427)	1,190	8,632	4,395	664	5,059
Shares issued on satisfaction of vested performance shares	20	40	—	—	—	—	(77)	(37)	—	(37)
Shares issued on acquisitions	20,26	18	2,930	—	—	—	—	2,948	—	2,948
Movement in relation to share-based payments		—	—	—	—	—	4,284	4,284	—	4,284
Tax on share-based payments	8	—	—	—	—	—	1,240	1,240	—	1,240
Dividends to owners of the Parent	9	—	—	—	—	—	(4,121)	(4,121)	—	(4,121)
Movement due to ESOP share purchases		—	—	—	—	(39)	—	(39)	—	(39)
Movement due to ESOP share option exercises		—	—	—	—	39	—	39	—	39
Movement on reserves for non-controlling interests		—	—	—	—	—	684	684	(684)	—
Non-controlling dividend		—	—	—	—	—	—	—	(1,549)	(1,549)
At 31 January 2018 as previously stated		1,892	28,611	(2,673)	4,811	1,719	42,604	76,964	(643)	76,321
Change in accounting policy (IFRS 9)[2]		—	—	—	—	—	48	48	—	48
At 1 February 2018 as restated		1,892	28,611	(2,673)	4,811	1,719	42,652	77,012	(643)	76,369

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

2 Refer to note 1 for the restatement required following adoption of IFRS 9.

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 2019 and the year ended 31 January 2018

	Note	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000	Year ended 31 January 2018 £'000
Cash flows from operating activities					
Profit for the year		**14,526**		9,296	
Adjustments for:					
Depreciation	4,12	**4,199**		3,985	
Amortisation	4,11	**9,624**		7,413	
Finance expense	6	**6,584**		5,833	
Finance income	7	**(4,667)**		(1,878)	
Share of profit from equity-accounted associate		**(65)**		(26)	
Loss on sale of property, plant and equipment	4	**202**		147	
Income tax expense	8	**4,299**		4,000	
Share-based payment charge		**2,510**		4,284	
Net cash inflow from operating activities before changes in working capital			**37,212**		33,054
Change in trade and other receivables		**(8,013)**		(5,860)	
Change in trade and other payables		**7,629**		2,143	
Movement in provisions		**1,554**		(472)	
Change in working capital			**1,170**		(4,189)
Net cash generated from operations			**38,382**		28,865
Income taxes paid			**(6,237)**		(4,284)
Net cash inflow from operating activities			**32,145**		24,581
Cash flows from investing activities					
Acquisition of subsidiaries trade and assets, net of cash acquired	26	**(19,281)**		(9,824)	
Payment of contingent consideration		**(9,265)**		(5,062)	
Purchases of equity instruments designated at FVTOCI		**(1,008)**		(464)	
Acquisition of property, plant and equipment		**(5,648)**		(2,974)	
Proceeds on disposal of property, plant and equipment		**71**		7	
Acquisition of intangible assets		**(2,384)**		(1,193)	
Net movement in long-term cash deposits		**132**		(6)	
Interest received	7	**229**		117	
Net cash outflow from investing activities			**(37,154)**		(19,399)
Net cash (outflow)/inflow from operating and investing activities			**(5,009)**		5,182

Consolidated statement of cash flow continued

for the year ended 31 January 2019 and the year ended 31 January 2018

	Note	Year ended 31 January 2019 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000	Year ended 31 January 2018 £'000
Net cash (outflow)/inflow from operating and investing activities			**(5,009)**		5,182
Cash flows from financing activities					
Proceeds on issue of share capital		**20,000**		—	
Issue costs on issue of Ordinary Shares		**(539)**		—	
Capital element of finance lease rental repayment		**(5)**		(17)	
Increase in bank borrowings and overdrafts		**39,096**		8,000	
Repayment of bank borrowings and overdrafts		**(50,018)**		(3,516)	
Interest paid	6	**(1,246)**		(831)	
Dividend and profit share paid to non-controlling interest partners	9	**(1,400)**		(1,549)	
Dividend paid to shareholders of the Parent	9	**(5,243)**		(4,121)	
Net cash inflow/(outflow) from financing activities			**645**		(2,034)
Net (decrease)/increase in cash and cash equivalents			**(4,364)**		3,148
Cash and cash equivalents at beginning of the year			**24,283**		22,072
Exchange gain/(loss) on cash held			**582**		(937)
Cash and cash equivalents at end of the year	19		**20,501**		24,283

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

Notes to the accounts
for the year ended 31 January 2019

1 Accounting policies
Next Fifteen Communications Group plc (the 'Company') is a public limited company incorporated in the United Kingdom ('UK') 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 by the European Union ('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 Report of the Directors) 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
Impact of initial application of IFRS 15 'Revenue from Contracts with Customers'
In the current year, the Group has applied IFRS 15 'Revenue from Contracts with Customers' which is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduced a five-step approach to revenue recognition. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for each prior period presented in the consolidated financial statements.

The Group assessed whether the adoption of IFRS 15 had any impact on the timing of revenue recognition. Under IAS 18 the Group recognised revenue based on stage of completion whereas IFRS 15 established a five-step model where the recognition should be when contractual performance obligations are satisfied by transferring control of the goods or services to the customer. Following assessment of the contracts held by the Group, it was determined that the impact of aligning the Group's revenue recognition with performance obligations to the customer did not have a material impact on the revenue in the prior periods. Therefore, no restatement has been made.

For certain of our contracts, the adoption of IFRS 15 resulted in a change in our accounting for certain third-party costs which are billed onto clients. Revenue earned from billing on third-party costs are included in revenue when the Group acts as principal with respect to the services provided to the client and are excluded when the Group acts as agent. Under IFRS 15 the Group is considered principal for certain third-party costs which are billed onto clients, where the Group previously accounted for these costs as agent. An adjustment to increase revenue by £37m for the year ending 31 January 2018 has therefore been made to reflect this change, with a corresponding increase in direct costs. As a result, there has been no impact to net revenue or profit for the prior periods.

	Year ended 31 January 2018 £'000
Revenue	
Increase due to principal versus agent considerations	37,111
Direct costs	
Increase due to principal versus agent considerations	37,111
Impact on net revenue/profit for the year	—

Impact of initial application of IFRS 9 'Financial Instruments'
In the current year, the Group has applied IFRS 9 'Financial Instruments' and the related consequential amendments to other Adopted IFRSs that are effective for periods beginning on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The adjustments arising from the impact of IFRS 9 are not reflected in the balance sheet at 31 January 2018; however, they are recognised in the opening balance sheet on 1 February 2018.

IFRS 9 introduced new requirements for:

1). the classification and measurement of financial assets and financial liabilities;

2). impairment of financial assets; and

3). general hedge accounting.

1 Accounting policies continued

B. New and amended standards adopted by the Group continued

Impact of initial application of IFRS 9 'Financial Instruments' continued

Details of the impact of these new requirements on the Group's consolidated financial statements are described below.

1). The classification and measurement of financial assets and financial liabilities

The date of initial application (the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 February 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically, for the Group, the financial assets held (such as trade receivables) are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal. They therefore continue to be measured at amortised cost.

The Group does hold investments in equity instruments and has made the irrecoverable designation to measure these at fair value through other comprehensive income ('FVTOCI') as they are not held for trading. These investments were previously held at cost and an adjustment has been made to opening retained earnings to reflect the adjustment to fair value for these unquoted investments at 1 February 2018; the adjustment increases the value of the equity instruments by £48,000.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

2). Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model which requires the Group to account for expected credit losses to reflect the credit risk of those financial assets. Specifically, the Group is required to recognise a loss allowance for its trade receivables and contract assets. Given the Group's historical low level of bad debt losses, this has had a minimal impact on the Group.

3). General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting and introduces greater flexibility to the types of transactions eligible for hedge accounting. The Group has only used net investment hedging in the current and prior period. The Group has opted to continue to account for its net investment hedges under IAS 39 rather than transition to IFRS 9.

4). Disclosure requirements for initial application of IFRS 9

There were no financial assets or financial liabilities which the Group has had to reclassify or redesignate as a result of the transition to IFRS 9. The Group has elected to designate its investment in equity instruments as FVTOCI on transition to IFRS 9. The Group has opted to not restate comparatives. The only adjustment required to opening retained earnings is on revaluing the investment in equity investments as at 1 February 2018 which has increased equity by £48,000.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group or on earnings per share.

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 project milestones 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.

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.

1 Accounting policies continued

E. Revenue and other income continued

As customers are not entitled to refunds across the Group, the above methods are deemed to be appropriate in identifying the point of transfer of goods and services for revenue recognition.

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.

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.

Costs associated with business combinations are recognised in the Consolidated Income Statement within the 'other operating charges' line in the year in which they are incurred. Those costs, which are directly attributable to the business combination, are excluded from underlying performance as they would not have been incurred had the business combination not occurred. They do not relate to the underlying trading of the Group and are added back in the adjusted performance measures to aid comparability of the Group's profitability year on year.

Software

Licences for software that are not integral to the functioning of a computer are capitalised as intangible assets. 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 seven years. Costs associated with maintaining computer software programs 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.

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.

The amortisation of acquired intangibles recognised as a result of IFRS 3 is added back for the Group's adjusted performance measures to better represent the underlying trading from business operations and to enhance comparability of the Group's profitability year on year.

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. 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.

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.

