

The year
everything
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NEXT15

Next Fifteen Communications Group plc

Annual Report 2021

DELIVERING GROWTH

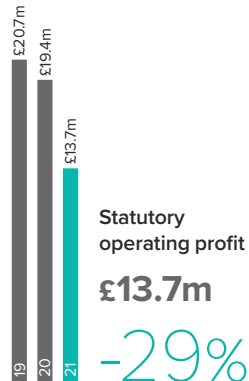
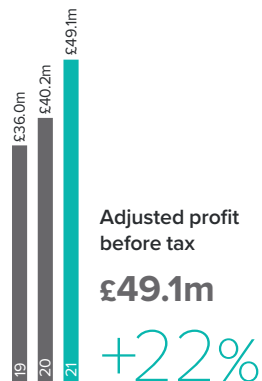
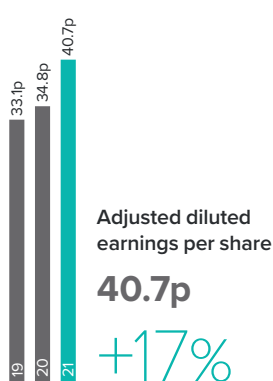
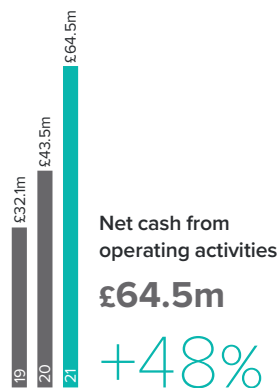
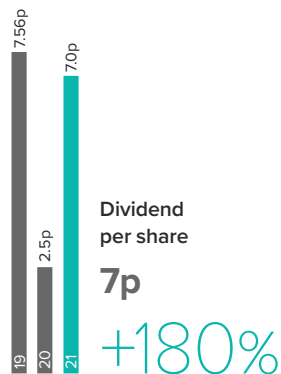
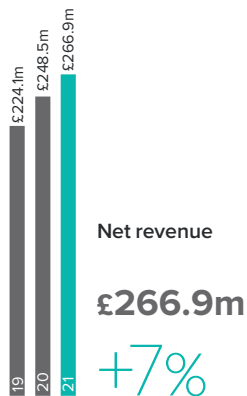
Introduction

2020 wasn't your average year. Everyone's life changed in some way and so it's no surprise that almost all businesses changed as well. If your business wasn't that digital before the pandemic it either is now, or there's a good chance your business doesn't exist anymore. So, the digital economy has become the economy and businesses, like Next 15, that are digitally native have thrived despite all the challenges Covid-19 has thrown at it.

At its core, Next 15 is a group of businesses designed to help companies grow. We do that in four different ways. First, we use data to generate the insights that help businesses understand the opportunities and challenges they face and arm them with the knowledge they need to make the best decisions. Second, we help our customers optimise their brand reputation and build the mission-critical digital assets businesses need to engage with their audiences. Third, we use creativity, data, and analytics to create the connections with customers to drive sales and other forms of customer interaction. Last, we help customers redesign their business model or create new ventures to maximise the value of their organisation.

So, you shouldn't think of us as marketing consultants, you should think of us as growth consultants. And not surprisingly, we think that's a big growth opportunity.

Financial highlights



Adjusted measures are reconciled to the statutory results in notes 2, 5, 10 and 19 to the financial statements.

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About us

We are growth consultants. As such we are obsessed with finding ways to help our customers grow their top line, bottom line, reputation, online following, market share, customer satisfaction and share price. Everything we do is driven by data and embraces technology. We hire the brightest minds to work with the world's best businesses that share our desire to be a great company. To us being great is about a team of diverse talent creating products and services that the world needs and doing it in way that is responsible and equitable. We'd like the world to still be here for a while.

READY,

Our business

The world of consulting has been forever changed by data and technology. These assets are now the core of almost all businesses and how they are used can make or break a company's future. So, a company's growth is no longer just about good product design and customer service with a layer of good marketing. Today it's about using data to predict a customer's needs and wants, it's about using technology to craft the best way to engage with your customer and very often embedding technology in your product or service. As a result, companies across the world are looking for partners that can help them as they navigate the path to being a digital and data driven business. This is where Next 15 comes in.

Our brands and sectors

We have focused our business on the biggest challenges and opportunities our customers face when they look at how to grow. We essentially have four different businesses:

A customer insight business that uses data to help clients see the opportunities that face them and predict their customer behaviour.

Business transformation capability that is designed to help our customers solve any problem that is holding back their ability to become better understood by their audiences. This may mean working to optimise their brand reputation, but it may also be helping them to create entirely novel businesses that reach new audiences.

A customer engagement digital asset design and building business that is creating the ecommerce platforms, apps, and websites that are the window through which the vast majority of most of the world's commerce is now transacted. Designing a customer's digital experience is now crucial to many companies' success.

A customer delivery business. This is last link in the chain and is increasingly a digital link. Businesses want to anticipate what their customers want, when they will want it and so on. It is perhaps not surprising that this is a high growth area for our group.

Next 15 remains ambitious and is committed to expanding the international presence of its existing business and will continue to invest in their growth and the creation of new products and services. We will also look to acquire businesses that strengthen our capabilities in the areas outlined earlier.

Our customers

We work with many of the world's most important companies. This includes Google, Facebook, Amazon, Microsoft, Procter & Gamble, American Express, Salesforce, Pepsi, Genentech and the World Health Organization. The significance of the role we play for them is reflected in the fact that many of these relationships are over a decade long.

SET, GROW

Employees	Offices	Countries
2,077	47	15
2020: 2,183 2019: 1,979	2020: 49 2019: 50	2020: 15 2019: 14



More about our business
next15.com/about-us



More about our brands
next15.com/portfolio

Chair's statement

“In a year like no other, these are excellent results.”

Dear Shareholders,

2020 wasn't a year, it was an era unto itself. It was a time when businesses were tested, retested and then tested again. As the incoming Chair, I'm proud to say that Next 15 passed these tests with flying colours. The net revenues in the year to 31 January 2021 were up 7.4% to £266.9m (2020: £248.5m) and adjusted profit before tax was an impressive 22% higher at £49.1m. On a statutory basis, the group incurred a loss before tax of £1.3m (2020: profit of £5.6m) with an impairment of property driving the year-on-year change. Fully diluted adjusted earnings per share showed growth of 17% to 40.7p and net debt became net cash of £14m. In a year like no other, these are excellent results, especially given it was a year when the Group's businesses went to great lengths to protect its employees' personal safety and wellbeing.

During the year, the Group revisited its strategy to ensure we can deliver on our growth ambitions. In the past we thought about the products and services we sold, such as data, social media content and digital marketing. As we roll out the strategy in the new financial year, our approach is around the problems we solve for customers. Importantly though, we are also focusing the Group's operations around how we help our customers grow. During the pandemic we saw all of our customers wrestle with how to succeed. Some of our technology customers were challenged by how best to help their customers as they had to adapt their business models. Many of our customers, technology or otherwise, wrestled with how to innovate so that they could emerge from the pandemic as a better brand, a better employer, and a better business. All of these are growth challenges. As Tim notes in his statement, we looked hard at where we believed we could help our customers most, which, going forwards, will

see us focus on four segments: customer insight, customer engagement, customer delivery and business transformation. This new approach will not only focus our internal investment but our future acquisition strategy.

Looking to the year ahead, the Board is optimistic about the prospects for the Group, despite the continued impact of Covid-19 on the economy. Covid-19 tested our business model, but it also tested the character of the team that leads Next 15 and the people that work for the Group across the world. As the first effects of the pandemic took hold at the start of the financial year, Tim said that he wanted Next 15 to come out of this year as a stronger business. He and the executive team have worked tirelessly in order to achieve that outcome. They have changed the way we operate, rethinking the offering to customers, how the businesses in the group interact and how we interact with our people. Most importantly, the past year has shown that our people have the character to handle challenges that are thrown at them. This resilience and character displayed by our people doesn't appear on our balance sheet, but it has proven to be an invaluable asset. I would like to thank all the people in the Group for their efforts during the year to deliver these results.

Next 15 is a people-based business and during the course of the year we have accelerated our commitment to running a more sustainable, equitable and diverse organisation that displays leadership in governance and values. I was therefore proud of the Group's decision to repay the £1.4m of furlough scheme support it had received from the UK Government when Covid impacted the world economy last March to September. As we emerge from the pandemic, we will continue to step up our efforts to ensure that Next 15 is a truly inclusive environment,

reflecting the communities in which it operates and gives back to the environment as much as it takes out. With this in mind we are helping our various businesses to embrace the B Corp certification process. This is not a minor undertaking and will take time to complete but it will ensure they adopt a progressive framework that embraces DE&I and planetary goals.


Turning back to this year's results, the Board recognises the importance of the dividend to our shareholders. The decision taken by the Board during 2020 to suspend both the final dividend payment for the year ended 31 January 2020 and the interim dividend for the 2021 half year, was made at a time of considerable global uncertainty and to provide cash flow headroom. We are therefore pleased to be in a position to reinstate the dividend. This follows the strong trading, particularly during the second half of the financial year and results in a recommendation of a dividend of 7p per share which is in line with our dividend policy before the pandemic.

I want to close by thanking my predecessor, Richard Eyre, for all that he has done for Next 15 over the last decade. While he no longer serves on the board, I'm thrilled that he will continue to consult to the Group and share his wisdom. I am taking over the role at a hugely exciting time for the Group. The ambitions and plans the executive team has for the Group should see it continue to expand in interesting and innovative ways.

Penny Ladkin-Brand

Chair
12 April 2021



 **Penny Ladkin-Brand**
Chair



 Tim Dyson



 Peter Harris



 Helen Hunter



 Robyn Perriss



 Mark Sanford

Chief Executive's statement



For this year, Tim Dyson has recorded a review of the year using Google Meet.

To watch and listen to the recording, scan the QR code or go to next15.com/2021/04/29/Tim-Dyson-Next-Fifteen-Communications-Group-plc-annual-report



“We have refocused the Group so that it is set up to achieve the biggest challenge facing all of our customers: growth.”

Dear Shareholders,

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.” These famous opening lines to Charles Dickens' 'A Tale of Two Cities' seem so very apt for the year we have just had. From the perspective of humanity, the destruction caused by the pandemic has been horrible to witness. So, to have prospered as a business leaves one, at times, feeling a little guilty, but prosper we did. Indeed, without appreciating it, we had been building a business that was ready for Covid-19 and the changes this would force on our customers and their businesses.

Being in the right place at the right time wasn't simply luck, but luck has played a part in our success. For example, we were fortunate not to have significant exposure to the travel and leisure industry. We were also fortunate that we didn't have a large live events business. However, it wasn't luck that we managed our businesses well when Covid-19 impacted the world's major economies, and it wasn't luck that we had the digital and tech services, support and expertise that our customers needed to cope during trying times. This is because we have worked hard over the last five years to make our businesses as modern as they could be.

A lot has been written about 'the new normal' being created by Covid-19. In reality, this new world is in so many ways a logical evolution of the old one, it's just that this evolution has

happened at lightning pace. The shift by brands to a more direct relationship with their consumers has been underway for years, fuelled by ecommerce and social media, the two basic platforms needed to make the business model work. However, shifts of this nature are complex moves for large companies. In Covid-times their entire business model, including their supply chains, have had to be changed in months. Some businesses have struggled to make the necessary shifts, but many have taken the challenges in their stride. This has thrust innovation onto the agenda of business leaders throughout the world. But innovation isn't just a task, it's a way of being and as such has changed the way companies are designed and behave. As businesses have changed, the need for strategic partners who can move at speed has never been clearer. Enter Next 15.

While our customers have been changing, so have we. For example, going forward we have refocused the Group for the next financial year so that it is set up to solve the biggest challenge facing all of our customers: growth. There are lots of ways we could help our customers grow, but we believe we have a unique advantage in four areas:

- Customer Insight
- Customer Engagement
- Customer Delivery
- Business Transformation

Our customer insights business is set up to help customers understand the situations they face and arm them with the knowledge they need to make the best decisions. Our customer engagement business is designed to help our customers optimise their brand reputation, build the mission-digital assets such as ecommerce platforms, apps and websites that are the window through which much of the world's commerce is now transacted. Customer delivery businesses are deeply specialised to use creativity, data and analytics to create the connections with customers to drive sales and other forms of interaction.

This link in the chain is increasingly digital. Businesses want to anticipate what their customers want and when they will want it. It is perhaps not surprising that this is a high growth area for our group. The last area is business transformation. This is where customers need our help to either redesign their business model or create entirely new ventures. It is also the area where they need our help to understand how to maximise the value of the organisation.

As we focus on our future it is good to see that the investments the Group has made in recent years to modernise its business model are delivering strong returns. The growth in the last year seen in businesses such as Agent3 and Activate, and the contribution being made by new additions such as Mach49 should give shareholders a great deal of comfort in both the strategy being pursued and the ability to execute on that strategy.

The other big change for our business during the pandemic has been an acceleration of our commitment to being values driven. We have long believed that our corporate culture was a vital asset. What Covid-19 and the Black Lives Matter movement brought into focus was the importance to our people, and our customers, of living our values and actively committing to continual improvement. We have also heard from a number of shareholders that they want to us show a clearer commitment to being leaders on Environmental, Social and Corporate Governance (ESG) issues. I should stress that our commitments in this area are and will continue to be significant. We are establishing climate impact goals and are working towards carbon neutrality. We have committed to specific goals regarding diversity, equity and inclusion. We are also committed to progressive governance that enables shareholders to have greater transparency and therefore confidence in the decisions we make about the running of our business. This is why we decided earlier this year to repay the £1.4m we had received from the UK government to furlough staff at the height of the crisis. It was clear to us that the furlough scheme was designed for companies that were struggling to survive, not ones like ours that were thriving. We felt that repaying this money was the right thing to do.

The resilient performance of the Group in the last year has put the business in a great position to capitalise on the significant growth opportunities we see in the year ahead, if we continue to execute well. Whilst we do expect our operating costs to increase a small amount as people return to a more normal way of working, we expect to be able to deliver good organic growth which should contribute to progression at the top and bottom line.

Current trading and outlook

Whilst Covid-19 continues to impact the global economy, we remain optimistic about trading two months into our new financial year. The strength of our customer base, coupled with the increasingly digital and data-driven nature of our product offering, continue to position us well to capitalise on opportunities as the economy continues to adapt to and ultimately emerge from the pandemic. Unsurprisingly therefore, new business activity has remained strong and we have expanded briefs from a number of clients including Salesforce, IBM and Amazon. We have every confidence in a bright future for Next 15 and in creating further value for our shareholders and the Board remains confident of achieving management's expectations. The resumption of the payment of dividends following our AGM in June 2021 is a sign of our confidence in the future performance of the Group.

I don't know any business leader that would like to re-live the last year, but I'm proud to say that the pandemic brought out the best in the people that work at Next 15. I'm acutely aware of how hard the teams have worked in these challenging circumstances, but I couldn't be prouder of where that work has taken us. Next 15 was a great business before the pandemic. It is now an even better business and for that I thank our teams from the bottom of my heart.

Tim Dyson
Chief Executive Officer
12 April 2021

BUSINESSES = DIGITAL

Our business model

Our mission is to become the world's leading growth consultancy. For Next 15, growth consulting isn't just about growth in sales and profitability. It is growth in reputation, talent and product market share. It's growth in valuation, innovation and talent retention. Growth is a complex problem, and it needs a sophisticated solution.

Businesses are increasingly one large digital entity. Supply chains, manufacturing, service delivery, product development, customer engagement and support - these are increasingly

digital processes. They are also no longer completely discrete. A problem or opportunity in one area is now connected to everything else. The ability of consultants to view businesses through this digital lens is crucial. But the overriding challenge facing every aspect of consulting is how we enable growth (in every sense of the word).

Business requires partners that can knit together insight, creative, business design, digital build and customer engagement under one roof. That is what Next 15 is building.