1 Accounting policies continued

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. The operating segments have changed in the current period to be both regional and service segments. See note 2 for more detail on the change in operating segments.

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 call deposits held with banks, with whom we determine there is a 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 will be 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 contingent 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.

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.

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 underlying brand's performance.

Trade payables

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

1 Accounting policies continued

K. Financial instruments continued

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.

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 vacant or sublet properties when the Group has a legal obligation for future expenditure in relation to onerous leases. 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 use of the 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.

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 Group fair values the LLC units or restricted Ordinary Shares at the date of grant and expenses them fully at that point as there are no vesting criteria. The Group determines that these brand appreciation rights (or growth shares) should be excluded from underlying performance as the cost accounting is not aligned to the

1 Accounting policies continued

N. Share-based payments continued

timing of the anticipated benefit of the incentive, namely growth of the relevant brands. Therefore, 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.

O. Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the Consolidated Income Statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Where Group assets are leased out under operating leases with the Group acting as lessor, the asset is included in the Consolidated Balance Sheet and lease income is recognised over the term of the lease on a straight-line basis.

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).

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.

1 Accounting policies continued

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.

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.

II. Identification of adjusting items

The identification of adjusting items is a judgement in terms of which costs or credits are not associated with the underlying trading of the business and 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 and certain other costs related to specific transformational events in any one year.

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. The Group performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY20 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 2% to 14.4% then this would indicate an impairment of £0.7m.

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 our accounting periods beginning on or after 1 February 2019 or later periods. These new pronouncements are listed below:

- IFRS 16 'Leases' (effective periods beginning on or after 1 January 2019);
- IFRS 17 'Insurance Contracts' (effective periods beginning on or after 1 January 2021);
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (effective periods beginning on or after 1 January 2019);
- Amendments to IAS 28 'Long-term Interest in Associates and Joint Ventures' (effective periods beginning on or after 1 January 2019);
- Annual Improvements to IFRS Standards 2015–17 Cycle – Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs' (effective periods beginning on or after 1 January 2019);
- Amendments to IAS 19 'Employee Benefits', Plan Amendment, Curtailment or Settlement (effective periods beginning on or after 1 January 2019);

Notes to the accounts continued
for the year ended 31 January 2019

1 Accounting policies continued
U. New standards and amendments not applied continued
- IFRS 10 'Consolidated Financial Statements' and IAS 28 (amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective periods beginning on or after 1 January 2019).

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 except as follows:

- IFRS 16 requires the recognition of all lease assets and liabilities by lessees on the balance sheet and is effective for the Group's year ending 31 January 2020. The Group will be required to recognise a right-of-use asset and related liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the Consolidated Income Statement. The Group anticipates that the impact will be a reduction in profit of approximately £300,000 for the year ending 31 January 2020 when comparing to the current accounting for operating leases. A preliminary assessment indicates that the Group will recognise a right-of-use asset of £50m and a corresponding lease liability of £55m. The Group has chosen the cumulative catch-up approach of IFRS 16 in accordance with IFRS 16:C5(b). The profile of the Group's principal leases is shown in note 25.

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. This has changed in the current period from regional segments as the CODM now reviews information split by service as well as by geography to determine how to make strategic decisions and allocate its resources. The Group has restated the prior year information based on this change in 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.

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 underlying business. Other information provided to them is measured in a manner consistent with that in the financial statements. Head office costs relate to Group costs before allocation of intercompany charges to the operating segments. 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.

	Brand marketing £'000	Data and analytics £'000	Creative technology £'000	Head office £'000	Total £'000
Year ended 31 January 2019					
Revenue	**158,316**	**33,757**	**80,340**	**—**	**272,413**
Net revenue	**133,163**	**23,209**	**67,721**	**—**	**224,093**
Segment adjusted operating profit/(loss)	**29,580**	**7,171**	**9,489**	**(9,284)**	**36,956**
Adjusted operating profit margin[1]	**22.2%**	**30.9%**	**14.0%**	**—**	**16.5%**
Organic net revenue growth	**0.1%**	**30.6%**	**17.0%**	**—**	**6.4%**
Year ended 31 January 2018 (restated for new segments)					
Revenue	155,995	21,140	56,787	—	233,922
Net revenue	134,678	13,869	48,264	—	196,811
Segment adjusted operating profit/(loss)	27,465	3,509	7,945	(8,893)	30,026
Adjusted operating profit margin[1]	20.4%	25.3%	16.5%	—	15.3%
Organic net revenue growth	1.0%	48.5%	12.2%	—	5.2%

1 Operating profit margin is calculated as a percentage of net revenue.

2 Segment information continued

Measurement of operating segment profit continued

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2019						
Revenue	**109,161**	**10,267**	**136,290**	**16,695**	**–**	**272,413**
Net revenue	**83,528**	**8,735**	**117,911**	**13,919**	**–**	**224,093**
Segment adjusted operating profit/(loss)	**20,482**	**1,504**	**22,047**	**2,207**	**(9,284)**	**36,956**
Adjusted operating profit margin[1]	**24.5%**	**17.2%**	**18.7%**	**15.9%**	**–**	**16.5%**
Organic net revenue growth	**15.5%**	**7.3%**	**2.8%**	**(2.1%)**	**–**	**6.4%**
Year ended 31 January 2018						
Revenue	77,378	8,951	131,045	16,548	–	233,922
Net revenue	58,329	7,851	115,941	14,690	–	196,811
Segment adjusted operating profit/(loss)	12,984	752	23,181	2,002	(8,893)	30,026
Adjusted operating profit margin[1]	22.3%	9.6%	20.0%	13.6%	–	15.3%
Organic net revenue growth	7.6%	3.4%	5.1%	(0.7%)	–	5.2%

1 Operating profit margin is calculated as a percentage of net revenue.

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

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Segment adjusted operating profit	**36,956**	30,026
Share-based payment charge and charges associated with equity transactions accounted for as share-based payments[1]	**(2,132)**	(3,050)
Deal costs	**(575)**	(490)
Costs associated with restructuring[2]	**(4,353)**	(1,700)
Charge associated with office moves[3]	**(173)**	(525)
Total adjusted costs in operating profit excluding amortisation	**(7,233)**	(5,765)
Amortisation of acquired intangibles[4]	**(9,046)**	(7,036)
Total adjusted costs in operating profit	**(16,279)**	(12,801)
Operating profit	**20,677**	17,225

1 £1.3m of this charge relates to transactions whereby a restricted grant of brand equity was given to key management in M Booth & Associates LLC, Encore Digital Media Limited, Twogether Creative Limited, Savanta Group Limited and ODD London Limited (2018: Text 100 LLC, Encore Digital Media Limited, Bite Communications LLC and The OutCast Agency LLC) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. This value is recognised as a one-off share-based payment in the income statement in the year of grant as the agreements do not include service requirements. It also includes 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 underlying performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands. The remainder of this charge of £0.8m, relates to employment related acquisition payments.

2 In the current period the Group has incurred redundancy costs in relation to the restructuring and merger of the Text 100 and Bite businesses and their relaunch under the Archetype brand in the UK and US. The Group has also incurred restructuring costs in the merging and rebranding of its research businesses under the Savanta brand. These costs relate to these specific transformational events; they do not relate to underlying trading and therefore have been added back to aid comparability of performance year on year. These costs are made up of £3.4m staff-related costs and £1.0m of other costs relating to the rebranding of the businesses.

3 In the current year the Group has recognised an onerous lease provision for excess property space within the portfolio following the merger of Bite and Text 100. The Group has adjusted for the cost of the onerous property leases as the additional rent cost does not relate to the underlying trading of the business.

4 In line with its peer group, the Group determines that amortisation of acquired intangibles is not reflective of underlying performance. 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.

Notes to the accounts continued
for the year ended 31 January 2019

3 Employee information
Staff costs for all employees, including Directors, consist of:

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Wages and salaries	**136,421**	120,541
Social security costs	**10,292**	8,906
Pension costs	**3,202**	2,544
Share-based payment charge (note 21)	**3,332**	4,355
	153,247	136,346

The average monthly number of employees during the period, by geographical location, was as follows:

	Year ended 31 January 2019	Year ended 31 January 2018
UK	**800**	599
Europe and Africa	**94**	89
US	**739**	710
Asia Pacific	**324**	332
Head office	**47**	47
	2,004	1,777

Key management personnel are considered to be the Board of Directors as set out on page 23.

Directors' remuneration consists of:

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Short-term employee benefits	**1,226**	1,300
Pension costs	**105**	106
Share-based payment charge	**1,094**	885
	2,425	2,291

The highest paid Director received total emoluments of £1,076,000 (2018: £1,063,000).

4 Operating profit
This is arrived at after charging/(crediting):

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Depreciation of owned property, plant and equipment	**4,199**	3,983
Depreciation of assets held under finance leases	**—**	2
Amortisation of intangible assets	**9,624**	7,413
Loss on sale of property, plant and equipment	**202**	147
Share-based payment charge	**1,533**	1,305
Share-based payment charge – adjusted (note 2)	**2,132**	3,050
Operating lease income	**(611)**	(640)
Operating lease rentals – property	**9,409**	8,298
– plant and machinery	**131**	90
Foreign exchange (gain)/loss	**(660)**	1,043

4 Operating profit continued

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 2019 £'000	Year ended 31 January 2018 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**237**	205
The auditing of financial statements of the subsidiaries pursuant to legislation	**230**	174
Non-audit services:		
Tax advisory services	**11**	13
Other assurance services	**5**	5
	483	397

5 Reconciliation of pro forma financial measures

The following reconciliations of pro forma financial measures have been presented to provide additional information which will be useful to the users of the financial statements in understanding the underlying performance of the Group.

The Group includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by the Group for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although the Group's measures may not be calculated in the same way as similarly titled measures reported by other companies, and these measures are useful in connection with discussions with the investment community. The adjusting items have been explained in note 2.

The adjusted measures are also used for the performance calculation of the adjusted earnings per share used for the vesting of employee share options (note 10), banking covenants and cash flow analysis.

Adjusted profit before income tax and earnings to ordinary shareholders

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Profit before income tax	**18,825**	13,296
Unwinding of discount on contingent and deferred consideration (note 17)[2]	**2,679**	2,255
Unwinding of discount on share purchase obligation (note 17)[2]	**127**	255
Total adjusting items in operating profit (note 2)	**16,279**	12,801
Change in estimate of future contingent consideration payable (note 17)[1]	**(1,966)**	1,140
Change in estimate of future share purchase obligation (note 17)[1]	**60**	(409)
Adjusted profit before income tax	**36,004**	29,338

1 The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations.

2 The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

Notes to the accounts continued
for the year ended 31 January 2019

5 Reconciliation of pro forma financial measures continued

Adjusted EBITDA

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Operating profit	20,677	17,225
Depreciation of owned property, plant and equipment (note 12)	4,199	3,983
Depreciation of assets held under finance leases (note 12)	—	2
Amortisation of intangible assets (note 11)	9,624	7,413
EBITDA	34,500	28,623
Total adjusting items in operating profit excluding amortisation (note 2)	7,233	5,765
Adjusted EBITDA	41,733	34,388

Adjusted staff costs

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Staff costs	153,247	136,346
Reorganisation costs	(3,383)	(1,344)
Charges associated with equity transactions accounted for as share-based payments (note 2)	(2,132)	(3,050)
Adjusted staff costs	147,732	131,952

6 Finance expense

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Financial liabilities at amortised cost		
Bank interest payable	1,235	831
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	127	255
Change in estimate of future share purchase obligation (note 17)	126	—
Unwinding of discount on contingent and deferred consideration (note 17)	2,679	2,255
Change in estimate of future contingent consideration payable (note 17)	2,406	2,492
Other		
Other interest payable	11	—
Finance expense	6,584	5,833

7 Finance income

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Financial assets at amortised cost		
Bank interest receivable	82	98
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	66	409
Change in estimate of future contingent consideration (note 17)	4,372	1,352
Other		
Other interest receivable	147	19
Finance income	4,667	1,878

8 Taxation

The major components of income tax expense for the year ended 31 January 2019 and year ended 31 January 2018 are:

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	6,750	5,770
Adjustments in respect of current income tax in prior years	(293)	(498)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(2,205)	(1,459)
Adjustments in respect of deferred tax for prior years	47	187
Income tax expense reported in the Consolidated Income Statement	4,299	4,000
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	(203)	(1,240)
Income tax benefit reported in equity	(203)	(1,240)
Factors affecting the tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19.17%). The difference is explained below:		
Profit before income tax	18,825	13,296
Corporation tax expense at 19% (2018: 19.17%)	3,577	2,549
Effects of:		
Disallowed expenses	517	1,688
Recognition of previously unrecognised tax losses	(58)	(396)
Non-utilisation of tax losses	3	2
Higher rates of tax on overseas earnings	506	1,183
Deduction for overseas taxes	—	(715)
Adjustments in respect of prior years	(246)	(311)
	4,299	4,000
Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense reported in the Consolidated Income Statement	4,299	4,000
Add back:		
Tax on adjusting items		
Costs associated with the current period restructure and office moves (note 2)	903	630
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	162	(25)
Share-based payment charge (note 2)	90	552
Amortisation of acquired intangibles	1,746	1,530
Impact of US tax reform	—	(817)
Adjusted tax expense	7,200	5,870
Adjusted profit before income tax (note 5)	36,004	29,338
Adjusted effective tax rate	20%	20%

The Group presents the adjusted effective tax rate to help users of this report better understand its tax charge. In arriving at this rate, the Group removes the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax disclosed in note 5. The Group considers that the resulting adjusted effective tax rate is more representative of its tax payable position.

8 Taxation *continued*

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2018: 19.17%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Net corporation tax paid during the year totalled £6.2m (2018: £4.3m).

9 Dividend

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Dividends paid during the year		
Final dividend paid for prior year of 4.5p per Ordinary Share (2018: 3.75p)	**3,535**	2,760
Interim dividend paid of 2.16p per Ordinary Share (2018: 1.80p)	**1,708**	1,361
	5,243	4,121
Non-controlling interest dividend[1]	**1,400**	1,549

1 During the year, a profit share was paid to the holders of the non-controlling interest of Vrge of £27,760 (2018: £35,031), Blueshirt of £136,460 (2018: £152,284), OutCast of £335,814 (2018: £313,729), M Booth of £206,776 (2018: £166,687), Beyond of £495,171 (2018: £686,524), Bite US of £36,139 (2018: £27,847), Connections Media of £41,488 (2018: £142,956), Story of £nil (2018: £2,305) and Text 100 of £120,503 (2018: £22,058).

The ESOP waived its right to dividends in the financial years ended 31 January 2019 and 2018.

A final dividend of 5.4p per share (2018: 4.5p) has been proposed, which is a total amount of £4,512,455 (2018: £3,405,841). This has not been accrued. This makes the total dividend for the year 7.56p per share (2018: 6.3p). The final dividend, if approved at the AGM on 26 June 2019, will be paid on 26 July 2019 to all shareholders on the Register of Members as at 14 June 2019. The ex-dividend date for the shares is 13 June 2019.

10 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. The only difference between the adjusting items in this note and the figures in notes 2 and 5 is the tax effect of those adjusting items.

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Earnings attributable to ordinary shareholders	**13,887**	8,632
Unwinding of discount on contingent and deferred consideration	**2,602**	2,245
Unwinding of discount on share purchase obligation	**96**	200
Change in estimate of future contingent consideration payable	**(2,036)**	1,131
Change in estimate of share purchase obligation	**77**	(309)
Costs associated with the current period restructure (note 2)	**3,501**	1,241
Share-based payment charge (note 2)	**2,042**	2,498
Charge associated with office moves (note 2)	**136**	354
Deal costs (note 2)	**560**	489
US tax rate change	**—**	817
Amortisation of acquired intangibles	**7,300**	5,506
Adjusted earnings attributable to ordinary shareholders	**28,165**	22,804

10 Earnings per share continued

	Number	Number
Weighted average number of Ordinary Shares	79,225,075	74,344,883
Dilutive LTIP shares	1,193,361	1,297,444
Dilutive growth deal shares[1]	3,733,183	5,336,533
Other potentially issuable shares	864,585	1,099,352
Diluted weighted average number of Ordinary Shares	85,016,204	82,078,212
Basic earnings per share	17.5p	11.6p
Diluted earnings per share	16.3p	10.5p
Adjusted earnings per share	35.6p	30.7p
Diluted adjusted earnings per share	33.1p	27.8p

1 *This relates to the brand equity appreciation rights as discussed in note 1.*

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Non-compete £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 2017	7,462	6,544	26,180	2,296	68,159	110,641
Additions	365	—	—	—	—	365
Capitalised internal development	*828*	—	—	—	—	*828*
Acquired through business combinations	22	3,020	8,642	1,014	11,159	23,857
Disposals	(113)	—	—	—	—	(113)
Exchange differences	(86)	(447)	(667)	(2)	(2,744)	(3,946)
At 31 January 2018	8,478	9,117	34,155	3,308	76,574	131,632
Additions	402	—	—	—	—	402
Capitalised internal development	1,982	—	—	—	—	1,982
Acquired through business combinations[1]	877	4,743	16,801	2,406	11,959	36,786
Disposals	(43)	—	—	—	—	(43)
Exchange differences	60	281	411	1	1,737	2,490
At 31 January 2019	**11,756**	**14,141**	**51,367**	**5,715**	**90,270**	**173,249**
Amortisation and impairment						
At 31 January 2017	5,157	2,170	11,595	952	10,788	30,662
Charge for the year	1,145	1,029	4,628	611	—	7,413
Disposals	(113)	—	—	—	—	(113)
Exchange differences	(179)	(259)	(626)	(2)	(107)	(1,173)
At 31 January 2018	6,010	2,940	15,597	1,561	10,681	36,789
Charge for the year[2]	834	1,759	6,242	789	—	9,624
Disposals	(27)	—	—	—	—	(27)
Exchange differences	47	176	405	2	84	714
At 31 January 2019	**6,864**	**4,875**	**22,244**	**2,352**	**10,765**	**47,100**
Net book value at 31 January 2019	**4,892**	**9,266**	**29,123**	**3,363**	**79,505**	**126,149**
Net book value at 31 January 2018	2,468	6,177	18,558	1,747	65,893	94,843

1 During the year, the Group acquired Brandwidth, Technical, Activate and Planning-inc, as well as a number of trade and asset purchases, none of which are individually significant to the Group (note 26). The Group recognised software intangibles of £877,000 through the acquisitions of Brandwidth and Planning-inc.