Our strategy

1
To build a portfolio of businesses who are best-in-class experts in every aspect of growth, and who can work collectively to solve the most challenging problems for the world's biggest companies.

2
To use our growth expertise internally to create an environment in which highly talented teams can deliver their best work. An environment that attracts ambitious entrepreneurs to have their ambitions accelerated and exceptional talent to grow their careers and experience.

3
To set the standard in being good corporate citizens in the way that we care for our people, environment and the communities we are part of, whilst influencing our customers to do the right thing wherever we can.

How we create value

Principles

Customer insights

Data and analytics, and the insights they reveal, are increasingly embedded across the Group; we actively foster innovation and the development of products and tools in our businesses so that we can do (and prove that we do) the best possible work for clients. Our continued, significant investment in data-driven growth consulting is at the heart of our ability to help clients solve problems, innovate and spot new opportunities.

Customer engagement

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

Customer delivery

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

Business transformation

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

Technology

Every business is now, to a greater or lesser extent, a technology business. To be the world's leading growth consultancy we must be able to seamlessly combine the best technology, communications, product and brand thinking to solve our customers' problems. We are experts in applying technology to real-world challenges, whether rapidly prototyping new products, harnessing the power of social and commerce platforms or creating entirely new businesses for our clients.

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, collaborate rather than compete, and have strong leadership teams empowered to pursue their 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 company. It means we trust entrepreneurial talent to drive their own businesses and consult with us, but we do not tell them what to do.

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 has been around strengthening our UK and US businesses as we believe our position in these markets continues to provide the greatest opportunity for our long-term success.

Diversity and inclusion

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

Environment

We are in a privileged position to influence our clients and their customers. We intend to use that position to help champion positive change on sustainability and our environment. We will do this in three ways:

- use the internationally recognised B Corp framework to ensure we continue to be the best corporate citizen we can possibly be;
- influence customers to make sustainable choices whenever we do work for them; and
- create new products and services that help our customers rethink their business for the challenges and opportunities ahead.

Customers

Next 15 is careful about choosing which companies it works with. It believes its success will be driven by working with future facing, purpose-driven customers that share our values. This means working with management teams that seek beneficial levels of growth that exceed the norm and create businesses that have a positive social and environmental impact. By selecting customers that share our ambition and our values we believe we can deliver meaningful work that has lasting impact.

Next 15 already works with many of the world's best companies and organisations. Much of our future growth can be derived from better integration of customer campaigns across the Group. This will enable us to deliver better solutions to our customers while increasing revenues.

Productisation

As we embrace more data and technology, we also need to drive increased productisation across our business. This will, in turn, create new, more predictable revenue streams and decrease dependence on people/hourly billing.

Financial review



“The Group ended up producing a very strong trading performance despite the very uncertain trading environment brought on by the Covid-19 pandemic.”

A year of strong growth in a tough trading environment

The Group ended up producing a very strong trading performance despite the very uncertain trading environment brought on by the Covid-19 pandemic. The Group was helped by the fact that we had limited exposure to the heavily impacted sectors of leisure, travel, retail and hospitality, and we are not involved in the live events, traditional media buying or sports marketing sectors, which have suffered materially over the last twelve months. Approximately 60% of our revenue is derived from the tech sector and our B2B marketing agencies, which are focused on driving revenue for their clients, excelled in the uncertain economic environment whilst our B2C agencies recovered well after initial Covid-19 related client deferrals.

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 2021, compared with the 12 months to 31 January 2020, in particular the net revenue performance, adjusted operating profit and adjusted diluted earnings per share.

The Directors consider these adjusted measures to be highly relevant as they reflect the performance of the business and align with how shareholders value the business. They also allow understandable like for like year on year comparisons and more closely correlate with the cash and working capital position of the Group.

	Year to 31 January 2021 £m	Year to 31 January 2020 £m	Growth/(decline) %
Adjusted results			
Net revenue	266.9	248.5	7%
Operating profit after interest on finance lease liabilities	49.5	40.9	21%
Operating profit margin ¹	18.5%	16.4%	
Profit before income tax	49.1	40.2	22%
Diluted earnings per share	40.7p	34.8p	17%
Statutory results			
Revenue	323.7	300.7	8%
Operating profit	13.7	19.4	(29)%
(Loss)/profit before income tax	(1.3)	5.6	(123)%
Net cash generated from operations	72.9	49.5	47%
Diluted earnings per share	(5.3)p	2.5	(312)%

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

Adjusted results represent the statutory performance, adjusted to exclude amortisation, restructuring charges, brand equity incentive schemes, movements in acquisition-related consideration, employment related acquisition payments, property related impairments and certain other items. They are reconciled to the statutory results in notes 2, 5 and 10 to the financial statements and within the table on the next page.



More information

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Financial review continued

A year of strong growth in a tough trading environment continued

The Group also presents net revenue which is calculated as statutory revenue less direct costs as shown on the consolidated income statement and is more closely aligned to the fees the Group earns for their product and services.

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

While adjusted operating profit increased by 21% to £49.5m (2020: £40.9m), reflecting the strong trading of the Group, the statutory operating profit declined by 29% to £13.7m (2020: £19.4m). The statutory operating profit decline year on year is primarily due to the one-off property related impairment charge of £10m discussed in further detail below. Diluted loss per share was 5.3p, compared with earnings per share of 2.5p in the previous year.

Review of adjusted results to 31 January 2021

Group profit and loss account

The last 12 months have been dominated by the impact of the Covid-19 pandemic. When the seriousness of the situation became apparent in March 2020, we quickly took decisive actions to preserve the profitability of our businesses and our cash reserves by reducing our staff cost base in line with our expectations for reductions in revenue. We also looked at our property portfolio and determined that with the changing nature of the working environment, we could significantly reduce our global property footprint with the medium-term ambition of reducing our annual property costs by approximately £5m. We saw organic declines in revenue by quarter of 4% in Q1, 8% in Q2, before recovering to down 3% in Q3 and

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2021 £m	Year to 31 January 2020 £m
Statutory operating profit	13.7	19.4
Interest on lease liabilities	(1.4)	(1.6)
Share-based payment charge	2.4	0.4
Employment-related acquisition payments	8.0	5.0
Deal costs	0.4	1.0
Costs associated with restructuring	2.8	4.6
Property impairment	10.0	—
UK Furlough	(1.4)	—
Amortisation of acquired intangibles	15.0	12.1
Adjusted operating profit after interest on finance lease liabilities	49.5	40.9

Adjusted results represent the statutory 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.

up 2% in Q4. Our B2B agencies proved resilient throughout the year, whilst our B2C agencies saw a strong recovery in the second half as consumer confidence returned.

Our total group net revenues increased by 7%, but declined by 3%¹ on an organic basis, whilst our pro-active approach to managing our cost base resulted in an increase in the adjusted operating profit margin to a record 18.5% from 16.4% in the prior year. Our B2B agencies including Twogether, Agent3 and Activate performed very strongly whilst our B2C agencies including Savanta and M Booth agencies recovered strongly in the final quarter after being significantly impacted by the pandemic in the first half.

As shown in the table above, we incurred £2.4m of share-based payment charges on new growth shares for M Booth, Savanta, Twogether, and ODD, and £8.0m in relation to employment-related acquisition payments. We incurred £0.4m of deal costs in relation to acquisitions. Amortisation of acquired intangibles was £15.0m in the period. We made

an impairment of £10m against the carrying value of our property right of use assets and leasehold improvements. We incurred £2.8m of restructuring costs primarily in relation to our reaction to the Covid-19 pandemic. These were principally staff reductions.

Taxation

The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2021 was at a rate of 20.2% (2020: 20.0%), compared to the statutory rate of negative 202% (refer to note 8). The adjusted effective tax rate was marginally higher than the rate achieved in the previous period as we saw a strong performance from our US based agencies, where the rate of corporation tax is typically higher than in the UK.

The Group notes that Governments around the world are likely to increase their rates of corporation tax materially over the next few years to help pay for the cost of economic support in

light of the pandemic. Therefore it is likely that the Group's adjusted effective rate of tax will increase materially over the next few years reflecting these increases. 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. The Board takes a low risk attitude to tax compliance and endeavours to pay the appropriate level of tax in all markets the Group operates in.

Earnings

Diluted adjusted earnings per share has increased by 17% to 40.7p for the year to 31 January 2021 compared with 34.8p achieved in the prior year, as a result of the improved profitability on an adjusted basis.

Segmental review

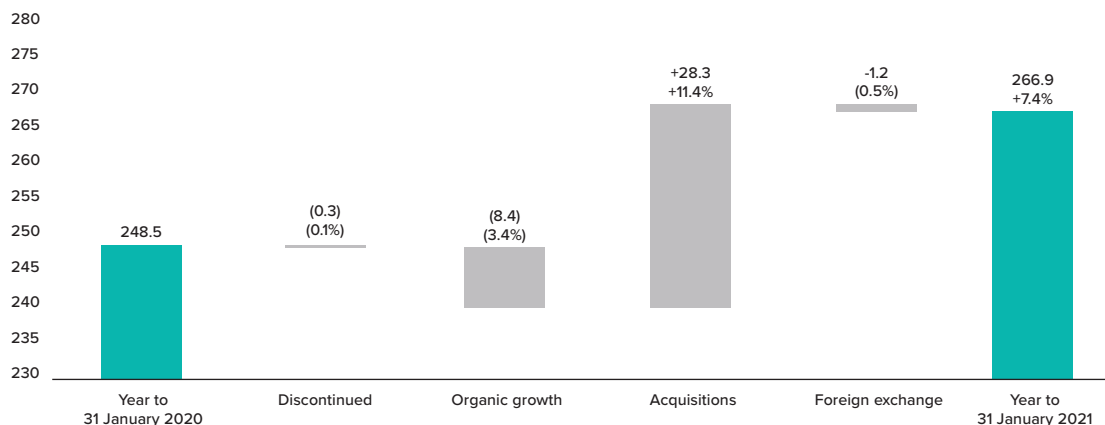
In order to assist shareholders' understanding of the key growth drivers of the Group, we have included an analysis of the results by the operational segments we used to monitor the performance of the business for the year ended 31 January 2021. The three operational segments were Brand Marketing, Data and Analytics and Creative Technology.

As reported in the Chief Executive's statement, the Group is adopting an updated strategy, whereby the Group plans to deliver growth consulting activities delivered through four segments, namely, Customer Insight, Customer Engagement, Customer Delivery and Business Transformation. We will be reporting against these segments going forward.

Brand Marketing

This segment includes Archetype, Outcast, Nectar, Publitek, which are our B2B tech focused agencies. M Booth, our B2C focused agency and Blueshirt, our IPO advisory agency. The B2B agencies performed well, whilst M Booth recovered in the second half after a Covid-impacted first half as clients deferred spend.

Net revenue bridge (£m)



Segmental review

	Brand Marketing £'000	Data and Analytics £'000	Creative Technology £'000	Head office £'000	Total £'000
Year ended 31 January 2021					
Net revenue	140,530	48,447	77,909	—	266,886
Organic revenue (decline)/growth ¹	(5.5)%	8.2%	(6.0)%	—	(3.4)%
Adjusted operating profit/(loss) after interest on lease liabilities ²	34,573	13,254	13,053	(11,394)	49,486
Adjusted operating profit margin ²	24.6%	27.4%	16.8%	—	18.5%
Year ended 31 January 2020					
Net revenue	135,036	45,054	68,379	—	248,469
Organic revenue (decline)/growth ¹	(5.7)%	19.3%	(2.1)%	—	(2.0)%
Adjusted operating profit/(loss) after interest on lease liabilities ²	29,930	12,697	7,774	(9,541)	40,860
Adjusted operating profit margin ²	22.2%	28.2%	11.4%	—	16.4%

¹ Organic growth is the constant currency growth for the 12 months to 31 January 2021 compared to the 12 months to 31 January 2020, excluding the impact of acquisitions until they have been in the Group for more than one year.

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

Financial review continued

Segmental review continued

Brand Marketing continued

Blueshirt had a very strong year on the back of the US tech IPO market. Total net revenue increased by 4% to £140.5m with an organic decline of 5.5% but the adjusted operating profit increased by 15.5% to £34.6m at an improved adjusted operating margin of 24.6%.

Data and Analytics

This segment includes Savanta, our market research agency, Activate, our lead generation agency and Planning-inc, our data platform agency. Activate produced an outstanding performance throughout the year whilst Savanta and Planning-inc each showed a strong recovery in the second half of our financial year on the back of a recovery in consumer confidence. The segment produced a positive performance overall with net revenue growing by 7% to £48.4m with pleasing organic growth of 8.2% and delivered an operating profit of £13.3m at an adjusted operating margin of 27.4%.

Creative Technology

This segment includes our ODD, Elvis, Brandwidth, Beyond, Twogether, Conversion Rate Experts, Palladium, Mach49, Agent3 and Velocity agencies. Conversion Rate Experts and Mach49 were acquired during the year. Overall, the segment delivered net revenue growth of 14% to £77.9m with an organic net revenue decline of 6%. The adjusted operating profit increased by 68% to £13.1m at an improved operating profit margin of 16.8%.

Geographical review

US

Our US businesses have proved resilient and continued to perform well, despite the challenges of the pandemic. In the year to 31 January 2021, total US net revenues grew by 8.5% to £138.4m from £127.6m which equated to an organic

decline of 0.8%, taking account of movements in exchange rates, and the acquisitions of Nectar, M Booth Health and Mach49. Organic growth was impacted by the pandemic, but our lead generation agency, Activate, had a very strong performance throughout the year, whilst our B2C agency M Booth recovered in the second half after initially suffering client deferrals as a result of the pandemic. We also took decisive action on the cost base with staff reductions and a property re-organisation in our key markets of New York and San Francisco. The adjusted operating profit from our US businesses increased by 29.2% to £34.1m compared with £26.4m in the previous 12 months to 31 January 2020, with the operating margin increasing to 24.7% from 20.7% in the prior year.

UK

The UK businesses have delivered a resilient performance over the last 12 months, with net revenue increasing by 9.1% to £106.2m from £97.4m in the prior period. This growth was helped by the acquisition of Conversion Rate Experts and

the acquisitions of Future Thinking and ComRes into our Savanta business. Our UK businesses suffered an organic revenue decline of 6.4%, with a recovery in the fourth quarter as consumer confidence recovered. The adjusted operating profit increased to £22.4m from £20.1m in the prior year with the adjusted operating margin increasing to 21.1% from 20.6% in the prior year.

EMEA

The EMEA business delivered a solid trading performance. Net revenue decreased by 2% to £8.6m (2020: £8.8m) and adjusted operating profit increased to £2.0m at an improved adjusted operating margin of 23.2%, due to very tight cost control.

APAC

Net revenue decreased by 7% to £13.6m (2020: £14.7m), however the operating margin increased to 17.1% from 15.6% in the prior period and the operating profit remained at a very credible £2.3m.

Year ended 31 January 2021	UK £'000	EMEA £'000	USA £'000	APAC £'000	Head office £'000	Total £'000
Net revenue	106,247	8,610	138,383	13,646	—	266,886
Organic net revenue growth ¹	(6.4)%	(4.7)%	(0.8)%	(5.5)%	—	(3.4)%
Adjusted operating profit after interest on finance lease liabilities ²	22,402	1,997	34,150	2,331	(11,394)	49,486
Adjusted operating margin ²	21.1%	23.2%	24.7%	17.1%	—	18.5%
Year ended 31 January 2020						
Net revenue	97,377	8,820	127,563	14,709	—	248,469
Organic net revenue growth ¹	0.3%	0.4%	(4.6)%	4.8%	—	(2.0)%
Adjusted operating profit after interest on finance lease liabilities ²	20,094	1,587	26,421	2,299	(9,541)	40,860
Adjusted operating margin ²	20.6%	18.0%	20.7%	15.6%	—	16.4%

1 Organic growth is the constant currency growth for the 12 months to 31 January 2021 compared to the 12 months to 31 January 2020, excluding the impact of acquisitions until they have been in the Group for more than one year.

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

Cash flow

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2021 increased to £66.4m from £52.8m in the prior period. Our management of working capital improved with a significant inflow from working capital. This resulted in our net cash generated from operations being £72.9m (2020: £49.5m). Income taxes paid increased to £8.4m from £6.0m.

Due to the pandemic we decided to cancel the dividends which we would have normally paid to Next 15 shareholders in the year. But with the stronger than expected financial performance for the year to January 2021, we have announced a return to the payment of a final dividend for the year to 31 January 2021 of 7p per share. Net interest paid to the Group's banks was approximately £0.8m (2020: £0.9m).

Government support

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

Balance sheet

The Group's balance sheet remains in a very healthy position with net cash as at 31 January 2021 of £14.0m (2020: net debt of £9.3m).

Cash flow KPIs

	Year to 31 January 2021 £m	Year to 31 January 2020 £m
Net cash inflow from operating activities	66.4	52.8
Changes in working capital	6.6	(3.3)
Net cash generated from operations	72.9	49.5
Income tax paid	(8.4)	(6.0)
Investing activities	(27.0)	(28.3)
Dividend paid to shareholders	—	(6.8)
Net cash/(debt)	14.0	(9.3)
Net (decrease)/increase in bank borrowings	(24.9)	13.0

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 (2020: \$7m) which is available for property rental guarantees and US-based working capital needs.

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

Peter Harris

Chief Financial Officer
12 April 2021

How we manage our risks

“The effective management of risk is critical to supporting the delivery of the Group’s strategic objectives.”

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

Risk management

The focus of the Risk Management Framework is the annual risk assessment which takes place at an operating company level performed by brand management, and by Next 15 senior leaders for the Group-wide risks. The outcome of this bottom-up / top-down assessment is presented to the Board for review and challenge. The risk management activities are aligned with the risk appetite of the Group, as determined by the Board.

Day to day risk management and control is the responsibility of the Group Executive Team, with Board oversight, and is designed to ensure that Group management provide direction and leadership to the brands so that they can operate in accordance with the Group’s risk appetite. As part of this the Group develop and provide the brands with the policies and processes to enable them to manage risk. The internal audit team assesses our risks and controls independently and objectively.

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 controls 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. It also provides 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 Internal Audit function provides assurance over the Group’s control environment. The results of internal audit activities are reported to the Audit Committee at each Audit Committee meeting and the risk-based internal audit plan updated as required to respond to the risks faced by the Group.

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 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 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 risks outlined below are those that the executive Directors and the Board believe are the principal and material risks of the Group. 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		
<p>Coronavirus (Covid-19) Covid-19 has created an unprecedented global emergency, the effects of which will have a lasting impact on both people and economies alike.</p> <p>The extent of the risk and the length of time the economic impact will remain is uncertain. However, as a technology-centred business, we have been able to respond quickly to protect our employees, customers and the business.</p> <p>The Group has been impacted by some spending cuts by its clients in impacted sectors such as hospitality and travel. However, the Group has been protected through the majority of its customers being business to business technology customers.</p>	<p>We have implemented our business continuity plan and have adopted working practices that, while different, have worked to minimise the disruption on our business-as-usual operations.</p> <p>The Group took reasonable precautions through monitoring working capital, cash flow and our sales pipeline. The Group furloughed a number of employees during the year, and pay reductions were taken by the Board and senior leadership across the Group. The situation, while disruptive, has also presented opportunities for challenging the way we work and ensuring that we innovate to continue to best serve our customer's need in a post-Covid environment.</p> <p>We will continue to monitor the situation and are ready to take further action if needed.</p>	
<p>Macroeconomic uncertainty The macroeconomic environment continues to be volatile as a result of key drivers. Examples being uncertainties caused by Brexit in the UK and the Covid-19 pandemic.</p> <p>Seen as more discretionary when compared to other operating costs, marketing and innovation budgets have historically been reduced by clients during weakened economic and financial conditions. The risk of client loss or reduction in marketing budgets is therefore increased in times of macroeconomic uncertainty or change.</p>	<p>The impact of this is dependent on sector focus and often brands which lack diversification are more exposed to macroeconomic risk. 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.</p>	
<p>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, systems failure or absence of significant personnel.</p>	<p>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. These have proven effective during the coronavirus crisis.</p> <p>In addition, the Group has insurance cover in place to mitigate against business disruption.</p>	

Principal risks and uncertainties continued

Risk description	Mitigating actions	Change in risk
Operational risk continued		
<p>Data protection and privacy</p> <p>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.</p> <p>The introduction of the California Consumer Privacy Act (“CCPA”) further increases the regulatory rigour that the Group faces.</p> <p>There is a risk that if the Group has not implemented suitable procedures and updated relevant business processes, it may inadvertently breach its regulatory and contractual obligations leading to fines, client delays and reputational damage.</p>	<p>Our response to data protection and privacy is intrinsically linked with our information security programme, including the maintenance of Group-wide policies. This framework provides a strong platform from which to preserve the integrity of business information and ensure compliance with local legal requirements.</p> <p>Next 15 employed a new Chief Technology Officer in December 2020. He is now leading a team which is reviewing the current Group-wide compliance with data protection legislation, and putting in place guidance, training and processes for compliance.</p>	↑
<p>System access and security</p> <p>The Group notes the ongoing threat of third parties attempting to exploit weaknesses in the technological infrastructure and SaaS services of different companies.</p> <p>Inadequate security controls to protect against these threats could lead to business disruption, reputational damage and loss of assets.</p>	<p>The ongoing development and maturation of our Information Security Management System, including the continued investment in endpoint security and threat intelligence, has greatly increased our ability to monitor and respond to cyber-related threats.</p> <p>Our people are also required to undertake ongoing training to maintain their awareness and understanding of information security.</p>	→
<p>People and talent – retention and recruitment</p> <p>Our people are our most important asset.</p> <p>The Group relies on highly skilled employees, who are vital to its success in building and maintaining client relationships and winning new work. We are also heavily reliant on the leaders of the underlying businesses and losing one of those individuals could be particularly detrimental.</p> <p>An active succession planning and talent management strategy is important to ensure that we are not vulnerable to business disruption from the loss of key personnel.</p> <p>An ambitious growth strategy also means the skills and capabilities of existing team members may not be suitable as our businesses grow. Challenging the nature and breadth of roles being undertaken by key people is critical for ensuring the sustainability of our success.</p>	<p>Our approach to recruitment is to hire best-in-class talent and remunerate them accordingly.</p> <p>Next 15 understands that the expectations on employers and what employees “want” from a job is changing and a failure to evolve may result in a loss of key talent or a lack of experienced talent filtering up the business. We are therefore committed to helping develop our staff and helping carve out a career within the wider group if so desired.</p> <p>The Group carries out succession planning and provides promotion opportunities as well as operating both short-term and long-term incentive plans to motivate and retain key individuals.</p>	→
<p>Compliance with laws and regulations</p> <p>The Group operates in a large number of jurisdictions and, as a consequence, is subject to a range of regulations.</p> <p>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.</p>	<p>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.</p> <p>The Group has an in-house tax function to ensure compliance with tax legislation globally, which consults with external advisers.</p> <p>Furthermore, consideration of regulatory compliance is included in the assurance programme led by the Internal Audit function.</p>	→

Risk description	Mitigating actions	Change in risk
Strategic risk		
<p>Reliance on key clients</p> <p>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 particular brand involved.</p> <p>Our top ten largest clients accounted for ~22% of revenues this year. The loss of a major client would create significant pressure if not replaced by new accounts or an increase in business from existing clients.</p>	<p>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.</p> <p>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.</p>	↓
<p>Failure to evolve service offering</p> <p>The Group continues to innovate and invest to develop market-leading offerings to our 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.</p> <p>There is a risk to our ongoing growth and market position if we don't respond to the pace of change and be at the forefront of technological solutions to stay ahead of the competition.</p>	<p>The Group follows a strategy of focusing acquisitions on technology-driven marketing agencies. It also encourages all the brands to have data and technology at the centre of their business.</p> <p>The Group continues to diversify its service offering, both organically and through acquisition, to provide world-class marketing, data and analytics, creative consulting and innovative consulting services.</p>	↑
<p>Remuneration and incentive schemes</p> <p>The Group operates numerous earn-out mechanisms 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.</p> <p>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 encourage the wrong behaviour or do not appropriately incentivise our key staff.</p>	<p>The group has a defined framework from which all new incentive schemes are developed. The framework creates standardisation and sets a minimum expectation for all our leaders.</p> <p>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.</p>	→
<p>Acquisitions – Choice of acquisition targets and delivery of expected growth</p> <p>The Group's growth strategy has always centred around investing in talent and the acquisition of businesses which broaden and enhance existing business operations. 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.</p> <p>Integration of new acquisitions, particularly when they are being bolted onto an existing business, can be challenging and time consuming. There is a risk that the integration distracts the acquiring business, or capacity issues limits the enhancement of synergies resulting in the growth identified during due diligence remaining uncappeditalised.</p>	<p>The Board is very careful when selecting potential acquisition partners and we spend a significant amount of time upfront to make sure the individuals are a good fit for the Group.</p> <p>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.</p> <p>Internal Audit works with newly acquired businesses to ensure that they are integrated into the Group's control environment.</p>	→

Principal risks and uncertainties continued

Risk description	Mitigating actions	Change in risk
Strategic risk continued		
<p>Sustainable practices</p> <p>It is a moral and commercial necessity that our business ensures society and the environment is enriched, not degraded, by our operations, even more so in the context of the current environmental crisis and societal inequality. Without demonstrable action, there is risk that we will struggle to retain and recruit talent, as well as retain and win clients who are committed to sustainable business practices and innovation.</p>	<p>The marketing sector has an important role to play in engaging and influencing businesses to innovate and consumers to choose the sustainable products they create.</p> <p>We are actively developing a sustainability strategy which considers the holistic impact of our operations. A number of actions are in progress including (but not limited to): an assessment of our own environmental footprint with a view to adopting climate metric reporting; a review of our active client and supplier base; and standardisation of policies and procedures.</p>	↑
Financial risk		
<p>Fraud and misreporting</p> <p>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.</p> <p>The risk of misappropriation 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.</p>	<p>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.</p> <p>The consolidation of the Group's banking facility under HSBC gives the Group greater control and visibility over its cash balances.</p> <p>It is mandated that all of the businesses have to adopt the Group's finance, tax and banking systems, which provides the head office team with a lot of oversight of the day to day transactions within the Group's operations.</p> <p>The annual External Audit also provides comfort.</p>	→
<p>Currency risk</p> <p>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.</p> <p>As a result, the Group's reported profits and asset values are impacted by any fluctuation of Sterling relative to other currencies, particularly the US Dollar. The Group may also suffer restrictions on the ability to repatriate cash, particularly for our operations in India and China.</p>	<p>Most of the Group's revenue is matched by costs arising in the same currency. Foreign exchange exposure is continually monitored, and net investment hedges are used where appropriate for significant foreign currency investments.</p> <p>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.</p> <p>Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.</p>	→

Tim Dyson
Chief Executive Officer

Section 172(f) statement

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

The corporate governance report on p26 to 35 as well as the chairman's corporate governance statement available at www.next15.com set out how the Directors have engaged with the Group's shareholders, employees and wider workforce, customers, suppliers and wider communities and the environment. On p33 we explain how the Board has set the Group's culture to ensure that decisions are taken in line with the Group's values and objectives.

The principal long-term risks to the Group are set out as Strategic Risks on p16 to 20, and the mitigating actions explained on those pages set how the Directors consider those risks and the resulting actions taken.

The following examples demonstrate how the Directors had regard to the respective elements of section 172 in discharging their duties:

The likely consequences of any decision in the long term

Further information can be found on pages 8 and 9

The Board takes a long-term approach to developing its strategy taking into account for instance the impact of technology, changes in customer behaviour, client needs and other external factors. In implementing that strategy, the acquisition of Mach49, LLC. was a step towards the Board's strategic objective of building a material scale innovation division. Other relevant principal decisions during the year include decisions in respect of cancelling the Group's final and interim dividends, repaying the UK support provided by the UK Government furlough scheme, the introduction of a new annual 3-point planning process for our brands, continued investment in the Group's cyber security infrastructure and a radical restructure of our global property portfolio. Assisted by the executive and the Company Secretary, the Board continuously engages with the business on the decision-making process and how their decisions impact the Company's key stakeholders.

The interests of the Company's employees

Further information can be found on pages 30 to 34

Next 15 is all about people. We maintain that our success is fundamentally driven by the talent and effort of our workforce. The Board recognises that the interaction between the Board, and senior management of Next 15 and our Brands, is crucial to maintaining the welfare of our people and ultimately our future success. The pandemic presented unique challenges to our Brands so the executive initiated weekly meetings with the Brand CEOs to provide guidance and support, especially when having to make difficult decisions concerning our people. Tim Dyson continues to hold regular meetings with the Brand CEOs and in turn, each CEO is encouraged to engage fully with their staff. A fortnightly CEO town hall is now run where Tim Dyson updates the CEO's on group initiatives. This forum also provides an opportunity to share knowledge across the group and drive collaboration. During the year we have worked on producing an employee handbook which is being launched to all Brands via a new learning and development platform. The whole Board met with the Group's senior leadership in October 2020, taking part in three days of workshops where the Board engaged in a dialogue with management around their and their staff's feedback, with particular focus on support and resilience during the Covid-19 era. During the year the Board initiated an audit of the Diversity, Equity and Inclusion status of all brands within the group to establish baseline data and inform our action plans.

The need to foster the company's business relationships with suppliers, customers and others

Further information can be found on pages 30 to 34

Our business relies on good relationships with clients, suppliers and other stakeholders. The Board is regularly briefed on key developments across our Brands, including on new and existing client relationships. Client due diligence is a key part of our acquisition process when evaluating potential acquisition targets and results are made available to the Board. 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. 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. An ethics group drawn from our CEOs has been established to help us put these values into action in terms of the way we work and the clients we work with.

Section 172(1) statement continued

The impact of the company's operations on the community and the environment

Further information can be found on pages 30 to 31

We continue to increase the focus on our impact on the environment. We are actively developing a sustainability strategy which considers the holistic impact of our operations and using the framework set out by the B Corp movement to help us do so. As a result, a number of actions are in progress including (but not limited to): engagement of specialist support to measure our environmental footprint, setting out new baseline policies for how we look after our staff and the creation of a cross-group Diversity, Equity and Inclusion council with representation at all staff levels. The Group's approach to environmental and social impact matters is set out on pages 30 to 31.

The desirability of the company maintaining a reputation for high standards of business conduct

Further information can be found on pages 30 to 34

We continue to have a corporate culture based on entrepreneurial spirit and personal responsibility. Businesses within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility. We continue to prioritise Head Office as enablers and consultants to our Brands, however, the weekly calls initiated by the executive have proven invaluable in increasing oversight into, and informing, business processes and strategy. The Board and its Committees are ultimately responsible for setting high standards for ethical behaviour which is implemented, reviewed and monitored by the Head Office team. Processes are in place to ensure the Group complies with applicable laws and regulation. During the year, as part of the project to launch the revised employee handbook, an extensive review of policy has begun, which we aim to conclude in 2021. Appropriate policies and procedures are in place to ensure the Group complies with relevant legislation and regulations.

The need to act fairly as between members of the company

Further information can be found on pages 32 and 33

The Board recognises the critical importance of open dialogue and fair consideration of the Company's members. We communicate with our shareholders through our annual report and accounts, full-year and half-year results announcements, trading updates, AGMs, face-to-face meetings and investor days. In early 2021 we engaged directly with our institutional shareholders concerning proposed changes to executive and non-executive remuneration following an extensive benchmarking exercise undertaken by our remuneration consultants, Korn Ferry. More information on our engagement with shareholders is set out pages 32 and 33.

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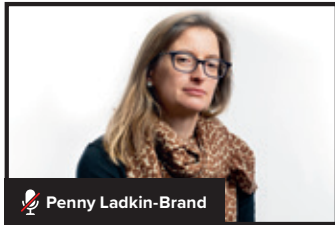
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Board of Directors and Company Secretary



Penny Ladkin-Brand

Penny Ladkin-Brand Chair

A R

Appointed July 2017

Penny is Non-Executive Chair and a member of the Audit and Remuneration Committees.