2 Amortisation charge for the period includes acquired intangibles of £789,000 for non-compete agreements, £6,242,000 for customer relationships, £1,759,000 for trade names and £256,000 relating to software.

Notes to the accounts continued
for the year ended 31 January 2019

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:

	2019 £'000	2018 £'000
Text 100 (UK)[1]	**6,701**	5,189
OutCast (US)[2]	**9,646**	7,435
M Booth (US)	**7,144**	6,607
Blueshirt (US)	**5,212**	4,820
MIG[3]	**7,175**	5,877
ODD	**2,458**	2,458
Publitek[4]	**9,879**	8,884
Twogether	**9,226**	9,226
Velocity	**5,653**	5,726
Elvis	**2,179**	2,179
Activate (note 26)	**5,622**	—
Brandwidth (note 26)	**2,212**	—
Planning-Inc (note 26)	**1,906**	—
Other[5]	**4,492**	7,492
	79,505	65,893

1 The goodwill in Text 100 (UK) has increased due to the transfer of the Bite (UK) CGU into the existing Text 100 (UK) CGU.

2 The goodwill in OutCast (US) has increased due to the transfer of the Connections Media CGU into the existing OutCast (US) CGU.

3 The goodwill in MIG (formerly known as Morar) has increased in the year due to the trade and asset purchases of Thinq (£203,000) and Wealth-X (£1,095,000).

4 The goodwill in Publitek has increased in the year due to the acquisition of Technical (£847,000) and the trade and asset purchase of McBru (£148,000).

5 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.

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 2019. 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 FY20 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 FY20 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 1.5% (2018: 1.5%), 1% (2018: 1.5%) and 1% (2018: 1.5%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 2% (2018: 2.5%), 0.5% (2018: 2.5%) and 1% (2018: 2.5%) respectively. The UK growth rate for years two to five has been risk affected for Brexit.

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 FY20 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.

11 Intangible assets continued

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 12.4% (2018: 12.7%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 12.4% to be appropriate as this is already in the higher end of the spectrum amongst its peers, and 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.

Change to CGUs

In the current year, as part of a strategic decision, the Text 100 and Bite CGUs have been merged following the merging of these two businesses under one leadership team. The businesses formally merged on 1 February 2019 and have rebranded under the Archetype brand post year end. Also the Connections Media CGU has now been included within the existing OutCast CGU following the management of OutCast taking over Connections Media and now running them both as one combined OutCast business. It is believed that there are both revenue and cost synergies to be realised immediately now that these agencies are respectively managed together.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2017	15,412	7,056	2,549	2	25,019
Exchange differences	(1,471)	(593)	(334)	—	(2,398)
Additions	1,236	1,467	271	—	2,974
Acquired through business combinations	127	158	26	—	311
Disposals	(628)	(558)	(107)	—	(1,293)
At 31 January 2018	14,676	7,530	2,405	2	24,613
Exchange differences	969	351	203	—	1,523
Additions	2,796	1,785	1,067	—	5,648
Acquired through business combinations	—	307	—	—	307
Disposals	(628)	(1,238)	(399)	—	(2,265)
At 31 January 2019	**17,813**	**8,735**	**3,276**	**2**	**29,826**
Accumulated depreciation					
At 31 January 2017	3,760	4,932	563	—	9,255
Exchange differences	(436)	(442)	(177)	—	(1,055)
Charge for the year	1,795	1,577	611	2	3,985
Disposals	(610)	(480)	(49)	—	(1,139)
At 31 January 2018	4,509	5,587	948	2	11,046
Exchange differences	333	270	118	—	721
Charge for the year	1,899	1,515	785	—	4,199
Disposals	(545)	(1,156)	(309)	—	(2,010)
At 31 January 2019	**6,196**	**6,216**	**1,542**	**2**	**13,956**
Net book value at 31 January 2019	**11,617**	**2,519**	**1,734**	—	**15,870**
Net book value at 31 January 2018	10,167	1,943	1,457	—	13,567

12 Property, plant and equipment continued

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts as follows: £Nil of office equipment and furniture (2018: £2,000). Depreciation charged in the year in respect of finance leases was £Nil (2018: £2,000). The Group has contractual commitments for short leasehold improvements of £Nil (2018: £Nil).

13 Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	**48,795**	35,676
Less: provision for impairment of trade receivables	**(378)**	(492)
Trade receivables – net	**48,417**	35,184
Other receivables	**1,479**	2,509
Prepayments	**4,023**	3,491
Accrued income	**12,204**	8,354
	66,123	49,538
Non-current		
Rent deposits	**803**	535

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. There were no significant changes in the accrued income balances during the reporting period.

As of 31 January 2019, trade receivables of £378,000 (2018: £492,000) were impaired. Movements in the provision were as follows:

	2019 £'000	2018 £'000
At start of period	**492**	1,067
Provision for receivables impairment	**141**	126
Receivables written off during the year as uncollectable	**(81)**	(226)
Unused amounts reversed	**(200)**	(442)
Foreign exchange movements	**26**	(33)
At end of period	**378**	492

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:

	2019 £'000	2018 £'000
Not past due	**33,360**	23,233
Up to 30 days	**9,973**	7,825
31 to 60 days	**2,706**	2,410
Greater than 61 days	**2,378**	1,716
At end of period	**48,417**	35,184

14 Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade creditors	**13,498**	9,591
Finance lease obligation	**—**	5
Other taxation and social security	**4,179**	2,876
Short-term compensated absences	**1,815**	1,625
Other creditors	**2,317**	4,161
Accruals	**18,568**	12,030
Deferred income	**19,796**	14,715
	60,173	45,003
Non-current		
Rental lease liabilities	**4,622**	4,290
	4,622	4,290

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. 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

	Onerous lease[1] £'000	Property[2] £'000	Other[3] £'000	Total £'000
At 31 January 2017	192	464	2,045	2,701
Additions	446	62	162	670
On acquisition of subsidiary	—	122	653	775
Used during the year	(362)	(133)	(2,082)	(2,577)
Exchange differences	(20)	(2)	(1)	(23)
At 31 January 2018	256	513	777	1,546
Additions	536	190	1,430	2,156
On acquisition of subsidiary	—	60	—	60
Used during the year	(271)	(305)	(263)	(839)
Exchange differences	20	4	(4)	20
At 31 January 2019	**541**	**462**	**1,940**	**2,943**
Current	**208**	**118**	**792**	**1,118**
Non-current	**333**	**344**	**1,148**	**1,825**

1 Onerous lease provisions are calculated based on the remaining term of the lease and associated cost where the Group expects the cost to outweigh the benefit.

2 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.

3 Other includes provisions for potential tax liabilities, redundancy provisions and provisions for employment-related acquisition liabilities.

16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts payable:				
Within one year	—	5	—	5
Present value of lease obligations	—	5	—	5

17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration[1] £'000	Share purchase obligation £'000	Total £'000
At 31 January 2017	—	14,905	3,433	18,338
Arising during the year	500	8,286	—	8,786
Changes in assumptions[2]	—	1,140	(409)	731
Exchange differences	—	(105)	(127)	(232)
Utilised	(360)	(3,719)	(400)	(4,479)
Written off	—	(21)	—	(21)
Reclassification	5,586	(3,789)	(1,797)	—
Unwinding of discount	313	1,942	255	2,510
At 31 January 2018	6,039	18,639	955	25,633
Arising during the year[1]	—	15,516	765	16,281
Changes in assumptions[2]	—	(1,966)	60	(1,906)
Exchange differences	—	(312)	78	(234)
Utilised[3]	(5,066)	(6,171)	(249)	(11,486)
Reclassification[4]	3,072	(3,072)	—	—
Unwinding of discount	601	2,078	127	2,806
At 31 January 2019	**4,646**	**24,712**	**1,736**	**31,094**
Current	**2,182**	**4,565**	**1,608**	**8,355**
Non-current	**2,464**	**20,147**	**128**	**22,739**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Brandwidth, Technical, Activate and Planning-inc (2018: Elvis, Velocity, Circle and Charterhouse). 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 £9.5m in cash and £2.0m in shares. The difference to the cash flow statement is due to non-controlling interest purchased in the year relating to an existing subsidiary.

4 The contingent consideration and share purchase obligation in relation to ODD, Circle and Charterhouse were reclassified to the deferred consideration due to a fixing of the amounts due on amendment of their deal.

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 FY20 budget with further consideration being given to current and forecast wider market conditions. 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.

17 Other financial liabilities continued

Sensitivity analysis

A five percentage point increase or decrease in the estimated future revenue growth rate, estimated future profit margin, and the discount rate used would increase or decrease the combined liabilities due to earn-out agreements by approximately £3,395,000, £3,729,000, and £2,351,000, respectively. The most sensitive earn-out individually would increase or decrease by £3,048,000, £2,709,000 and £1,528,000 due to a five percentage point increase or decrease in revenue growth, profit margin and discount rate. There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing on the earn-out agreements would have approximately a £33,000 impact on the liabilities. An increase in the liability would result in a reduction in the revaluation of financial instruments, while a decrease would result in a further gain.

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 2017	(570)	569	4,750	103	(1,326)	3,278	491	7,295
Credit/(charge) to income	159	(276)	376	1	1,023	(564)	553	1,272
Exchange differences	145	(4)	—	(12)	(353)	(513)	(38)	(775)
Acquisition of subsidiaries	20	—	—	—	(2,287)	184	—	(2,083)
Taken to equity	—	—	216	—	—	—	—	216
At 31 January 2018	(246)	289	5,342	92	(2,943)	2,385	1,006	5,925
(Charge)/credit to income	(143)	9	(2,277)	(46)	3,571	1,123	(79)	2,158
Exchange differences	(43)	20	—	7	117	268	18	387
Acquisition of subsidiaries	(34)	—	—	—	(2,294)	65	—	(2,263)
Taken to equity	—	—	(189)	—	—	—	—	(189)
At 31 January 2019	**(466)**	**318**	**2,876**	**53**	**(1,549)**	**3,841**	**945**	**6,018**

After netting off balances, the following are the deferred tax assets and liabilities recognised in the Consolidated Balance Sheet:

	2019 £'000	2018 £'000
Net deferred tax balance		
Deferred tax assets	**10,521**	9,794
Deferred tax liabilities	**(4,503)**	(3,869)
Net deferred tax asset	**6,018**	5,925

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. 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 £0.6m (2018: £0.9m).

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 £6m (2018: £6m). 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 2019, based on period-end balances and rates.

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	2019 £'000	2018 £'000
Group	+200	**(524)**	(717)

Liquidity risk

The Group manages its risk to a shortage of funds with a mixture of long and short-term committed facilities.

On 5 February 2018 the Group extended its facilities agreement with HSBC to include a loan of £20m in addition to the revolving loan credit facility ('RCF') of £40m (available in multiple currencies) which is available until 5 July 2022. The £20m loan was drawn down on 9 February 2018 and is repayable in equal annual instalments. The last repayment is due in December 2021 and the loan bears interest at the same margin plus LIBOR as the RCF. The interest rate is variable dependent on the net debt: EBITDA ratio. The Group also has a $7m facility available in the US.

At 31 January 2019 the Group had an undrawn amount of £28,753,013 (2018: £4,968,341) on the RCF in the UK and $4,412,637 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 2019 and 31 January 2018, 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 2019				
Financial liabilities	**50,802**	**52,926**	**5,596**	**109,324**
At 31 January 2018				
Financial liabilities	39,846	56,812	3,968	100,626

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	2019 £'000	2018 £'000
US dollar	20%	**(3,118)**	(2,428)
Euro	20%	**(477)**	(393)
Australian dollar	20%	**(263)**	(387)
Indian rupee	20%	**71**	(123)

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	2019 £'000	2018 £'000
US dollar	20%	**(4,076)**	(5,371)
Euro	20%	**(904)**	(701)
Australian dollar	20%	**(423)**	(634)
Indian rupee	20%	**(110)**	(411)

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.

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

	2019 £'000	2018 £'000
Total trade and other receivables	**66,123**	49,538
Cash and cash equivalents	**20,501**	24,283

19 Financial instruments continued

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 and finance leases, 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 2019 to 2024.

	2019 £'000	2018 £'000
Total loans and borrowings[1]	**25,678**	35,871
Obligations under finance leases	**—**	5
Less: cash and cash equivalents	**(20,501)**	(24,283)
Net debt	**5,177**	11,593
Total equity	**111,453**	76,321
Total capital	**116,630**	87,914

1 Total loans and borrowings is made up of current obligations (£5,000,000) and non-current obligations (£20,678,000).

	2019 £'000	2018 £'000
Net debt	**5,177**	11,593
Share purchase obligation	**1,736**	955
Contingent consideration	**24,712**	18,639
Deferred consideration	**4,646**	6,039
Net debt plus earn-out liabilities	**36,271**	37,226

The movement in net debt is as follows:

	At 1 February 2017 £'000	Cash flow from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2018 £'000	Cash flow from operations £'000	Cash flow from share placing £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2019 £'000
Total loans and borrowings	33,458	—	4,484	(2,071)	35,871	(10,922)	—	—	729	**25,678**
Obligations under finance leases	26	(17)	—	(4)	5	(5)	—	—	—	**—**
Less: cash and cash equivalents	(22,072)	(18,498)	15,350	937	(24,283)	(5,729)	(19,461)	29,554	(582)	**(20,501)**
Net debt	11,412	(18,515)	19,834	(1,138)	11,593	(16,656)	(19,461)	29,554	147	**5,177**

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 2019, with the exception of obligations under finance leases. The book value of obligations under finance leases is £Nil (2018: £5,000) and the fair value is £Nil (2018: £5,000). 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 2019	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	—	1,587	—	—	1,587
Other receivables	—	—	—	803	803
	—	1,587	—	803	2,390
Current financial assets					
Cash and cash equivalents	—	—	—	20,501	20,501
Trade and other receivables	—	—	—	62,100	62,100
	—	—	—	82,601	82,601
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	36,198	—	36,198
Provisions	—	—	1,118	—	1,118
Contingent consideration[1]	4,565	—	—	—	4,565
Share purchase obligation[1]	1,608	—	—	—	1,608
Deferred consideration[1]	—	—	2,182	—	2,182
	6,173	—	44,498	—	50,671
Non-current financial liabilities					
Loans and borrowings	—	—	20,678	—	20,678
Provisions	—	—	1,825	—	1,825
Other payables	—	—	4,622	—	4,622
Contingent consideration[1]	20,147	—	—	—	20,147
Share purchase obligation[1]	128	—	—	—	128
Deferred consideration[1]	—	—	2,464	—	2,464
	20,275	—	29,589	—	49,864

1 See note 17.

The Group has no fair value Level 1 instruments (2018: 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 overleaf 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.

19 Financial instruments continued
Financial instruments – detailed disclosures continued
Financial instruments recognised in the balance sheet continued
The table below has not been restated for the application of IFRS 9.

At 31 January 2018	At fair value through profit or loss £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets				
Other receivables	—	—	535	535
	—	—	535	535
Current financial assets				
Cash and cash equivalents	—	—	24,283	24,283
Trade and other receivables	—	—	46,047	46,047
	—	—	70,330	70,330
Current financial liabilities				
Loans and borrowings	—	1,406	—	1,406
Trade and other payables	—	27,412	—	27,412
Provisions	—	1,405	—	1,405
Contingent consideration[1]	5,368	—	—	5,368
Deferred consideration[1]	—	4,255	—	4,255
	5,368	34,478	—	39,846
Non-current financial liabilities				
Loans and borrowings	—	34,465	—	34,465
Provisions	—	141	—	141
Other payables	—	4,290	—	4,290
Contingent consideration[1]	13,271	—	—	13,271
Share purchase obligation[1]	955	—	—	955
Deferred consideration[1]	—	1,784	—	1,784
	14,226	40,680	—	54,906

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 2019:

	Effective interest rate	2019 £'000	2018 £'000
Current			
Variable rate bank loan	HSBC Bank base rate + 1.50% (2018: 3.56%)	**5,000**	1,406
Obligations under finance leases	8.00%	—	5
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**20,678**	34,465
Obligations under finance leases	8.00%	—	—

Hedge of net investment in foreign entity
A proportion of the Group's US dollar-denominated borrowings amounting to US$6,100,000 is designated as a hedge of the net investment in the Group's US subsidiary M Booth & Associates LLC. An additional US$300,000 has been designated as a hedge of the net investment in the Group's US subsidiary Text 100 LLC.

19 Financial instruments continued

Hedge of net investment in foreign entity continued

The fair value of the borrowings at 31 January 2019 is US$6,400,000 (£4,866,000) (2018: US$10,400,000 (£7,313,000)). The foreign exchange loss of £700,000 (2018: gain of £1,190,000) on translation of the borrowing to functional currency at the end of the reporting period is recognised in a hedging reserve in shareholders' equity. As a result of ineffectiveness, £Nil was transferred during the period from the hedging reserve to the income statement (2018: £Nil).

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2019 Number	2018 Number
Authorised, allotted, called up and fully paid		
At start of period	**75,685,350**	73,352,214
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	**971,716**	726,081
Issued in the year in satisfaction of vested LTIPs (note 21)	**489,491**	1,366,792
Issued in the year in respect of growth share sales	**2,206,905**	240,263
Issued in the year in respect of share placing	**4,210,526**	—
At end of period	**83,563,988**	75,685,350

Fully paid Ordinary Shares carry one vote per share and the right to dividends.

21 Share-based payments

The Group uses the 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 2019 the Group recognised a charge of £3,332,000 (2018: £4,355,000) made up of £1,533,000 (2018: £1,305,000) in respect of employment-related LTIP shares; £1,799,000 (2018: £3,050,000) given in respect of the grant of growth participating interests of 3.5% in M Booth & Associates LLC, 40% in ODD London Limited, 2.5% in Savanta Group Limited, 5% in Twogether Creative Limited and 3% in Encore Digital Media Limited (2018: 1% in OutCast LLC, 2% in Bite LLC, 11% in Text 100 LLC and 32% in Encore Digital Media Limited), as well as employment-linked acquisition-related payments.