Penny joined Next 15 as a Non-Executive Director and chair of the Audit Committee. In April 2020 she was also appointed as Senior Independent Director and from February 2021 became Chair of the Board.

Skills and experience

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



Tim Dyson

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 California. Tim oversaw the flotation of the Company on the London Stock Exchange and has managed a string of successful acquisitions by the Group including The Outcast Agency, M Booth, Activate and The Blueshirt Group in the US as well as Morar (now Savanta), Elvis, Velocity, Planning-inc and Publitek in the UK.

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

Peter Harris Chief Financial Officer

Appointed March 2014

Peter joined Next 15 as its Chief Financial Officer in November 2013 and was appointed as an Executive Director in March 2014.

Skills and experience

Peter's financial experience spans 30 years and he has extensive media experience, having spent the last 20 years in finance roles in the media sector. From July 2013 until December 2018, he was a Non-Executive Director of Communis 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.



Helen Hunter

Helen Hunter Non-Executive Director

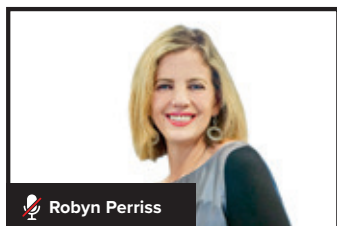
A R

Appointed June 2019

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

Skills and experience

Helen is Chief Data and Analytics Officer at J Sainsbury plc where her remit is to maximise the value of the Group's data assets: democratising access and finding creative ways to unlock its insight potential in support of Sainsbury's strategy. Over the last nine years at Sainsbury's in roles including Director of Innovation, Director of Marketing Strategy & Innovation, and Director of Customer Data & Relationships, she has developed products and propositions such as Sainsbury's Brand Match and digital Nectar. Helen is also currently a Governor of Lancing College. Before joining Sainsbury's, she held roles at emnos, Home Retail Group, Woolworths Group, and Kingfisher.



 Robyn Perriss

Robyn Perriss

A R

Non-Executive Director

Appointed November 2020

Robyn joined Next 15 as a Non-Executive Director and member of the Audit and Remuneration Committees. From February 2021 she was appointed Chair of the Audit Committee.

Skills and experience

Robyn has significant experience in both the technology and media industries, having served as Finance Director at Rightmove plc, the UK’s largest property portal, until June 2020. Robyn previously held senior roles at Rightmove, including as Financial Controller and Company Secretary. Before joining Rightmove, Robyn was Group Financial Controller at Auto Trader, another media sector disruptor. Robyn joined Softcat plc, a leading provider of IT infrastructure to the corporate and public sectors, as a Non-Executive Director and Chair of the Audit Committee in July 2019. She is also a Non-Executive Director and chair of the Audit Committee for Dr Martens plc. Robyn qualified as a Chartered Accountant in South Africa with KPMG and worked in both audit and transaction services.



 Mark Sanford

Mark Sanford

General Counsel and Company Secretary

Appointed February 2021

Skills and experience


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

Key

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

Corporate governance statement



 Penny Ladkin-Brand
Chair

“I look forward to building on Richard Eyre’s successful tenure as Chair and to working with the Board to progress continual improvements of our board effectiveness and governance framework to promote the long-term success of the Group.”

An introduction from our Chair

On behalf of the Board I am pleased to present the corporate governance report for the year ended 31 January 2021.

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

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

During the year, we concluded the orderly transition of the Board Chair role from Richard Eyre to me and refreshed and added further diversity to the Board with the appointment of Robyn Perriss as a Non-Executive Director and Chair of the Audit Committee. In addition, we undertook a comprehensive independent evaluation of the Board’s and Committees’

effectiveness with an external specialist board evaluation firm. This robust exercise revealed a positive picture of a Board that is working well across the key areas of board effectiveness, governance and performance. We have embraced the recommendations from the external board evaluation and have developed a roadmap to implement these as part of our strong focus on our governance framework.

As Chair I am responsible for leading the Board and for its governance of the Group. I look forward to building on Richard Eyre’s successful tenure as Chair and to working with the Board to progress continual improvements of our board effectiveness and governance framework to promote the long-term success of the Group.

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

Penny Ladkin-Brand

Chair

12 April 2021

Statement of compliance

Next 15 has adopted the QCA Code and is compliant with all of its principles. Disclosures required by the QCA Code have been made both in this annual report and on our website. Further information on the Company's compliance with the QCA Code can be found on the Group's website at www.next15.com, on the AIM Rule 26 page.

The Composition of the Board

The Board is responsible for the strategic direction, investment decisions and effective control of the Group. During the year ended 31 January 2021 the Board comprised two Executive Directors, a Non-Executive Chairman and three Non-Executive Directors.

On 7 May 2020, the Company announced that Richard Eyre CBE would complete nine years as Chairman of the Board on 11 May 2020 and Penny Ladkin-Brand, who chaired the Audit Committee from July 2017, would become Chair of the Board with effect from 1 February 2021. Penny became Senior Independent Director with effect from 7 May 2020 and Richard agreed to continue in post to the end of the financial year, to support a smooth transition. During that time, Penny Ladkin-Brand stepped down from the position of Chief Financial Officer and as an Executive Director of Future plc, a global platform for specialist media, and took up the role of Chief Strategy Officer at Future plc. Richard retired from the Board on 31 January 2021 and Penny succeeded him as Chair of the Board from that date, and stepped down as Senior Independent Director and Chair of the Audit Committee.

Robyn Perriss joined the Board on 12 November 2020, as a Non-Executive Director and member of the Audit and Remuneration Committees. From February 2021 she was appointed Chair of the Audit Committee. Robyn brings significant expertise of growth through digital disruption as well as governance and strategic oversight, making her a valuable addition to the Board as Next 15 continues its progress in technology-driven marketing. Robyn served as Finance Director at Rightmove plc, the UK's largest property portal until 30 June 2020 and previously held senior roles at Rightmove, including as Financial Controller and Company Secretary. Before joining Rightmove, Robyn was Group Financial Controller at Auto Trader, another media sector disruptor. Robyn joined Softcat plc, a leading provider of IT infrastructure to the corporate and public sectors, as a Non-Executive Director and Chair of the Audit Committee in July 2019 and in January 2021 was appointed to the board of Dr Martens Limited, as a Non-Executive Director, on its floatation on the London Stock Exchange.

Biographies of each of the Board Directors, including the Committees on which they serve and chair, are shown on pages 24 and 25.

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 nine times a year, with additional meetings being held as required. The Covid-19 pandemic has meant that there were more meetings than usual and all meetings have been held virtually during the year. It is anticipated that following the change to adopt virtual working, and as Tim Dyson is located in California, that around half of the Board meetings will continue to be held virtually going forward. Details of Board and Committee meetings held during the financial year and the attendance records of individual Directors can be found on page 28.

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

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 Chair and the Non-Executive Directors each devote sufficient time to the Company and that there have been no significant changes to their other commitments.

Corporate governance statement continued

Board and Committee attendance for the year ended 31 January 2021

Attendance records for the Board and Committee meetings held during the year are shown below. These include both scheduled Board, Audit Committee and Remuneration Committee meetings and further meetings that were convened as required throughout the year. In particular, the Board met more frequently as the Covid-19 situation developed, in order to assess and respond to the uncertainty, challenges and opportunities which this created for the business. 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 CBE	14 of 14	6 of 6	10 of 10
Tim Dyson	14 of 14	—	—
Peter Harris	14 of 14	—	—
Penny Ladkin-Brand	14 of 14	6 of 6	10 of 10
Helen Hunter	13 of 14	6 of 6	10 of 10
Robyn Perriss ¹	2 of 2	1 of 1	1 of 2

¹ Robyn Perriss joined the Board on 12 November 2020.

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;
- assessing and responding to the uncertainty, challenges and opportunities from the Covid-19 pandemic and Brexit;
- 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 Board evaluation outcomes 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. From February 2021, the Board has re-established a Nomination Committee comprising all the Non-Executive Directors.

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

The Company's Articles of Association provide that a Director appointed by the Board shall retire and offer themselves for re-election at the first AGM following their appointment and that, at each AGM of the Company one-third of the Directors in addition to any new appointment must retire by rotation. Robyn Perriss having been appointed since the last AGM, will be subject to election, and Penny Ladkin-Brand and Peter Harris will offer themselves for re-election by the shareholders at the forthcoming AGM.

With regard to the Directors who are offering themselves for re-election at the next AGM, the Board was delighted to welcome Robyn Perriss to Next 15 during the year. Robyn brings with her extensive experience in the technology and media industries which complement the existing skills and expertise of the Board. The Board is further satisfied that the contributions of both Penny Ladkin-Brand and Peter Harris continue to be effective and demonstrate sufficient time commitment to their respective roles. The Board believes that each Director standing for re-election is independent in character and judgement. The Board therefore recommends that the Company and its shareholders support the election and re-election of each of these Directors.

Richard Eyre CBE stepped down as Chairman of the Board on 31 January 2021 and Penny Ladkin-Brand, who had been Chair of the Audit Committee and Senior Independent Director, became Chair of the Board with effect from that

date. Following Penny's appointment as Chair of the Board, Robyn Perriss has been appointed Chair of the Audit Committee.

Biographical details of each Director standing for election and re-election can be found on pages 24 and 25 of this report.

The roles of the Chair and Chief Executive

Richard Eyre CBE held the position of the Chairman of the Board until he stepped down from the Board in January 2021. During the year, he led the Board in the determination of its strategy and in achieving its objectives. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and is also responsible for effective communication with the Group's shareholders. At the time of his appointment as Chairman, Richard Eyre CBE was considered independent as defined by the UK Code and in accordance with the principles of the QCA Code. Penny Ladkin-Brand was appointed as Chair of the Board on 1 February 2021 and is considered to be independent as defined by the UK Code and in accordance with the principles of the QCA Code.

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

Board performance evaluation, succession planning and diversity

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

During the year ended 31 January 2021, the Company engaged the services of Board Excellence to carry out a detailed and independent review of the Board and Board Committee processes, procedures and effectiveness. Board Excellence

is a specialist board evaluation firm and has no other connection with the Company. The process consisted of completion by the Board and senior executives of a searching questionnaire of the board dynamics, effectiveness and governance, a review of the last 12 months of all Board, Committee and governance related materials and confidential one-to-one interviews of all the board members and senior executives. This culminated in a detailed report assessing the board's effectiveness, governance and performance across 20 key categories, assessing compliance with the QCA Code and the Financial Reporting Council (FRC) Guidance on Board Effectiveness (2018), comparison with international best practices and recommendations on driving sustained improvement in the board effectiveness. By way of overview, the evaluation concluded that the board is working effectively, balancing strong oversight, debate and challenge with the independent non-executive directors adding strategic value. The evaluation also concluded that there was strong compliance with the QCA Code and a deep commitment by the board to employee engagement and Environment, Social and Governance (ESG).

The principal findings of the independent evaluation and recommendations that are endorsed by the Board for implementation are to:

- Enhance the strategic framework at board/executive level to incorporate agile approaches in the light of market disruption and emerging opportunities.
- Streamline the individual brand executive reporting at board level.
- Expand the focus on ESG at board and committee level.

The Board believes in the importance of diverse Board membership. Our Board has 60% female representation which exceeds the recommendation set out by Lord Davies, supported by the Hampton-Alexander Review, 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 is mindful of a range of other factors when assessing the balance of the Board and welcomed a finding of Board Excellence that the Board is also diverse in terms of thinking styles, age and reflective of the Groups' customer demographics. We set out our Group-wide approach to diversity and inclusion in our Corporate Governance Statement on page 33.

In place of having a separate Nomination Committee, during the year ended 31 January 2021 the Board as a whole lead the Board recruitment and appointment processes. It also has responsibility for reviewing the balance of the Board to ensure that, collectively, the Board: has a good range of skills, knowledge and experience; comprises diverse individuals who can bring different perspectives to the Board's discussions; has oversight of senior management and Board succession plans; and makes recommendations on matters such as Directors' independence and commitment.

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.

Corporate governance statement continued

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 36 to 39 and 40 to 57 respectively.

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 currently comprises three Non-Executive Directors: Penny Ladkin-Brand (Chair up to 31 January 2021), Robyn Perriss (Chair from 1 February 2021), Richard Eyre CBE (up to 31 January 2021) and Helen Hunter. Peter Harris also attends most meetings at the invitation of the Chair of the Audit Committee. Broadly, the Audit Committee is responsible for reviewing financial reporting, oversight of the Internal Audit function, the relationship with the External Auditor, internal controls, and oversight of the effectiveness of risk and risk management systems.

The Remuneration Committee comprises three Non-Executive Directors: Helen Hunter (Chair), Penny Ladkin-Brand, Robyn Perriss (from 12 November 2020) and Richard Eyre CBE (up to 31 January 2021). 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.

Nomination matters, such as Board recruitment and the appointment process as described on page 28, were dealt

with by the Board as a whole during the year ended 31 January 2021. However, from February 2021 the Board has resolved to reconstitute a Nomination Committee comprised of the three Non-Executive Directors: Penny Ladkin-Brand (Chair), Helen Hunter and Robyn Perriss.

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 20.

Corporate culture

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

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 evaluates acquiring new businesses;
- presentations by each business to the Board throughout the year focusing on all areas of their responsibility including people, clients and sustainable growth;
- quarterly Executive Committee meetings with the CEO and senior management; and
- HR policies and practices, reviews and objective setting, and training within each business in the areas they require the most development.

Environmental and social impact

Recent global events, such as the Covid-19 pandemic and the Black Lives Matter movement have reinforced the necessity of environmental and social sustainability to our future resilience and prosperity. The Group remains passionate about using business as a force for good for our people, communities, customers, environment and shareholders.

Building on our work last year, we are using the internationally recognised B Corp framework to focus our strategy on people, planet and profit. Using this framework, we have begun work on a number of important initiatives including:

Environment

- We engaged an external partner, Green Element, to measure our scope 1&2 emissions for UK Head Office and Savanta, see SECR reporting on page 32. We have also begun measuring our global scope 1-3 carbon emissions (including electricity usage, water usage, waste and travel) with a view to setting robust targets.
- We consolidated office space in the UK and US to reduce our environmental footprint, with our people expected to work from home more often post-pandemic. We are also increasing renewable energy usage in our offices as well as implementing more energy-efficient lighting and appliances and environmentally friendly waste management.

People

- We implemented several Diversity, Equity and Inclusion (DE&I) initiatives including DE&I audits, a DE&I Council and measuring our employee diversity. Further detail is provided in the Diversity, Equity and Inclusion section on page 33.
- We implemented a program called Next4Me, which helps smooth the transition for those made unavoidably redundant and retains their details in our databases for future opportunities.

- We continuously monitored employee health and wellbeing during a year of heightened emotional and physical strain, further detail can be found in the employee engagement section on page 33.
- We are rolling out standardised progressive policy sets and training.
- We are benchmarking brands and setting standards for fair remuneration and succession planning.

Customers

- We established an ethics group to ensure we only work with clients aligned with our values.
- We started tracking revenue from contentious sources so that we can hold ourselves to account and disclose these revenues separately in future reporting.
- As part of acquisition due diligence, we have been asking all targets about their approach to ESG to ensure we are buying values-aligned businesses.

Communities

- We have repaid all UK government furlough support received during the Covid-19 pandemic.
- We are measuring how local, diverse and compliant with laws & regulations our suppliers are. This is with a view to setting targets and highlighting any suppliers who are not aligned to our social and environmental values with a view to replacing them if they fail to make progress.

Governance

- We are in the process of implementing standardised social and environmental non-financial KPIs from Board level down.
- We will continue to increase our ESG disclosure in order to act as a role model for change.

Streamlined Energy and Carbon Reporting 2020/21

Next 15 has reported Scope 1 and 2 (and associated Scope 3) greenhouse gas (GHG) emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR). This includes emissions for the first mandatory reporting financial year, the 12 months to 31 January 2021.