Movement on options and performance shares granted (represented in Ordinary Shares):

	Outstanding 31 January 2018 Number ('000)	Granted Number ('000)	Lapsed Number ('000)	Exercised Number ('000)	Outstanding 31 January 2019 Number ('000)	Exercisable 31 January 2019 Number ('000)
Long-Term Incentive Plan — performance shares	1,499	349	(74)	(489)	**1,285**	**597**

The fair value of performance shares granted in the period calculated using the Black-Scholes model was as follows:

	April 2018	April 2018
Fair value of performance shares granted under the LTIP (p)	406	395
Share price at date of grant (p)	423	423
Risk-free rate (%)	1.94	1.94
Expected life (years)	3	5
Expected volatility (%)	27.2	27.2
Dividend yield (%)	1.36	1.36

21 Share-based payments continued
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 450p (2018: 400p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2018: one year).

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	21,500	1 February 2015	31 January 2019	6 May 2015
	575,000	1 February 2016	31 January 2019	17 October 2016
	308,704	1 February 2017	31 January 2020	2 May 2017
	47,593	1 February 2017	31 January 2022	2 May 2017
	251,295	1 February 2018	31 January 2021	10 April 2018
	80,798	1 February 2018	31 January 2023	10 April 2018
	1,284,890			

During the period the Company issued 489,491 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).

For all awards granted under the 2005 LTIP (note that no awards have been granted under the 2005 LTIP since 30 June 2015), performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The level of vesting will be determined using the best three of the four years' performance for each performance measure. The growth of adjusted EPS of the Group must exceed the UK Consumer Price Index ('CPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest. If the growth of adjusted EPS over CPI is between an average of 3% and 10% per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis. The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit targets over the performance period. To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of the award will lapse on a straight-line basis. Employees who work in Group roles will be measured by reference to whole Group performance, rather than any particular business unit.

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 has decided that, initially, there will be two performance conditions:

(a) an earnings per share ('EPS') target, which will determine 70% 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. If the growth in the Company's earnings per share in the relevant year is at least 15%, 100% of 70% of the total award will vest. If the compound growth in EPS in the relevant year is between 5% and 15% then between 25% and 100% of 70% of the total award will vest on a straight-line basis. If EPS does not grow at an average of 5% or more, the full award will lapse; and

(b) a key performance indicator ('KPI') target, which will determine 30% 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 30% of the total award will vest if the KPIs have been met in full. A smaller percentage of 30% 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 2019 the ESOP held Nil (2018: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 489,491 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 489,491 shares for £Nil consideration (2018: 1,578,271 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 (2018: Nil shares for £Nil proceeds).

Treasury shares

At 31 January 2019, the Group held Nil treasury shares (2018: Nil) at a cost of £Nil (2018: £Nil).

24 Other reserves

	Merger reserve £'000	ESOP reserve[1] £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2017	3,075	—	(2,546)	529
Total comprehensive income for the year	—	—	1,190	1,190
Purchase and take on of shares	—	(39)	—	(39)
Movement due to ESOP LTIP and growth shares exercises	—	39	—	39
At 31 January 2018	3,075	—	(1,356)	1,719
Total comprehensive expense for the year	—	—	(700)	(700)
Purchase and take on of shares	—	(12)	—	(12)
Movement due to ESOP LTIP and growth shares exercises	—	12	—	12
At 31 January 2019	**3,075**	—	**(2,056)**	**1,019**

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.

25 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 January 2019, the Group's total future minimum lease rentals are as follows:

	2019		2018	
	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	**10,869**	**70**	8,595	27
In two to five years	**39,371**	**136**	29,459	40
After five years	**12,664**	—	13,360	—
	62,904	**206**	51,414	67

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Brandwidth Group Limited;
2. the acquisition of UK-based Technical Publicity Limited;
3. the acquisition of US-based Activate Marketing Holdings LLC; and
4. the acquisition of UK-based Planning-Inc Limited.

More details on each transaction are provided below.

1. Brandwidth Group Limited

On 6 February 2018, Next 15 purchased the entire share capital of Brandwidth Group Limited and its subsidiaries ('Brandwidth'), a UK-based digital innovation agency bringing significant digital skills to the Group.

Goodwill of £2,212,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Brandwidth has contributed £6,132,000 to net revenue and £353,000 to profit before tax. 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	72	3,497	3,569
Property, plant and equipment	81	—	81
Current assets			
Cash and cash equivalents	1,204	—	1,204
Other current assets[1]	2,878	—	2,878
Current liabilities	(2,309)	—	(2,309)
Deferred tax liability	—	(619)	(619)
Net assets acquired	1,926	2,878	4,804
Goodwill			2,212
			7,016
Consideration			
Initial consideration settled in cash[2]			5,943
Initial consideration settled in Ordinary Shares of the Parent			1,236
Total discounted contingent consideration			(163)
			7,016

1 The fair value of receivables acquired is £2,282,000.

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 £162,000. Further consideration is payable based on the profit before interest and tax of Brandwidth for the year to 30 June 2018.

26 Acquisitions and equity transactions continued

2. Technical Publicity Limited

On 12 July 2018, Next 15 purchased Technical Associates Group ('TAG') through the entire share capital of Technical Publicity Limited ('Technical'), a specialist technical content and digital marketing business focused on the industrial engineering sector.

Goodwill of £847,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period TAG has contributed £1,847,000 to net revenue and £622,000 to profit before tax. If acquired on 1 February 2018 TAG would have contributed net revenue of £3,165,000 and profit before tax of £1,066,000 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	—	1,943	1,943
Property, plant and equipment	38	—	38
Current assets			
Cash and cash equivalents	756	—	756
Other current assets[1]	1,050	—	1,050
Current liabilities	(1,174)	—	(1,174)
Deferred tax liability	—	(347)	(347)
Net assets acquired	670	1,596	2,266
Goodwill			847
			3,113
Consideration			
Initial consideration settled in cash[2]			2,189
Initial consideration settled in Ordinary Shares of the Parent			333
Total discounted contingent consideration			591
			3,113

1 The fair value of receivables acquired is £726,000.

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 operating costs) amount to £142,000. Further deferred consideration of £591,000 is payable in April 2020. Contingent consideration based on the combined EBIT performance of TAG and Publitek, an existing Next 15 business, is also payable in April 2020.

26 Acquisitions and equity transactions continued

3. Activate Marketing Holdings LLC

On 1 November 2018, Next 15 purchased the entire share capital of Activate Marketing Holdings LLC ('Activate'), a B2B demand generation company providing marketing services to technology companies based in San Francisco and New York. Goodwill of £5,786,000 ($7,394,000) arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Activate has contributed £1,869,000 to net revenue and £709,000 to profit before tax. If acquired on 1 February 2018 Activate would have contributed net revenue of £7,478,000 and profit before tax of £2,836,000 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	—	11,911	11,911
Property, plant and equipment	2	—	2
Current assets			
Cash and cash equivalents	197	—	197
Other current assets[1]	2,762	—	2,762
Current liabilities	(1,838)	—	(1,838)
Net assets acquired	1,123	11,911	13,034
Goodwill[3]			5,786
			18,820
Consideration			
Initial consideration settled in cash[2]			7,045
Total deferred consideration			11,775
			18,820

1 The fair value of receivables acquired is £2,754,000.

2 This includes initial consideration paid for the business and cash paid for working capital.

3 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. Deal costs (included in operating costs) amount to £51,000.

Deferred top-up contingent consideration is payable in 2019 based on performance targets for Activate for the nine months ending 31 July 2019. Further contingent consideration is payable over the next five years dependent on Activate's profitability and a multiple driven by margin and revenue growth post the acquisition.

26 Acquisitions and equity transactions continued

4. Planning-Inc Limited

On 10 January 2019, Next 15 purchased the entire share capital of Planning-Inc Limited ('Planning-inc'), a UK-based predictive analytics and data marketing business. Goodwill of £1,906,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Planning-inc has contributed £506,000 to net revenue and £142,000 to profit before tax. If acquired on 1 February 2018 Planning-inc would have contributed net revenue of £6,069,000 and profit before tax of £1,701,000 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	—	6,837	6,837
Property, plant and equipment	198	—	198
Current assets			
Cash and cash equivalents	2,086	—	2,086
Other current assets[1]	1,457	—	1,457
Current liabilities	(1,072)	—	(1,072)
Deferred tax liability	—	(1,189)	(1,189)
Net assets acquired	2,669	5,648	8,317
Goodwill			1,906
			10,223
Consideration			
Initial consideration settled in cash[2]			6,998
Initial consideration settled in Ordinary Shares of the Parent			935
Total discounted contingent consideration			2,290
			10,223

1 The fair value of receivables acquired is £1,211,000.
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 operating costs) amount to £38,000.

Further deferred contingent consideration may be payable around April 2019 with a top-up payment based on the EBITDA performance of Planning-inc for the year ended 31 December 2018, and around April 2021 and April 2023 based on the EBIT performance of Planning-inc in the two-year periods ending 31 January 2021 and 31 January 2023 respectively.

The following table summarises the net cash outflow and value of shares issued on acquisition of subsidiaries during the year ending 31 January 2019:

	Consideration settled in cash £'000	Cash and cash equivalent balances acquired £'000	Total net cash outflow £'000	Value of shares issued £'000
Brandwidth	5,943	(1,204)	4,739	1,236
Technical	2,189	(756)	1,433	333
Activate	7,045	(197)	6,848	—
Planning-inc	6,998	(2,086)	4,912	935
Other[1]	1,381	(32)	1,349	—
	23,556	(4,275)	19,281	2,504

1 Other represents amounts in relation to a number of acquisitions, none of which is individually significant to the Group.