Methodology

Responsibilities of Next 15 and Green Element

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

Scope and Subject Matter

The report includes sources of environmental impacts under the operational control of the Next 15 Group in the UK. This includes two UK organisations in 2020:

- Next 15
- Savanta

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

GHG sources included in the process:

- Scope 1: Natural gas for energy generation (there was no gas usage in either Next 15 or Savanta offices).
- Scope 2: Purchased electricity (location-based method)

- Scope 3: Business travel in employee owned or hired vehicles (there was no reported business travel in employee owned or hired vehicles).

Types of GHG included, as applicable: CO₂, NO₂, CH₄. The figures were calculated using DEFRA conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO₂e).

Corporate governance statement continued

Energy Efficiency Action

During the reporting period, we have focused on ensuring our offices are using a low base load of energy during periods of low occupation. This has involved installing PIR motion sensor lighting and low energy bulbs. In addition, we have installed modern efficient appliances in our kitchens and programmed laptops to apply standby power when not in use.

Next 15 Streamlined Energy and Carbon Reporting (SECR) 2020/21 mandatory reporting, as follows:

Streamlined Energy and Carbon Reporting (SECR)	UK 2020/21
Energy consumption used: (kWh)	
Electricity (kWh)	99,545.9
Gas (kWh)	—
Transport fuel (kWh)	—
Other energy sources (kWh)	—
TOTAL	99,545.9
Emissions (tCO₂e*)	
Scope 1	
Emissions from combustion of gas	—
Emissions from combustion of fuel for transport purposes	—
Scope 2	
Emissions from purchased electricity – location based**	23.2
Emissions from purchased electricity – market based	—
Scope 1 & 2	
Total Scope 1+2 emissions (location-based method)	23.2

Streamlined Energy and Carbon Reporting (SECR)	UK 2020/21
Total Scope 1+2 emissions (market-based method)	—
Scope 3	
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	—
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location based	5.5
Total location based tCO₂e	28.7
Intensity Ratios:	
Number of full-time employees within financial year (FTE)	302
Intensity ratio: tCO ₂ e from Scope 1, 2 and 3 (fuel for business travel only) / FTE (Location Based)	0.09
Methodology	GHG Protocol Corporate Accounting and Reporting Standard
Certification	Calculated as accurate by Green Element Limited and Compare Your Footprint Limited, UK

* tCO₂e is tonnes of carbon dioxide equivalent gases.

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

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).

In early 2021, we engaged directly with our institutional shareholders on changes to the remuneration packages for both Executive and Non-Executive Directors, to better align the packages to market levels and Next 15’s longer-term strategy. Further details of these changes are set out in the Remuneration Report from page 40.

Ordinarily the Board would be available to take questions from shareholders at the AGM. In accordance with current UK government measures, shareholders may not be able to attend the AGM in person. If the restrictions on public gatherings remain in place and shareholders are unable to attend the AGM, in order to ensure that shareholders have adequate access to the Board, we will ensure that the Board is able to meet shareholders and respond to their questions by way of an interactive webcast. Details of this and any other changes to the AGM arrangements will be published on the Group’s website. We strongly encourage all shareholders to vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy. Proxy votes will be counted at the meeting for 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. Shareholders are also encouraged to submit questions to the Board throughout the year via the Company Secretary to cosec@next15.com. More information concerning the arrangements for the AGM can be found on page 59.

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

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

Our people

We talk about the “who” and not the “what”. We talk about our people being our greatest asset. Today, we are not only competing for great talent, but we’re also competing to stand out in the market as a great place to work. Our goal is to create a work environment where all our people can bring their whole selves to work every day. Where inclusivity is a behaviour; a mindset that runs through the group.

2020 was a year that saw society unite and divide, to fight a common enemy, start movements, and force action across the globe. The world of work has changed because of the events of 2020 and that compelled us to not only reflect on our practices as employers and as corporate citizens, but to interrogate our thinking. It highlighted the need for us as an organisation to focus and take action to embed change across the business. By making these key changes, we take the first step to changing the societies we operate in.

Diversity, equity and inclusion

We recognise that we have fundamental changes to make within the business, however this journey started many years ago when we set out to ensure our board was gender balanced. We currently have a majority female board including a female Chair. Taking the events of 2020 into consideration we have embarked on the next stage of our journey where we have started to work more holistically as a group, to create new frameworks that underpin all our businesses and embed the changes we need to make.

During the year we took the decision to audit our current state as a starting point. We engaged with an external partner, Bold Culture, to conduct Diversity, Equity and Inclusion audits on all of our brands which will be completed by the end of May 2021. We intend to use the data to develop a more informed strategy tailored to the needs of the organisation and our people. This strategy will be kept under continuous review by way of direct engagement with our employees, and leverage feedback to create a work environment, including benefits and policies, that aligns with our culture and best practice.

We built a cross brand affinity group to collaborate, share best practice and help each other improve. We also formed a DE&I Council in August 2020 comprised of 20 people from across the brands representing all levels of business and industry experience, and provides diversity of thought, race, ethnicity, gender, sexual orientation and disability. The DE&I Council will act as our internal indicator of change, reporting on activity and measuring the adoption of new processes and programs.

M Booth appointed Eric Winkfield as Head of DE&I, the first appointment of its kind for the Group. In addition to his responsibilities at M Booth, Eric works with Next 15 to help with Group and Brand guidance on inclusion, and consults with clients on diversity, equity and inclusion. Inclusive hiring training has been carried out at the Next 15 level and is being conducted within the Brands as they complete their

audits. In the coming months, a group strategy to embed inclusivity across the Group will be created as the full set of audit data becomes available.

We have taken significant steps to understand the Group by utilising new software that provides us with understandable analysis of our own data. We have taken the opportunity to look at our diversity at a Group level, the aggregate data is shown in the charts on page 34. This data is now used to populate the “People Dashboard” which is kept up to date in real time and reviewed by the Board at every meeting. This data also allows us to create stronger strategic people plans and highlight areas of risk as well as develop benchmarks for best practice.

Employee engagement

Our employees are key to the Group’s success and we rely on a committed workforce to help us 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 Group 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. We are always reviewing our incentives to ensure that they drive the right behaviours within our businesses. In addition, the Group regularly keeps employees apprised of the Group’s financial performance, through a combination of meetings and collaborative communication.

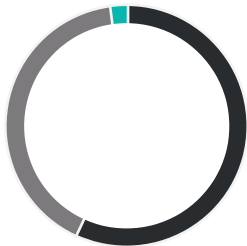
Knowing what our people think and feel is key to our growth as a Group. Our businesses monitor engagement and act on feedback in a variety of different ways, including yearly engagement surveys, pulse surveys, 360-degree appraisals and central reporting of HR issues. We have worked to centralise data and reporting so we can correlate people trends with other business metrics. These trends and issues are reported to our Chief Executive Officer at quarterly Executive Committee meetings of senior management.

Corporate governance statement continued



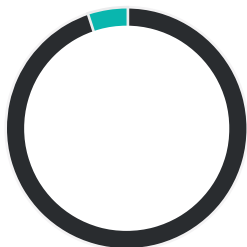
EEO Classification

- White/Caucasian **50.71%**
- Asian –any other Asian background **14.61%**
- Do not wish to comment **13.95%**
- Asian –Indian **6.22%**
- Two or more races/mixed race **3.11%**
- White/British **2.64%**
- LatinX **1.98%**
- Black –Caribbean **<1%**
- Arab –Middle Eastern **<1%**
- Asian – Pakistani **<1%**
- Mixed/multiple ethic groups **<1%**
- White (Other) **<1%**
- Arab – North African **<1%**
- Pacific Islander **<1%**
- Native Hawaiian **<1%**



Gender breakdown

- Female **57.21%**
- Male **41.52%**
- Prefer not to classify **1.27%**



Active employee by contract type

- Full-time **95.28%**
- Part-time **4.72%**

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.

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 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 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 61.

Audit Committee report



Robyn Perriss
Chair

“The Committee plays a vital role in helping the Board to fulfil its oversight obligation.”

I am pleased to present my first report as Chair of the Audit Committee (the ‘Committee’) following my appointment as Committee Chair on 1 February 2021. I would like to thank Penny Ladkin-Brand, who served as Committee Chair until that date.

I had a detailed induction to the Next 15 Group following my appointment as a Non-Executive Director in November 2020 with additional emphasis and tailoring in relation to my responsibilities as Chair of the Committee. My induction included:

- meetings with the CFO and the Group’s finance team;
- meetings with Deloitte LLP, our External Auditors and with the Group’s Internal Audit function;
- a meeting with Numis Securities Ltd, the Group’s corporate broker to get a capital markets perspective of the Group;
- a review of the key reporting and areas of significant judgement in the prior financial year; and
- a review of the minutes, reports and papers submitted to the Committee in the 2020 financial year.

This was very helpful in getting quickly up to speed with key financial reporting and control matters and I’d like to thank all of those who provided assistance during my induction.

The Committee plays a vital role in helping the Board to fulfil its oversight obligation by monitoring and reviewing the financial reporting process, ensuring the integrity of the financial information provided to our shareholders, overseeing the development and maintenance of the Group’s risk management and internal control environment. It is important that we as a Committee continue to independently assess how the internal control environment and relevant processes and systems ensure that the Next 15 Group is effective, robust and sustainable for the long term whilst also maintaining

the agility and entrepreneurial spirit of the Group companies. This has been a key focus for the year together with regular monitoring of the impact of Covid-19 on our business. You will find important detail on this in other sections of the Annual Report.

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

Robyn Perriss
Audit Committee Chair
12 April 2021

Membership and Attendance

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

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

The Committee met six times during the year, with three extra meetings to consider and monitor the impact of Covid-19. In prior years, the Committee met at least three times a year. Following a review of the Committee’s workload and duties and taking into account feedback from the recent Board evaluation, it was agreed that one additional meeting would be added to the calendar to ensure the Committee meets at least every quarter going forward. A summary of members attendance can be found on page 28.

Role and Responsibilities

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

Risk and Internal control

The Company’s system of internal control, along with its design and operating effectiveness, is subject to review by the Committee. The Board has overall responsibility for setting the Group’s risk appetite and ensuring that there is an effective risk management framework. The Committee supports the Board and the Internal Auditor in reviewing systems of risk management and the effectiveness of internal controls. The Chief Executive Officer has overall accountability for the control and management of the risks the Company faces. More information on how we manage our risk can be found on page 16.

Key activities during the year

Key area	Activity during the year
Financial reporting	<ul style="list-style-type: none"> • Considered the Group’s accounting policies and practices, application of accounting standards and significant judgements and estimates, adjusting items, tax matters, goodwill impairment, earn-out liabilities, and accounting for new acquisitions. • Reviewed the Annual Report and Accounts as a whole including the clarity of the disclosures and that the narrative in the front section reflected the performance as detailed in the Group financial statements. • Reviewed the Going Concern Statement included in the Annual Report; in assessing going concern the Committee has considered the Group’s latest budget and three-year plan, cash-flow forecast and corresponding sensitivities together with potential downside scenarios. • Reviewed the half-year accounts, including the material judgements and estimates. • Reviewed the External Auditor’s report on the full-year audit. • Reviewed the half-year and full-year results announcements and trading statements. <p>The significant financial judgements considered in relation to the Annual Report and Accounts are detailed on page 39.</p>
Internal Audit	<ul style="list-style-type: none"> • Approved the annual Internal Audit plan, including its alignment to the principal risks, emerging areas of risk, coverage across the Group and continuing review of the Group’s processes and controls. • Monitoring the remit and resourcing of the Group’s Internal Audit function. • Assisting the Board in its assessment of the Group’s risk environment, internal controls and risk management processes. • Keeping under review the effectiveness of the Group’s internal control and risk management systems. • Reviewed key findings from Internal Audit activities during the year.
External audit	<ul style="list-style-type: none"> • Reviewed the External Auditor’s independence, objectivity, and the effectiveness of the external audit process. • Considered the re-appointment of the External Auditor. • Considered External Auditor fees and terms of engagement. • Reviewed and approved changes to the Non-Audit Services Policy. • Reviewed the External Auditor non-audit services and fees.
Other matters	<ul style="list-style-type: none"> • Discussed the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements. • Carried out a review of the Committee’s terms of reference.

Audit Committee report continued

Areas of focus for the coming year

The Committee intends to continue to focus on strengthening the systems of internal control through a number of initiatives such as supporting management in continuing to improve the Group's information security controls and embedding continuous controls monitoring. In light of the Covid-19 pandemic and the fundamental changes to how our people work, we will continue to be alert to the risk of fraud and ensuring that people are working safely remotely and that our data is protected. A key area of focus for the Committee over the coming year will include our Group cyber posture and a review of our GDPR compliance across key brands. The Committee has recently launched a governance improvement project to include a review of the quality of reporting from the Group into the Committee and the Committee's terms of reference have been recently refreshed. Over the coming year the Committee also plans to review the operation of both the whistleblowing policy and anti-bribery and corruption procedures.

Internal Audit

The Group has an independent and objective internal audit function which supports the Board in assessing and ensuring that risks are appropriately managed in line with the Board's risk appetite, and that the internal controls are operating effectively. Internal audit achieves this by assessing whether all significant risks are identified and appropriately reported to the Board, assessing whether they are adequately controlled and assisting management to improve the effectiveness of governance, risk management and internal controls.

Internal audit focuses on controls and related activities (including policies, procedures and systems) which are in place to ensure:

- Proper identification and management of risk;
- Reliability and integrity of information;
- Compliance with policies, plans, procedures, laws and regulations;

- Safeguarding of assets;
- Economical and efficient use of resources; and
- Accomplishment of established objectives and goals.

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

The Internal Audit Plan for FY22 was approved by the Committee in December 2020 with areas of focus over the coming year including:

- End user IT asset management and bring your own device controls. This is particularly relevant in light of Next 15 employees working remotely from home since late March as a result of Covid-19;
- An update on the implementation of GDPR across the Group;
- Financial controls and health check reviews with a particular focus on recent acquisitions; and
- Development of a continuous controls monitoring dashboard which provides a centralised view of the control environment of Next 15 brands and facilitates investigation by exception, together with benchmarking and sharing of best practice.

Auditor independence, objectivity and fees

The External Auditor, Deloitte LLP, was first appointed in 2014, for the financial year ended 31 January 2015. The Board is satisfied that the Company/Group has adequate policies and safeguards in place to ensure that Deloitte maintain their objectivity and independence. The External Auditor reports annually on its independence from the Company/Group and in accordance with Deloitte's partner rotation rules, a new senior audit partner, Peter McDermott, was appointed with effect from 1 February 2020.

The Group has a formal policy on the engagement of the External Auditor for non-audit services. The objective of the policy is to ensure that the provision of non-audit services by the External Auditor does not impair, or is not perceived to impair, the External Auditor's independence or objectivity. The policy sets out monetary limits and imposes guidance on the areas of work that the External Auditor may be asked to undertake and those assignments where the External Auditor should not be involved. The policy is reviewed regularly, and its application is monitored by the Committee. The fees paid to Deloitte in respect of non-audit services are shown in note 4 to the financial statements. This work is not considered to affect the independence or objectivity of the External Auditor. The non-audit services policy was updated in the year to comply with the FRC Revised Ethical Standards for periods commencing on or after 15 March 2020. The Audit Committee has confirmed no services were provided outside of the updated policy.

External audit effectiveness

The Committee places great importance on ensuring that the external audit is a high quality and effective. The Committee met with Deloitte throughout the year including at times without management present, to discuss their remit and any issues arising from their work as auditor. The Committee plans to evaluate the effectiveness of the audit process more formally this year using a questionnaire, together with input from management at the end of the audit cycle.

In relation to the 2021 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and concluded that Deloitte remained independent and objective in relation to audit. The Committee has made a recommendation to the Board to re-appoint Deloitte LLP as the Company's auditor for the 2021/22 financial year. Accordingly, a resolution proposing their re-appointment will be proposed at the AGM in June 2021.

Significant Judgements

Issue	Explanation	How it was addressed
Accounting for acquisitions	Under IFRS 3 the Group must identify and value the intangibles it has acquired. The identification of the intangibles acquired, such as customer relationships, brand names or intellectual property, requires judgement following an assessment of the acquired business. Furthermore, it relies on forecasting future performance of the business which, depending on the size of the acquiree, could be materially sensitive to changes in growth rate or profitability assumptions.	During the year the material acquisitions for the Group were CRE and Mach49. The Committee considered the proposed acquisition accounting for both businesses from management, which included the valuation of the acquired intangibles. Due to the nature of Mach49, the assumptions used for revenue growth rate and profitability were particularly sensitive in calculating the contingent consideration. The Committee discussed the sensitivity of those assumptions, and the basis of the assumptions used as well. At the year-end, the External Auditor's work was also discussed. The Committee concluded that the assumptions used were appropriate.
Changes in estimates relating to acquisition-related liabilities	The Group has material earn-out liabilities, with some payments dependent on performance in up to four years from the 31 January 2021. The estimates are sensitive to changes in revenue growth rates and profitability assumptions, as well as the discount rate used. If incorrect assumptions are used this could result in a material adjustment to the value of the liabilities within future financial years.	The Committee considered the earn-out liabilities recognised at the half-year and year-end split by brand, how they had changed over the last 6 or 12 months, and the key assumptions made. Further detail was discussed for the most sensitive liabilities alongside management's rationale for those assumptions and relevant sensitivity analysis. At the year-end the External Auditor's testing thereof was also discussed and following due consideration the Committee concluded it was satisfied with management's assumptions and judgements.
Presentation of Alternative Performance Measures	The identification of adjusting items and the presentation of Alternative Performance Measures ("APMs") is a judgement in terms of which costs or credits are not associated with the underlying trading of the Group or otherwise impact the comparability of the Group's results year on year. The Group's adjusting items include the amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs, property related impairment, and Covid-19 related restructuring costs.	For both the half-year and full year results the Committee considered the adjusting items, including explanations of why they were either not related to the performance of the business or impacted the comparability of the Group's results year-on-year. The Committee also reviewed the FRC's guidance, considered adjusting items used by the Group's peers and the External Auditor's assessment of the adjusting items. The Committee reviewed the narrative for the adjusting items within the Annual Report to ensure it gave adequate detail on why the items were adjusted. The Committee concluded it was satisfied with the adjusting items included in the Group's results and that appropriate disclosure of those items has been included in the Annual Report.

Directors' remuneration report



Helen Hunter
Remuneration Committee Chair

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

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2021. The report explains the work of the Remuneration Committee (the 'Committee') during the year, the basis for the remuneration paid to Directors for FY21, and how we intend to apply the remuneration framework for FY22.

Steps taken to adjust our remuneration approach in light of the Covid-19 pandemic

I am presenting this report to you following a year of unprecedented market uncertainty and volatility, driven by the Covid-19 pandemic. The Directors recognised the need to exercise restraint early in 2020 to ensure that the Company's cash position was maximised, and that executive pay was aligned with the experience of its employees and shareholders. Recognising the need to furlough some of our staff and to suspend our dividend the Executive and Non-Executive Directors took a pre-emptive 20% pay cut, effective 1 April 2020, which was reviewed by the Committee and the full salary was re-instated in October 2020. The Executive Directors also waived their entitlement to the FY21 bonus scheme.

We delayed the FY21 long-term incentive award grants until the impact of Covid-19 was clear and meaningful targets could be set. Following adequate assessment of the Company's position, stretching targets were set and are detailed in this report.

Remuneration review

The Committee keeps the remuneration framework under consistent review and is committed to ensuring it is consistent with best practice and adequately reflects Next 15's position and performance against the current macro-economic backdrop. Having focused on the structure of our remuneration framework last year, which resulted in a significant change to the LTIP structure, the Committee has now reviewed the

overall remuneration levels and structure more broadly throughout the senior executive population. Following this review and in light of the Group's ambitious growth plans, the Committee believes it is appropriate to increase the LTIP award levels from 100% to 150% of salary for both Executive Directors. Next 15 has bold growth plans for the next 5-year period and the Committee believes that a greater focus on the LTIP will provide a better alignment to this strategy. Furthermore, in determining this proposed increase, the Committee reviewed the Executive Directors' total remuneration levels against the market. The increase to the LTIP will provide a more appropriate weighting to the package between salary and performance related elements for the CEO and will ensure that the CFO's package is not too far below the mid-market level. A two-year post vest holding period will also be introduced for awards granted from FY22 onwards to increase the performance time-horizon and to bring this aspect of the framework into line with best practice. The increase to LTIP award levels will require an increase to the individual limit within the LTIP rules, which will be subject to a shareholder vote to amend the LTIP rules, at the 2021 AGM.

The Non-Executive Directors' fees were also reviewed during the year. These have remained unchanged for six years and the review indicated that the base fee levels should increase, recognising the growth and development of the business over this time and the need to recruit and retain high quality talent to support the next stage of the Company's growth. The Non-Executive Director base fee will therefore increase from £40,000 to £53,000. The fee for chairing a committee will be £7,000. The increase in fees combined with a desire to have the ability to expand the number of non-executive directors as the Group continues to grow, will also require a change to be made to the Articles of Association to increase the cap on aggregate fees payable to directors, and the approval of new Articles of Association will be subject to a separate vote at the 2021 AGM.

We are committed to having an open and constructive dialogue with investors and as such the proposals set out above were sent to our major investors for their feedback. The Committee was pleased that the overall the response was positive and investors were supportive.

Performance and pay for FY21

Notwithstanding the very challenging operating environment, it has been another year of good progress for the Group with adjusted diluted EPS and adjusted profit before income tax both increasing by 17% and 22% respectively.

The annual bonus was based on the achievement of adjusted operating profit, cash conversion, organic revenue and adjusted operating profit margin performance conditions. The formulaic outcome under the bonus would have resulted in a bonus pay-out of 100% of maximum. However, the Executive Directors made a decision early in the year to forgo any bonus, in light of the need to retain cash and spread the available bonus pool more broadly throughout the business.

We have several cycles of legacy LTIP awards that were due to vest based on performance over FY21 and tranche four of the FY18 LTIP, tranche three of the FY19 LTIP award and tranche two of the FY20 LTIP award are all eligible to vest in FY22. The awards are based 70% on an adjusted EPS performance metric and 30% on strategic KPIs. Following an assessment of performance over the year, the tranches will vest as follows:

- 100% of tranche four of FY18 LTIP;
- 100% tranche three of FY19 LTIP; and
- 82.5% of tranche two of FY20 LTIP.

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

Grant of the FY21 LTIP awards

The grant of the FY21 LTIP awards was delayed until there was better visibility for longer term business performance. These annual awards are usually granted in April of each year but given the uncertainty from the Covid-19 pandemic these were deferred and eventually granted on 30 July 2020. The three-year performance and vesting approach approved at the June 2020 AGM was adopted for these awards and in line with the current remuneration framework. For the 70% based on EPS, growth of between 10% and 20% over the three-year performance period is required for threshold and maximum vesting. 15% of the award is based on average annual organic net revenue growth and vesting requires between 0% and 5% average annual growth over the three-year performance period – this recognises that FY20 was a relatively high base line to measure this growth (pre impact of the pandemic on the business in FY21). The remaining 15% is based on operating profit margin and requires the average annual margin over the performance period to be between 16%-18% for threshold to maximum vesting. The award levels were 100% of salary.

Closing remarks

The Committee is satisfied that the remuneration framework has been applied prudently, with stretching performance conditions applied and a significant reduction in pay to align with the experience of our stakeholders. We will continue to apply the framework robustly to ensure that there is a strong link between reward and performance.

I hope this report is clear and demonstrates the robust application of our remuneration framework to ensure pay for performance at Next 15. Although we are an AIM listed company with no requirement for a shareholder vote on Directors' pay, in the spirit of full accountability, this Remuneration Report will be subject to an advisory shareholder vote at the 2021 AGM.

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

Helen Hunter

Remuneration Committee Chair
12 April 2021

Directors' remuneration report continued

At a glance

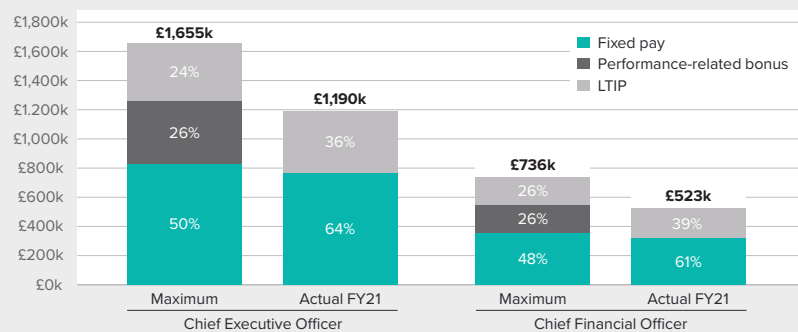
How we performed in FY21

FY21 performance-related bonus

Adjusted performance measure	Target range	Performance	Weighting	Outcome
Operating profit after lease liability interest*	£38m–£41m	£47.9m	25%	25%
Organic revenue decline	(10.5)%–(4)%	(3.4)%	25%	25%
Cash conversion ratio	90–100%	111%	25%	25%
Operating profit margin	15%–15.6%	18.5%	25%	25%
Total			100%	100%

* Excluding acquisitions made after Q1 reforecast in May 2020.

Maximum vs actual pay for FY21



LTIP tranches vesting in relation to FY21 performance

Tranche four of the FY18 LTIP award, tranche three of the FY19 LTIP award and tranche two of the FY20 LTIP award are eligible to vest in FY22, based on performance over FY21.

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

FY18 and FY19 LTIP Awards

Adjusted performance measure	Weighting	Target range	Performance	FY18 tranche 4 vesting	FY19 tranche 3 vesting
Earnings per share	70%	5% – 15%	17%	70%	70%
KPIs					
Organic revenue growth/(decline)	15%	(9)% – (7)%	(3.4)%	15%	15%
Operating profit margin	15%	15% – 17%	18.5%	15%	15%
Total	100%			100%	100%

FY20 LTIP Awards

The performance criteria for the FY20 LTIP award were set at the date of the award for FY20 and FY21.

Adjusted performance measure	Weighting	Target range	Performance	FY20 tranche 2 vesting
Earnings per share	70%	5% – 15%	17%	70%
KPIs				
Organic revenue growth/(decline)	15%	3% – 6%	(3.4)%	0%
Operating profit margin	15%	16% – 19%	18.5%	12.5%
Total	100%			82.5%

How we will apply our remuneration framework for FY22

Element	Time horizon			Application of remuneration framework for FY22
	FY22	FY23	FY24	
Salary				<p>Tim Dyson, Chief Executive: \$906,206.</p> <p>Peter Harris, Chief Financial Officer: £330,000.</p> <p>Salary levels reflect no salary increase for the CEO and a 2.1% increase for the CFO, in line with / less than, the average workforce increase.</p>
Pension and benefits				<p>Directors are entitled to receive employer contributions of up to 10% of base salary to a Group pension plan.</p>
Annual bonus				<p>Maximum opportunity is 60% of salary, payable in cash.</p> <p>Performance metrics unchanged from FY21 of operating profit, organic revenue growth, cash conversion ratio and operating profit margin.</p>
Long-term incentives				<p>Long-term incentive grant of 150% of salary.</p> <p>Performance will be measured over a single three-year period and will be based two thirds on EPS, 16.7% on revenue and 16.7% on margin.</p> <p>A two-year holding period will apply to the vested award.</p>
Shareholding requirement				<p>Executive Directors must build and maintain a holding of shares in the Company of 200% of salary. 50% of the net of tax number shares vesting under the incentive arrangements must be retained until guideline is met.</p>

Directors' remuneration report continued

Remuneration framework

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

In setting our remuneration framework the Committee considers:

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

Executive Director remuneration framework

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Base salary	<p>Reflects external market and geography and an individual's performance and contribution.</p> <p>Reviewed annually, normally in February.</p>	<p>Attracts and retains the best talent with the necessary expertise to deliver the Group's strategy and to create shareholder value.</p>	<p>No prescribed maximum.</p> <p>Account will be taken of increases applied to employees as a whole when determining salary increases.</p> <p>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.</p>	<p>The Committee considers the individual's performance and contribution in the period since the last review.</p>	N/A

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Allowances and benefits	<p>The Chief Executive Officer is entitled to a contribution to a deferred benefit plan; private health, dental and vision insurance; life assurance; professional adviser fees paid on his behalf; and car allowance (lease and associated fees) or cash in lieu thereof.</p> <p>The Chief Financial Officer is entitled to private medical insurance.</p> <p>The Committee may determine that other benefits may be added where appropriate.</p>	<p>Provides market competitive and cost-effective benefits.</p> <p>Provides reassurance and risk mitigation and supports personal health and wellbeing.</p>	<p>The value of benefits is not capped as it is determined by the cost to the Company, which may vary.</p>	N/A	N/A
Pension	<p>Directors are entitled to receive employer contributions to a Group pension plan.</p>	<p>Provides market equivalent retirement benefits.</p>	<p>Maximum contribution, currently 10% of base salary.</p> <p>In addition, Tim Dyson is entitled to receive a pension benefit under a US 401k plan.</p>	N/A	N/A
Performance-related Bonus	<p>Annual cash bonus plan. Targets closely aligned with the Group's strategic aims.</p> <p>Targets are reviewed annually by the Committee.</p> <p>Not pensionable.</p>	<p>Reinforces and rewards delivery of annual performance and strategic business priorities.</p> <p>Delivers value to shareholders and consistent with the delivery of the strategic plan.</p>	<p>The maximum bonus opportunity is 60% of salary.</p>	<p>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.</p> <p>The Remuneration Committee has the discretion to adjust and to override formulaic outcomes for annual bonus payment due if the Remuneration Committee considers it is not reflective of the underlying performance of the Company, as well investor experience and the employee reward outcome.</p>	<p>The bonus is subject to recovery and withholding provisions which may be applied in the event of a material miscalculation of a participant's entitlement, a material misstatement or restatement of the Company's financial results for the year to which the performance period relates, or material personal misconduct that would justify summary dismissal, or result in significant reputational damage to the Company, or have a material adverse effect on the Company's financial position, or reflect a significant failure of the Company's risk management or control.</p>

Directors' remuneration report continued

Remuneration framework continued

Executive Director remuneration framework continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Long-Term Incentive Plan ('LTIP')	Awards may be structured as performance share awards or nil-cost options.	Rewards long-term sustainable performance, in line with the Company's strategy.	150% of salary.	The Committee chooses performance measures that support delivery of the Company's strategy and provide alignment between Executive Directors and shareholders.	Same clawback and malus provisions as for the performance related bonus.
	For awards granted during FY21 onwards, awards will be subject to a 3-year performance period.	Focuses Executive Directors on delivering outstanding value creation for shareholders.		Performance metrics and their respective weightings may vary from year to year depending on financial and strategic priorities.	
	For awards granted during FY22 onwards, there will be a two-year holding period on shares acquired from vested awards.			Up to 25% vests for threshold performance.	
	The value of dividends payable over the vesting period pay be added to the vested share awards in cash or shares.			The Remuneration Committee has the discretion to adjust and to override formulaic outcomes for the LTIP vesting level if the Remuneration Committee considers it is not reflective of the underlying performance of the Company, as well investor experience and the employee reward outcome.	
Shareholding guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company of 200% of base salary.	Increases alignment between Executive Directors and shareholders and shows a clear commitment by all Executive Directors to creating value for shareholders in the longer term.	Minimum shareholding guidelines to be satisfied within five years of appointment of 200% of salary for all Executive Directors. If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the guideline is met.	N/A	Executive Directors shall not dispose of shares needed to meet their minimum shareholding requirement except as approved by the Committee. The Committee may give such approval in limited circumstances such as to comply with legal obligations or to avoid financial distress.