Notes to the accounts continued
for the year ended 31 January 2019

27 Subsidiaries
The Group's subsidiaries at 31 January 2019 are listed below.

Name	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	✓	58.4	75 Bermondsey Street, London SE1 3XF
Agent3 LLC	USA		58.4	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
August.One Communications International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Beijing Text 100 Consulting Services Limited	China		100	7F, Room 819, Tower 2, No. 22 Guanghua Road, Chaoyang District, Beijing, 100020 China
BYND Limited	United Kingdom	✓	93.4	75 Bermondsey Street, London SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Bite Communications LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Bite Communications Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Bite Communications Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Bite Consulting GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Brandwidth Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Brandwidth Marketing Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Brandwidth LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Bullet Marketing Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
The Blueshirt Group LLC	USA		89.3	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Circle Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Charterhouse Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Connections Media LLC	USA		100	CT Corporation System, 1015 15th Street, NW, Suite 1000, Washington, DC 20005
Elvis Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Encore Digital Media Limited	United Kingdom	✓	80.2	1 Spiersbridge Way, Spiersbridge Business Park, Thornliebank, Glasgow G46 8NG
HPI Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Hypertext Communications Private Ltd	India		100	Unit 506, 5th Floor, Tower B, Millennium Plaza, Sector 27, Gurgaon – 122002, Haryana
Hypertext Pte Ltd	Singapore		100	600 North Bridge Road, #23-01, Parkview Square, Singapore 188 778
IF Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
The Lexis Agency Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
M Booth & Associates LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

27 Subsidiaries continued

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
MIG Global Consulting Inc.	Canada		100	700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1B8
Narration LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen Communications Hong Kong Limited	Hong Kong	✓	100	Unit 1102-04, 11/F, 299QRC, 297-299 Queen's Road Central, Sheung Wan, Hong Kong
Next Fifteen Communications Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Next Fifteen Holdco1 Limited	United Kingdom		100	111 Bell Street, Glasgow G4 0TQ
ODD Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
ODD London Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
The OutCast Agency LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Partnermarketing.com Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Planning-Inc Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
PMC Investments Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Publitek GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Publitek Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Publitek LLC	USA		100	CT Corporation System, 780 Commercial Street SE, Suite 100, Salem, OR 97301
Pinnacle Marketing Communications Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Savanta Group Limited	United Kingdom	✓	77.2	3 Melville Street, Edinburgh, Scotland EH3 7PE
Savanta Group LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
TechAD Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Technical Publicity Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Text 100 (Proprietary) Limited	South Africa		100	Sandton Close, 2nd Floor Block A, Cnr 5th Street & Norwich Close, Sandton, Johannesburg
Text 100 AB	Sweden		100	Västmannagatan 4, 111 24 Stockholm
Text 100 BV	Netherlands		100	Silodam 1D, 1013 AL Amsterdam, Netherlands
Text 100 Communications Pty Ltd	Australia		100	10-14 Waterloo Street, Surry Hills, NSW 2010
Text 100 LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Text 100 GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Text 100 International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Text 100 Italy S.R.L	Italy		100	Piazzale Principessa Clotilde, 8 20121 Milano
Text 100 Limited	United Kingdom		100	6th Floor, 110 High Holborn, London WC1V 6JS

Notes to the accounts continued
for the year ended 31 January 2019

27 Subsidiaries continued

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Text 100 Malaysia SDN. BHD	Malaysia		100	Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 KL, Malaysia
Text 100 Pte Limited	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
Text 100 Pty Limited	Australia		100	10-14 Waterloo Street, Surry Hills, NSW 2010
Text 100 SARL	France		100	17 rue de la Banque, 75002 Paris
Text 100 S.L	Spain		100	c/ Prim, 19 5ª Planta, Madrid 28004
Text Hundred India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Twogether Creative Limited	United Kingdom	✓	95	75 Bermondsey Street, London SE1 3XF
Twogether Creative LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Velocity Partners Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Velocity Partners US Inc.	USA		100	CT Corporation System, 28 Liberty Street, New York, NY 10005
Viga Research LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Vox Public Relations India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Vrge Strategies LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

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 2019 by virtue of section 479A of the Companies Act 2006: Bite Communications Group Limited (04131879), Next Fifteen Holdco1 Limited (SC364548), HPI Research Limited (05816194), The Lexis Agency Limited (04404752), ODD Communications Limited (07861569), Text 100 International Limited (02433862), August.One Communications International Limited (03224261), Partnermarketing.com Limited (07545480), Bullet Marketing Limited (04842820), Brandwidth Group Limited (09599858) and Bite Communications Limited (03023521).

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated in the United Kingdom 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 2019 there were the following related-party transactions:

Brand	Services	Related party	Income impact 2019 £'000	Asset at year end 2019 £'000	Income impact 2018 £'000	Asset at year end 2018 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors is an associate of Next 15	22	22	29	—

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris and Richard Eyre received dividends of £338,195, £16,142 and £6,660 respectively (2018: £281,829, £4,152 and £10,125). 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:

	2019 £'000	2018 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	**428**	554
In two to five years	**1,198**	1,768
	1,626	2,322

30 Events after the balance sheet date

There are no significant post-balance sheet events.

Company balance sheet
as at 31 January 2019 and 31 January 2018

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Non-current assets					
Intangible assets	2	**910**		900	
Tangible assets	3	**1,253**		1,543	
Investments in subsidiaries	4	**163,496**		130,784	
Investment in financial assets		**1,335**		1,142	
Deferred tax assets	9	**47**		—	
			167,041		134,369
Current assets					
Trade and other receivables	5	**23,068**		23,938	
Current tax asset		**1,991**		685	
			25,059		24,623
Current liabilities					
Borrowings		**5,000**		—	
Trade and other payables	6	**22,706**		21,113	
Provisions	8	**491**		—	
Contingent consideration		**1,871**		3,899	
Deferred consideration		**2,182**		4,255	
			(32,250)		(29,267)
Net current liabilities			**(7,191)**		(4,644)
Total assets less current liabilities			**159,850**		129,725
Non-current liabilities					
Borrowings	7	**20,678**		34,465	
Other financial liabilities	7	**10,819**		13,941	
Provisions		**784**		—	
Deferred tax liability	9	**—**		3	
			(32,281)		(48,409)
Net assets			**127,569**		81,316
Equity					
Share capital	10	**2,089**		1,892	
Share premium account		**62,993**		28,611	
Merger reserve		**3,075**		3,075	
Share-based payment reserve		**7,925**		6,404	
Other reserve		**26,871**		27,571	
Retained earnings		**24,616**		13,763	
Equity attributable to owners of the Company			**127,569**		81,316

The following notes are an integral part of this Company Balance Sheet.

The Company reported a profit for the financial year ended 31 January 2019 of £16,910,000 (2018: £11,930,000).

These financial statements were approved and authorised for issue by the Board on 2 April 2019.

Peter Harris
Chief Financial Officer

Company number 01579589

Company statement of changes in equity
for the year ended 31 January 2019 and 31 January 2018

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 31 January 2017		1,834	25,681	3,075	5,174	—	26,381	5,954	68,099
Profit for the period		—	—	—	—	—	—	11,930	11,930
Dividends	10	—	—	—	—	—	—	(4,121)	(4,121)
Shares issued in satisfaction of vested share options and performance shares		40	—	—	(75)	—	—	—	(35)
Shares issued on acquisition		18	2,930	—	—	—	—	—	2,948
Movement in hedging reserve		—	—	—	—	—	1,190	—	1,190
Movement in relation to share-based payments		—	—	—	1,305	—	—	—	1,305
Movement due to ESOP share purchases		—	—	—	—	(39)	—	—	(39)
Movement due to ESOP share option exercises		—	—	—	—	39	—	—	39
At 31 January 2018 (as previously reported)		1,892	28,611	3,075	6,404	—	27,571	13,763	81,316
Change in accounting policy (restated for IFRS 9)[1]		—	—	—	—	—	—	(121)	(121)
At 1 February 2018 (as restated)		1,892	28,611	3,075	6,404	—	27,571	13,642	81,195
Profit for the period		—	—	—	—	—	—	16,910	16,910
Fair value loss on investments in equity instruments designated as FVTOCI		—	—	—	—	—	—	(693)	(693)
Dividends	10	—	—	—	—	—	—	(5,243)	(5,243)
Shares issued in satisfaction of vested share options and performance shares		68	10,593	—	(12)	—	—	—	10,649
Shares issued on acquisition		24	4,433	—	—	—	—	—	4,457
Shares issued on placing		105	19,356	—	—	—	—	—	19,461
Movement in hedging reserve		—	—	—	—	—	(700)	—	(700)
Movement in relation to share-based payments		—	—	—	1,533	—	—	—	1,533
Movement due to ESOP share purchases		—	—	—	—	(12)	—	—	(12)
Movement due to ESOP share option exercises		—	—	—	—	12	—	—	12
At 31 January 2019		**2,089**	**62,993**	**3,075**	**7,925**	**—**	**26,871**	**24,616**	**127,569**

1 *Refer to note 1 for the restatement required following adoption of IFRS 9.*

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 2019

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 page 112. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 21. 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 incorporating the amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

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 4 to the consolidated financial statements.

The Company has adopted IFRS 15 and IFRS 9 in the period, further details of which are disclosed in note 1 to the consolidated financial statements. The impact of adoption of IFRS 9 for the Company in the period is a £121,000 reduction in retained earnings relating to the revaluation of the Company's investment in financial assets.

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.