Non-Executive Director remuneration framework

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

Policy on recruitment

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

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

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

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

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

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

Directors' remuneration report continued

Non-Executive Directors' letters of appointment

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

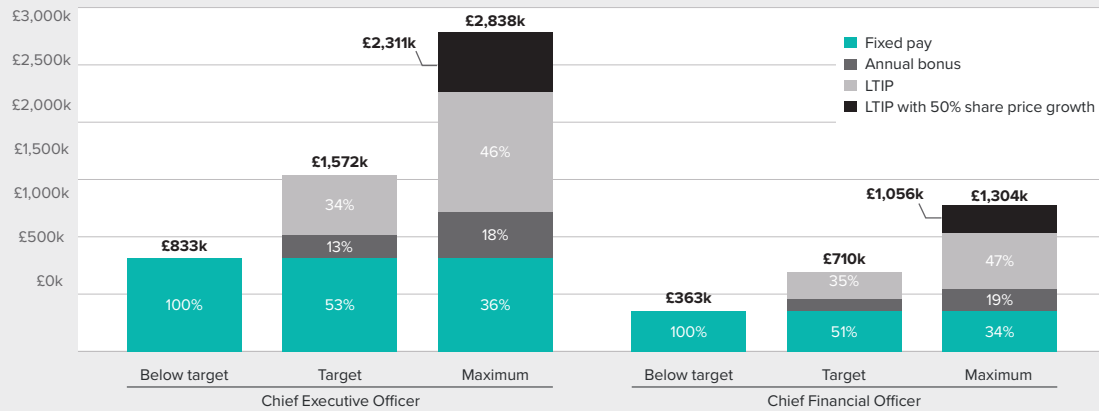
	Date of current letter of appointment	Notice period
Non-Executive Directors		
Penny Ladkin-Brand	1 February 2021	3 months
Helen Hunter	26 June 2019	3 months
Robyn Perriss	10 November 2020	3 months

Illustrative performance scenarios

These charts illustrate, under three different performance scenarios, the total value of the remuneration package receivable by the Executive Directors for FY22. The assumptions used have been set out below.

Minimum: Comprises fixed pay only using the salary for FY22, the value of benefits in FY21 and a 10% company pension contribution. Tim Dyson also receives a pension benefit under a US 401k plan.

On-Target: A bonus of 30% of salary is payable (50% of maximum) for target performance and half the LTIP awards vest (based on a grant value of 150% of salary).



Maximum: Comprises fixed pay and assumes that the maximum annual bonus is paid (60% of salary) and the FY22 LTIP grant (150% of salary) vests in full. The maximum scenario includes an additional element to represent 50% share price growth on the LTIP award from the date of grant to vesting.

Composition of the Committee and advice received

The Committee usually comprises three Non-Executive Directors: Helen Hunter the Committee Chair, Richard Eyre (until 31 January 2021), Penny Ladkin-Brand and Robyn Perriss (from 10 November 2020). 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.

Korn Ferry is appointed as adviser to the Committee. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. Fees paid to Korn Ferry during the period were £49,776 (FY20, nil). This related to advice and support to the Committee on the Long-Term Incentive Plan, shareholder consultation and general remuneration matters. The Committee is satisfied that the advice it received from Korn Ferry is objective and independent.

Terms of reference and activities in the year

The activities of the Committee are governed by its terms of reference, which are available from the Group's website at www.next15.com. The Committee had 10 scheduled meetings during the year and details of attendance can be found in the Corporate Governance Report on page 28.

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

- reviewing the remuneration framework against the Group strategy and best practice corporate governance requirements;
- undertaking the annual review of remuneration for both Executive Directors;
- setting financial targets for the annual bonus plan FY21;
- reviewing and setting appropriate stretching performance targets for the FY21 LTIP awards;
- considering the remuneration arrangements of brand senior management;
- reviewing the extent to which performance conditions have been met for both the annual and long-term incentive plans, and agreeing the cash and equity payments arising including the processes and communication to Executive Directors and senior executives;
- reviewing the design, policies and targets of the Group's equity incentive plans including their impact on dilution and headroom;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including in relation to tax; and
- continuing to review the Group's approach to gender pay, diversity and inclusion policies.

Directors' remuneration report continued

Key activities of the Committee for the year ahead

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

- keeping the remuneration framework under review;
- setting appropriate performance targets for the incentive schemes;
- consideration to the principles governing the Group's brand equity schemes and any adjustments required;
- continuing to review the Group's approach to gender pay, diversity and inclusion policies;
- monitoring and reviewing best practice corporate governance requirements, changes to laws, regulations and tax; and
- re-instate the review of remuneration structures for staff below Executive Director level.

Directors' remuneration for the 12-month period to 31 January 2021

	Salary and fees 2021 £'000	Performance-related bonus 2021 £'000	LTIP awards £'000 ²	Pension contributions 2021 £'000	Other benefits 2021 £'000	Total 2021 £'000	Total Fixed Pay 2021 £'000	Total Variable Pay 2021 £'000	Total 2020 £'000 ³
Executive Directors									
Tim Dyson	634	—	426	72	50	1,182	756	426	1,110
Peter Harris	291	—	203	29	1	524	321	203	482
Non-Executive Directors									
Richard Eyre	135	—	—	—	—	135	135	N/A	150
Penny Ladkin-Brand	45	—	—	—	—	45	45	N/A	46
Helen Hunter	41	—	—	—	—	41	41	N/A	31
Robyn Perriss ¹	8	—	—	—	—	8	8	N/A	—

1 Robyn Perriss joined the Board on 12 November 2020.

2 These figures comprise tranches of three LTIP awards which vest in relation to performance periods ending FY21, being those LTIP awards granted in May 2017, April 2018 and April 2019, valued using a share price of 529p, being the average share price over the last quarter of the period.

3 These figures have been restated to reflect the actual value of the LTIPs on vesting for 2020 using a share price of 365p.

Performance-related bonus

The annual bonus opportunity for FY21 was 60% of salary for both Executive Directors. Performance was based on four, equally weighted performance metrics. The formulaic outcome based on performance against targets would have resulted in a bonus pay-out of 100% of maximum as set out in the table below. As set out in the Chair's letter, the Executive Directors waived their bonuses for FY21 taking into account the performance of the business as a whole for FY21 and the overall experience of shareholders.

Performance metric	Weighting (% of max)	Target range	Actual performance	Pay-out for element (% of element)
Adjusted operating profit after lease liability interest*	25%	£38m–£41m	£47.9m	25%
Cash conversion ratio	25%	90–100%	111%	25%
Organic revenue decline	25%	(10.5%)-(4)%	(3.4%)	25%
Adjusted operating profit margin	25%	15% - 15.6%	18.5%	25%
Total bonus (% of max)				100%

* Excludes contribution from acquisition acquired after the reforecast in May 2020.

The bonuses for year ended 31 January 2021 were £nil (\$nil) for Tim Dyson and £nil for Peter Harris.

Long-Term Incentive Plan

Awards vesting by reference to performance periods ending 31 January 2021

The historic awards granted to the Executive Directors which vested by reference to performance periods ending on 31 January 2021 are summarised below:

FY18 LTIP grant (granted 2 May 2017)

Executive Director	Number of performance shares in tranche 4	Percentage of award vesting	Number of shares vesting from tranche 4	Gain on vesting £'000
Tim Dyson	32,519	100%	32,519	172
Peter Harris	15,073	100%	15,073	80

Performance shares which vest in tranche 4 of the FY18 award will be released following the 31 January 2022 results (expected to be April 2022).

FY19 LTIP grant (granted 10 April 2018)

Executive Director	Number of performance shares in tranche 3	Percentage of award vesting	Number of shares vesting from tranche 3	Gain on vesting £'000
Tim Dyson	26,821	100%	26,821	142
Peter Harris	13,577	100%	13,577	72

Performance shares which vest in tranche 3 of the FY19 award will be released in April 2021.

Directors' remuneration report continued

Long-Term Incentive Plan continued

FY20 LTIP grant (granted 28 April 2019)

	Number of performance shares in tranche 2	Percentage of award vesting	Number of shares vesting from tranche 2	Gain on vesting £'000
Executive Director				
Tim Dyson	25,644	82.5%	21,156	112
Peter Harris	11,769	82.5%	9,709	51

Performance shares which vest in tranche 2 of the FY20 award will be released following the 31 January 2022 results (expected to be April 2022).

Valued using a share price of 529p, being the average share price over the last quarter of the period.

Awards granted during FY21

The FY21 awards were granted to Executive Directors on 30 July 2020. The award covers a three-year period with the performance measured as an average of the performance over the period from 1 February 2020 to 31 January 2023. The performance criteria for the award is based 70% on adjusted EPS performance and 30% on a range of financial KPIs. Subject to performance against these conditions, the award will be released following the end of FY23.

Executive Director	Tim Dyson	Peter Harris
<i>Number of performance shares</i>	186,423	85,174
Vesting criteria (for both Executive Directors)		
<i>Up to 70% of maximum award</i>	<i>Target</i>	<i>Proportion of award vesting</i>
Absolute increase in adjusted diluted earnings per share over the 3-year performance period	Less than 10% 10% Between 10% and 20% 20% or more	0% 17.5% 17.5%–70% (straight-line basis) 70% total award
<i>Up to 30% of maximum award</i>		
KPIs	Average annual organic net revenue growth over the 3-year performance period of 0% to 5% Average annual adjusted operating profit (after lease liability interest) margin 16% to 18%	0%–15% 0%–15%

Directors' interests in share plans for the year to 31 January 2021

As at 31 January 2021 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 2020	Shares lapsing during the period	Shares released during the period	Shares granted during the period	Number of performance shares at 31 January 2021	Grant date	End of performance period	Total gain on vesting £'000
Tim Dyson	158,694	51,772	74,404	—	32,519	02.05.2017	31.01.2022 ¹	272
	132,496	21,350	—	—	111,146	10.04.2018	31.01.2023 ²	—
	128,220	20,413	—	—	107,807	26.04.2019	31.01.2024 ³	—
	—	—	—	186,423	186,423	30.07.2020	31.01.2023	—
Peter Harris	73,557	23,997	34,487	—	15,073	02.05.2017	31.01.2022 ¹	126
	67,073	10,808	—	—	56,265	10.04.2018	31.01.2023 ²	—
	58,847	9,368	—	—	49,479	26.04.2019	31.01.2024 ³	—
	—	—	—	85,174	85,174	30.07.2020	31.01.2023	—

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

² 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).

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

Directors' remuneration report continued

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

The interests of the Directors in the share capital of the Company at 31 January 2020 and 31 January 2021 are as follows:

	Ordinary Shares		LTIP performance shares	
	31 January 2020 (or date of appointment if later)	31 January 2021 (or date of resignation if earlier)	1 February 2020 (or date of appointment if later)	31 January 2021 (or date of resignation if earlier)
Executive Directors				
Tim Dyson	5,077,997 ¹	5,077,997¹	419,410 ²	437,895²
Peter Harris	354,322 ¹	371,566¹	199,477 ²	205,991²
Non-Executive Directors				
Richard Eyre	115,000	120,000	—	—
Penny Ladkin-Brand	20,118	85,118	—	—
Helen Hunter	—	—	—	—
Robyn Perriss	—	—	—	—

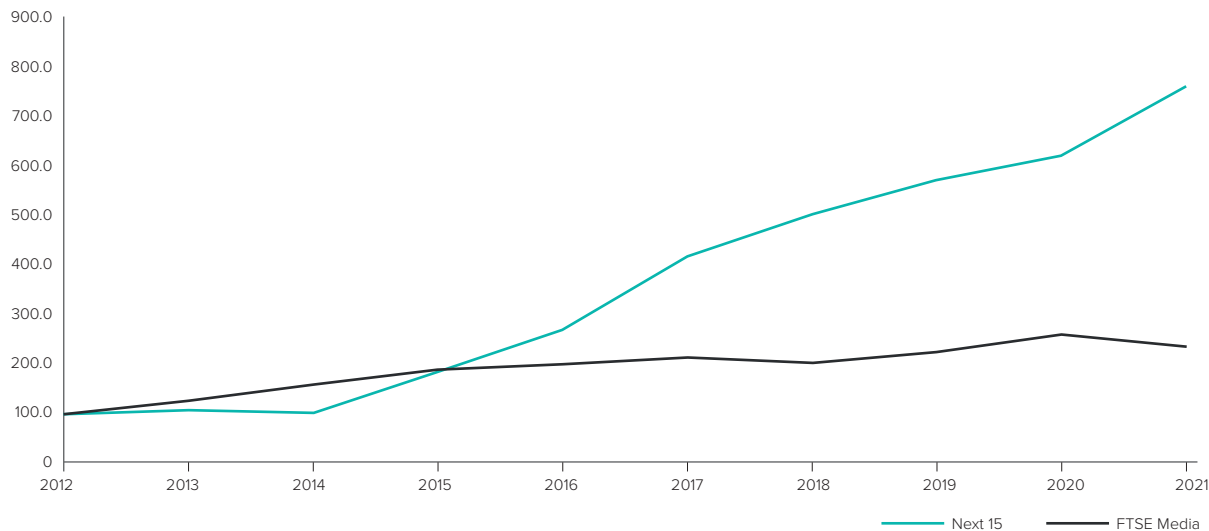
¹ In last year's annual report, we included performance shares which had vested in relation to prior periods but not released. As these shares are not issued shares they are now in the LTIP performance shares column.

² In last year's annual report, performance shares that had vested in relation to prior periods but not released were included in the 'Ordinary Shares' column. As these shares are not issued shares they are now included in these numbers.

Total shareholder return

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

This graph shows the value on 31 January 2021 of £100 invested in the Company on 31 January 2012 compared with £100 invested in the FTSE Media Index and demonstrates the sustained and significant total shareholder return that we have delivered to shareholders over this period.



How the remuneration framework will be applied for FY22

Salary

The CEO will not receive a salary increase for FY22. The CFO will receive a salary increase of 2.1% in line with / which is less than, the average increase awarded to the workforce.

Executive Director	Salary with effect from 1 February 2020	Salary with effect from 1 February 2021	Increase
Tim Dyson	\$906,206	\$906,206	0%
Peter Harris	£323,068	£330,000	2.1%

Directors' remuneration report continued

How the remuneration framework will be applied for FY22 continued

Non-Executive Director fees

Following the review of NED remuneration, the following increases will take effect from 1 February.

Fee	Fee with effect from 1 February 2020	Fee with effect from 1 February 2021	Increase
Non-Executive Chair fee	£150,000	£150,000	0%
Non-Executive Director base fee	£40,000	£53,000	32.5%
Senior Independent Director fee	£5,000	£5,000	0%
Audit Committee Chair fee	£6,000	£7,000	+16.7%
Remuneration Committee Chair fee	£6,000	£7,000	+16.7%

Pension and benefits

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

Benefits will operate in line with FY21.

Annual bonus

The annual bonus opportunity will remain at 60% of salary for FY22, payable in cash. Performance will be measured against adjusted operating profit, cash conversion ratio, organic revenue growth and adjusted operating profit margin, all equally weighted. The Committee considers the bonus targets to be commercially sensitive but commits to full retrospective disclosure in next year's Remuneration Report.

Long-term incentive

The Executive Directors will be granted LTIP awards of 150% of salary. Performance will be measured over a single three-year performance period to 31 January 2024. The awards will vest based on the achievement of the following performance conditions and targets over the three-year performance period:

Performance condition	Weighting (% of salary)	Threshold (25% vests)	Maximum (100% vests)
Absolute increase in adjusted diluted EPS over the performance period at a constant tax rate	100%	20%	50%
Average annual organic net revenue growth	25%	4%	7.5%
Average annual adjusted operating profit (after lease liability interest) margin	25%	18%	20%

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

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

Report of the Directors

The Directors present their Annual Report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 January 2021.

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 Income Statement on page 76. The Directors recommend a final dividend of 7p per ordinary share to be paid on Friday 13 August 2021, which gives a total dividend of the period of 7p per ordinary share (2020: 2.5p). Due to the outbreak of Covid-19, the FY20 final dividend and the FY21 interim dividend were suspended.