B. Investments in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment.

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.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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.

1 Accounting policies continued

D. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

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 £163m.

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 7 in the Company financial statements.

2 Intangible assets

	Computer software £'000
Cost	
At 1 February 2018	3,260
Additions	301
At 31 January 2019	**3,561**
Accumulated depreciation	
At 1 February 2018	2,360
Charge for the year	291
At 31 January 2019	**2,651**
Net book value	
At 31 January 2019	**910**
At 31 January 2018	900

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2018	1,795	635	2,430
Additions	—	59	59
At 31 January 2019	**1,795**	**694**	**2,489**
Accumulated depreciation			
At 1 February 2018	500	387	887
Charge for the year	218	131	349
At 31 January 2019	**718**	**518**	**1,236**
Net book value			
At 31 January 2019	**1,077**	**176**	**1,253**
At 31 January 2018	1,295	248	1,543

Notes forming part of the Company financial statements continued

for the year ended 31 January 2019

4 Investments

	Total £'000
Cost	
At 1 February 2018	130,784
Acquisitions[1]	17,239
Disposals	—
Increase in investment of subsidiary	15,473
At 31 January 2019	**163,496**

1 On 6 February 2018, the Company purchased 100% of the issued share capital of Brandwidth Group Limited. On 26 October 2018, the Company made an additional investment in Next Fifteen Communications Corporation. On 30 November 2018, the Company made an additional investment in Next Fifteen Communications Corporation. On 10 January 2019, the Company purchased 100% of the share capital of Planning-Inc Limited. 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.

The Company's subsidiaries are those as listed in note 27 of the consolidated financial statements.

5 Trade and other receivables

	Company 2019 £'000	Company 2018 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**20,883**	21,477
Other debtors	**1,642**	1,954
Prepayments and accrued income	**532**	375
Other taxation	**11**	132
Total trade and other receivables	**23,068**	23,938

6 Trade and other payables

	Company 2019 £'000	Company 2018 £'000
Overdraft	**8,961**	3,977
Trade creditors	**513**	223
Amounts owed to subsidiary undertakings	**11,126**	14,678
Other taxation and social security	**92**	91
Other creditors	**22**	89
Accruals and deferred income	**1,992**	2,055
Total trade and other payables	**22,706**	21,113

7 Non-current liabilities

	Company 2019 £'000	Company 2018 £'000
Bank loan[1]	**20,678**	34,465
Between one and two years	5,000	—
Between two and five years	15,678	34,465
After five years	—	—
Contingent consideration	**8,227**	12,157
Between one and two years	4,247	2,989
Between two and five years	3,980	9,168
After five years	—	—
Deferred consideration	**2,464**	1,784
Between one and two years	2,464	360
Between two and five years	—	1,424
After five years	—	—
Share purchase obligation	**128**	—
Between one and two years	—	—
Between two and five years	128	—
After five years	—	—
Total	**31,497**	48,406

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 2019.

The Company has no fair value Level 1 instruments (2018: 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.

8 Provisions

	Employment-related acquisition liabilities £'000	Total £'000
At 31 January 2018	—	—
Additions	1,275	1,275
At 31 January 2019	**1,275**	**1,275**

Notes forming part of the Company financial statements continued
for the year ended 31 January 2019

9 Deferred tax
Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 January 2017	(52)	67	2	17
Credit/(charge) to income	46	(67)	1	(20)
At 31 January 2018	(6)	—	3	(3)
Credit to income	11	17	22	50
At 31 January 2019	5	17	25	47

10 Share capital and reserves

	2019 £'000	2018 £'000
Authorised, allotted, called up and fully paid		
83,563,988 Ordinary Shares of 2.5p each	**2,089**	1,892

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.

11 Operating leases
As at 31 January 2019, the Company's total future minimum lease rentals are as follows:

	2019		2018	
	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	**1,204**	—	916	—
In two to five years	**5,053**	—	3,664	—
After five years	**1,001**	—	913	—
	7,258	—	5,493	—

Operating leases relate to the rental of office space for the Group in the UK.

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 2019 £'000	Year ended 31 January 2018 £'000	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Agent3 Limited	—	—	**806**	623
Blueshirt Group LLC	—	—	**196**	191

At 31 January the Company had the following intercompany amounts receivable from/(payable to) the subsidiaries below:

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Agent3 Limited	**2,246**	2,020
Blueshirt Group LLC	**9**	(14)

Five-year financial information
for the 12-month period ended 31 January (unaudited)

	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000	Year ended 2017 IFRS £'000	Year ended 2016 IFRS £'000	Year ended 2015 IFRS £'000
Profit and loss					
Billings	**291,037**	243,485	200,745	151,658	126,159
Net revenue	**224,093**	196,811	171,013	129,757	109,194
Staff costs	**153,247**	136,346	126,756	92,721	77,108
Operating profit	**20,677**	17,225	7,914	8,429	(555)
Net finance expense	**(1,917)**	(3,955)	(4,742)	(2,846)	(2,577)
Profit before income tax	**18,825**	13,296	2,900	5,578	(2,864)
Income tax expense	**(4,299)**	(4,000)	(1,232)	(1,116)	1,486
Profit for the year	**14,526**	9,296	1,668	4,462	(1,378)
Non-controlling interests	**639**	664	530	470	589
Profit attributable to owners of the Parent	**13,887**	8,632	1,138	3,992	(1,967)
Balance sheet					
Non-current assets	**155,028**	120,082	107,410	71,430	57,458
Net current assets	**10,792**	15,014	15,243	16,159	8,893
Non-current liabilities	**(54,367)**	(58,775)	(54,156)	(34,798)	(29,149)
Total equity attributable to owners of the Parent	**112,529**	76,964	67,571	52,048	37,974
Non-controlling interests	**(1,076)**	(643)	926	743	(773)
Total equity	**111,453**	76,321	68,497	52,791	37,202
Cash flow					
Profit for the year	**14,526**	9,296	1,668	4,462	(1,378)
Non-cash adjustments and working capital movements	**23,856**	19,569	31,176	11,826	5,600
Net cash generated from operations	**38,382**	28,865	32,844	16,288	17,960
Income tax paid	**(6,237)**	(4,284)	(1,978)	(2,954)	(2,316)
Net cash from operating activities	**32,145**	24,581	30,866	13,334	15,644
Acquisition of subsidiaries net of cash acquired	**(19,281)**	(9,824)	(14,546)	(4,190)	(5,544)
Acquisition of property, plant and equipment	**(5,648)**	(2,974)	(8,284)	(6,411)	(3,225)
Net cash outflow from investing activities	**(37,154)**	(19,399)	(30,592)	(20,158)	(14,842)
Net cash movement in bank borrowings	**(10,922)**	4,484	11,589	2,871	6,300
Dividends paid to owners of the Parent	**(5,243)**	(4,121)	(3,264)	(2,441)	(3,006)
Net cash inflow/(outflow) from financing activities	**645**	(2,034)	6,500	11,459	2,042
(Decrease)/increase in cash for the year	**(4,364)**	3,148	6,774	4,635	2,844
Dividend per share (p)	**7.56**	6.30	5.25	4.2	3.50
Basic earnings per share (p)	**17.5**	11.6	1.6	6.0	(3.23)
Diluted earnings per share (p)	**16.3**	10.5	1.5	5.6	(2.91)
Key performance indicators and other non-statutory measures					
Headline staff costs as a % of net revenue[1]	**65.9**	67.0	67.6	69.3	68.9
Headline EBITDA[2]	**41,733**	34,388	28,964	19,176	14,609
Headline profit before income tax[3]	**36,004**	29,338	24,200	16,092	12,535
Diluted headline earnings per share (p)[4]	**33.1**	27.8	23.4	16.9	13.2
Net debt[5]	**(5,177)**	(11,593)	(11,412)	(6,618)	(8,567)

1 Staff costs excluding restructuring costs and charges associated with equity transactions accounted for as share-based payments. See note 5 of the financial statements.

2 Operating profit before depreciation, amortisation, acquisition-related consideration movements, the impact of fraudulent activity and other non-recurring items.

3 See note 5 of the financial statements.

4 See note 10 of the financial statements.

5 Net debt excludes contingent consideration and share purchase obligations. See note 19 of the financial statements.

Shareholder information

Financial calendar

Preliminary results	
2019 full-year results announcement	2 April 2019
Annual General Meeting	26 June 2019
2020 half-year results announcement	October 2019
Year end	31 January 2020
2020 full-year results announcement	April 2020
Final dividend	
Ex-dividend date	13 June 2019
Record date	14 June 2019
Last date for DRIP election	28 June 2019
Payment of 2019 final dividend	26 July 2019
Interim dividend	
Ex-dividend date	October 2019
Record date	October 2019
Last date for DRIP election	November 2019
Payment of 2020 interim dividend	November 2019

These dates are provisional and may be subject to change.

Annual General Meeting
Please see page 45 for further details.

Managing your shares and shareholder communications
The Company's shareholder register is maintained by its registrar, Link Asset Services. Information on how to manage your shareholdings can be found at www.signalshares.com. Shareholders can contact Link Asset Services 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 Asset Services.

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone from the UK: 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge. 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 Asset Services 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 Asset Services 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 Asset Services. If shareholders would like their final 2019 and future dividends to qualify for the DRIP, completed application forms must be returned to the registrar by 28 June 2019.

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 Asset Services 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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