Directors

Details of Directors who served during the year and biographies for Directors currently in office can be found on pages 24, 25 and 27.

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 40 to 57.

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 2021, more detailed disclosure of which can be found in note 26 to the financial statements.

On 15 July 2020, Next 15 purchased the entire share capital of Implementra Limited (trading as Conversion Rate Experts) ('CRE'). The initial consideration for the acquisition was approximately £5.9m, which was settled with £4.6m of cash and the issue of 351,806 of new Ordinary Shares in Next 15. Further contingent consideration may be payable around April 2023 and April 2025 based on the EBIT performance of CRE over the next five years.

On 25 August 2020, Next 15 acquired Mach49 LLC, Mach49 Limited and Mach49 Singapore Pte Ltd, the Silicon Valley-based growth incubator for global businesses. The initial consideration for the acquisition was approximately \$2m settled in full in cash, with a further \$3.7m deferred. Further contingent consideration may be payable around April 2023, April 2024 and April 2025 based on the EBIT performance of Mach49. The contingent consideration that becomes payable may be satisfied by cash or up to 15% in new ordinary shares, at the option of Next 15.

On 31 October 2020, Next 15 acquired To This Day Limited and its subsidiary Marlin PR Limited. The initial consideration for the acquisition was approximately £1.9m, which was settled with £1.5m of cash and the issue of 101,777 of new Ordinary Shares in Next 15. Further contingent consideration may be payable around April 2021 and April 2022 based on the EBITDA performance of Marlin over the remaining year.

Significant post-balance sheet events

Subsequent to the year end, on 9 April 2021, Next 15 acquired Shopper Media Group Ltd (“SMG”) and its subsidiaries. SMG is a UK based agency specialising in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. The initial consideration is approximately £15.7m, which will be settled with £11.8m of cash and the issue of 569,181 new Ordinary Shares in Next 15. Further consideration may be payable around June 2023 and June 2025 based on the EBITDA performance of SMG in the two year periods ending 31 January 2023 and 31 January 2025.

Likely future developments in the business of the Company

The Group’s priorities for 2021/22 are disclosed in the Strategic Report on pages 1 to 23.

Research & Development

During the year many of our brands undertook R&D activities as part of their work developing leading technological solutions for their clients. Several of our market research agencies have innovated to automate manually intensive research processes by developing bespoke software designed to manage the huge amount of data gathered daily by their clients.

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 26 to 35.

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 page 33 and on our website at www.next15.com. Our approach to Board diversity is set out on page 29.

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

During the year, Chris Dare joined Next 15 as our Chief Technology Officer. Since joining, Chris has conducted a thorough review of the Group’s IT systems and has developed a roadmap for improvement. This has included redeveloping our Information & Cyber Security policies across the group to ensure we meet industry best practice, we have continued the rollout of group wide security systems, including to new acquisitions.

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

It is our current intention to hold the Annual General Meeting (the ‘AGM’) of Next Fifteen Communications Group plc (the ‘Company’) at our offices located at 75 Bermondsey Street, London SE1 3XF on 24 June 2021 at 3.00 p.m. Because of the restrictions arising from the Covid-19 situation, arrangements for the AGM may be subject to change, possibly at short notice. Currently the measures that the UK government has put in place as a result of the Covid-19 pandemic mean that attendance at the AGM in person will not be possible and shareholders or their appointed proxies (other than the chair of the Annual General Meeting) will not be permitted entry to the AGM. should this be the case, the Company will put in place arrangements such that the legal requirements to hold the meeting can be satisfied and the meeting will proceed with only such attendees, employees and AGM support staff as are strictly required and will include only the formal business set out in the Notice of Meeting. The Company is exploring ways to engage shareholders if they are unable to attend in person, including through an online interactive webcast. Details of this and any changes to the AGM will be made available via our website. We strongly encourage you to vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy.

Report of the Directors continued

Annual General Meeting continued

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

Political donations

It is the Group's policy not to make donations for political purposes and, accordingly, there were no payments to political organisations during the year (2020: £Nil).

Charitable donations

During the year ended 31 January 2021, the Group donated £69,925 to various charities (2020: £56,857).

Acquisition of shares

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

Financial instruments

Information on the Group's financial risk management objectives, policies and activities and on the Group's exposure to relevant risks in respect of financial instruments is set out in note 19 and in the Strategic Report on pages 16 to 20.

External Auditor

The Board appointed Deloitte LLP to act as External Auditor for the year ended 31 January 2021. 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.

Significant shareholdings

As at 31 March 2021 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.

	2021	
	Total	%
Liontrust Asset Management	12,796,223	14.07
Octopus Investments	12,739,265	14.05
Aviva Investors	10,657,356	11.75
Aberdeen Standard Investments	6,849,633	7.91
Tim Dyson	5,077,997	5.86
BlackRock	4,641,977	5.08
Canaccord Genuity Wealth Management	4,244,777	4.98
Herald Investment Management	3,841,419	4.44
Slater Investments	3,289,152	3.80
Bestinver Asset Management	3,222,169	3.72

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 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 10 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 61.

Approved by the Board on 12 April 2021 and signed on its behalf by:

Penny Ladkin-Brand

Chair of the Board
12 April 2021.

Directors' responsibilities statement

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 12 April 2021 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

1. Opinion

In our opinion:

- the financial statements of Next Fifteen Communications Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 the parent company related notes 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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





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

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

3. Summary of our audit approach

- Key audit matters** The key audit matters that we identified in the current year were:
- valuation of contingent consideration on the acquisition of Mach-49;
 - valuation of acquisition-related liabilities; and
 - classification and presentation of adjusting items.

Within this report, key audit matters are identified as follows:

-  Newly identified
-  Increased level of risk
-  Similar level of risk
-  Decreased level of risk

Materiality The materiality that we used for the group financial statements was £1.75m which was determined on the basis of considering a number of different measures including adjusted profit before tax and revenue.

Scoping Components of the group subject to full scope audits account for 73.4% of the Group's revenue and 83.6% of Adjusted Profit before Tax.

Significant changes in our approach We have not identified any new key audit matters in the current year, although we have amended the key audit matter relating to the valuation of acquired intangibles from prior year to focus on the valuation of contingent consideration on significant acquisitions this year.

We no longer identified impairment of acquired goodwill as a key audit matter. This was due to improved trading performance in the majority of brands during the financial year which resulted in sufficient headroom across all CGUs; there were no impairment indicators identified.

The Group has not been impacted by Covid-19 as severely as was forecast in last year's reasonable worst case scenario; as a result we did not identify a key audit matter in relation to going concern.

There are no other significant changes in our approach apart from these changes in key audit matters.

Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

4. Conclusions relating to going concern

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

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

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

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

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

5. Key audit matters

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

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

5. Key audit matters continued

5.1. Valuation of contingent consideration on the acquisition of Mach 49

Key audit matter description	<p>The Group's acquisitions during the year resulted in the recognition of £10.6m (2020: £18.9m) of intangible assets and £14.7m (2020: £22.3m) of goodwill, along with £12.9m (2020: £14.4m) of discounted contingent consideration.</p> <p>The acquisition date valuation of contingent consideration is based on management's estimates of the forecast future revenue and EBIT for the acquired company over a period of typically 2-5 years.</p> <p>Given the uncertainty in estimating the future performance of acquired businesses and the fact that the forecast growth and EBIT directly impact the estimate of contingent consideration in the acquisition accounting, we have determined this to be a key audit matter.</p> <p>Of the acquisitions made in FY21, the acquisition of Mach 49 has a material amount of contingent consideration and as such we have pinpointed our risk to the calculation of contingent consideration of this business as at the date of acquisition. The other acquisitions are less sensitive to these judgements, having proportionally less contingent consideration and few material acquired intangibles.</p> <p>The total present value of consideration at acquisition date for Mach 49 is £13.7m of which £12.2m is contingent on Mach 49's performance against revenue and profit targets. There is increased uncertainty in this estimation as Mach-49 is a relatively young business with a short track record and high growth ambitions. The consideration is also uncapped, meaning that the actual consideration paid could be significantly higher than that recorded at acquisition date.</p> <p>These estimates are sensitive to changes in forecast performance of the business acquired and as such management has set out that this is a key source of estimation uncertainty in Note 1 and a sensitivity analysis in Note 17 to the financial statements. For further details, see the Report of the Directors, the Financial Review and notes 1, 2, 11 and 26 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>In order to address the key audit matter relating to the valuation of contingent consideration, our audit work included:</p> <ul style="list-style-type: none"> • obtaining an understanding of relevant controls over the valuation of contingent consideration; • considering the appropriateness of management's process for identifying and valuing contingent consideration; • performing sensitivity analyses on the forecast assumptions; • challenging revenue growth and profit margin assumptions, using both corroborative and contradictory sources of information including the original diligence reports, comparator companies and updated forecast figures; • working with our internal valuation specialists to challenge the discount rate used and provide supporting information on market comparators; • evaluating subsequent information available; and • assessing whether the disclosures within the financial statements adequately explain the nature of this acquisition.
Key observations	<p>Based on the evidence received, we concluded that the valuation of contingent consideration on acquisition is appropriate. We are satisfied with the disclosures made in the financial statements.</p>

Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

5. Key audit matters continued

5.2. Valuation of acquisition-related liabilities

Key audit matter description

As at 31 January 2021, the Group had £53.7m of acquisition-related liabilities (2020: £48.3m) which consist mainly of contingent consideration payable based on a share of the average profit of the businesses previously acquired. These liabilities are estimated upon acquisition and subsequently revised at the Group's financial year end.

The values of these liabilities remain highly judgemental until settled as they are based on forecast future performance of specific brands. As these liabilities are held at fair value, a change in the estimate of revenue growth or profitability a brand could result in a material charge to the income statement. These changes are recorded in the income statement each period and in the current year the charge arising from changes in estimates is £8.1m as set out in Note 17.

Our audit has specifically focused on the valuation of the liabilities in respect of Agent 3 and Activate. There is a risk that these liabilities are incorrectly valued if they are based on inappropriate forecast and discount rate assumptions. Given the sensitivity, management has set out that this is a key source of estimation uncertainty in Note 1 and included a sensitivity analysis in Note 17 to the financial statements.

For further details, see and notes 1, 2 and 17 to the financial statements.

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

In order to address the key audit matter relating to the valuation of acquisition-related liabilities, our audit work included:

- obtaining an understanding of relevant controls over the valuation of acquisition-related liabilities process;
- performing sensitivity analyses on the forecast assumptions;
- challenging revenue growth and profit margin assumptions by considering the historical accuracy of budgeting and benchmark data;
- challenging the forecast estimates, to determine the amount of earnout liability to be accrued and whether changes in the estimate are based on information obtained post acquisition;
- involving our valuation specialists to determine whether the discount rate applied falls within an acceptable range;
- agreeing settlements in the year and post year end to bank statements or other documentation; and
- assessing whether the disclosures within the financial statements adequately explain the nature and change in estimate of these acquisition-related liabilities.

Key observations

Based on the evidence received, we concluded that the Directors' judgements regarding future performance of the brands with acquisition-related liabilities are appropriate.

The discount rate applied is within our acceptable range.

We are satisfied with the disclosures made in the financial statements.

5. Key audit matters continued

5.3. Classification and Presentation of Adjusting Items

Key audit matter description

The Group presents a number of Adjusted Performance Measures including Adjusted Operating Profit, Adjusted EBITDA, Adjusted Profit Before Tax and Adjusted Earnings per Share. Loss Before Tax for the year was £1.3m (2020: profit £5.6m) compared to Adjusted Profit Before Tax of £49.1m (2020: £40.2m).

The Group receives certain income and incurs certain costs that management believe should be presented separately in order to aid the users understanding of financial performance.

Judgement is required when determining the accounting policy for Adjusting Items and subsequently when determining the classification of transactions as 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 investors and there is a risk that items may be classified as Adjusting Items which are not appropriate 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 (charge of £15.0m (2020: £12.1m)): The Group classifies amortisation on acquired intangibles as an Adjusting Item. 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 those of other companies and as such, the Directors' view is that amortisation of acquired intangibles should be added back to aid comparability with peers.

Restructuring costs (charge of £2.7m (2020: £4.6m)): For these to be classified as Adjusting Items, they should relate to clearly identifiable initiatives and should not recur year on year or for an undefined period. In the year there have been a number of redundancies, some caused by the Covid pandemic, and as such these are deemed by the Directors to be adjusting items.

Growth share schemes (charge of £2.4m (2020: £0.4m)): Share-based payments are a cost of acquiring a business and relieve companies of an alternative cash expense. The Directors have however classified growth share scheme charges as Adjusting Items 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 full charge is booked upfront at the grant date as there is no vesting period.

Employment-linked consideration on acquisitions (charge of £8.0m (2020: £5.0m)): Employment-linked earnout payments are built up through the income statement over the employment term. The Directors have classified the employment-linked consideration on acquisition as an Adjusting Item on the basis that the expense relates to the cost of acquiring those businesses, rather than reflecting the underlying business performance.

Right of use asset impairment (charge of £10.0m (2020: nil): Management have undertaken an exercise to rationalise the property portfolio of the Group and exit certain properties deemed surplus to requirement. The Directors have classified the right of use asset impairment as an Adjusting Item as it is deemed to be one-off in nature and is not related to the underlying performance of the business.

Furlough support repaid post year-end (credit of £1.4m (2020: nil)): The Directors have added back the credit in the income statement for UK furlough income claimed in the year. Since year end, the Group have announced that they will repay the full UK furlough amount of £1.4m (2020: nil). The Directors have classified the repayment of the UK furlough as an Adjusting Item as it does not relate to the underlying performance of the Group and therefore adjusting for it allows comparability year on year. A further £0.7m (2020: nil) claimed in other jurisdictions have not been classified as an Adjusting item as management does not intend to repay this.

For further details, see the Financial Review and notes 1, 2 and 5 to the financial statements.

Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

5. Key audit matters continued

5.3. Classification and Presentation of Adjusting Items continued

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

In order to address the key audit matter relating to the classification and presentation of Adjusting items, our audit work included:

- obtaining an understanding of relevant controls over the financial reporting process;
- 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 consistent treatment of items that increase and decrease Adjusted Profit measures;
- challenging whether any other items of income or expense ought to be included in or excluded from Adjusting Items by considering the nature of the item;
- 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 (European Securities and Markets Authority) 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

Based on the evidence received, we concur with the Directors' assertion that the Adjusting Items are in line with the Group's accounting policies as disclosed in notes 1, 2 and 5 to the financial statements and that the presentation classification of items of expense and income as Adjusting Items is consistent between the periods presented. We did not identify any other material items that should be adjusted for.

While some of the Adjusting Items excluded by the Group are recurring items, we are satisfied that these items are adjusted consistently in each period, are sufficiently explained and reconciled in the financial statements and that overall the financial statements are appropriately balanced in their presentation of statutory and non-statutory measures.

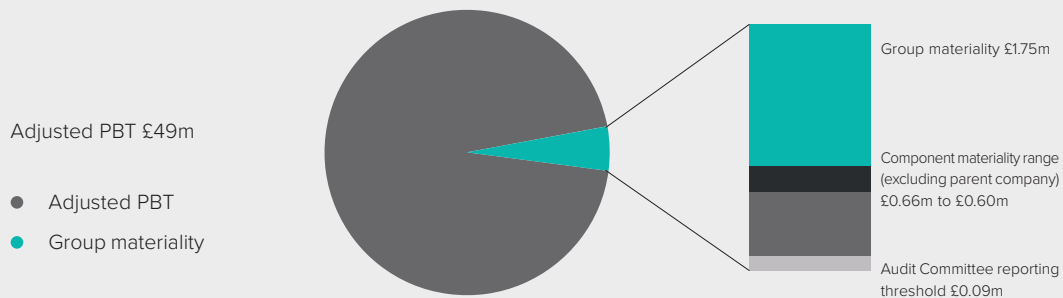
6. Our application of materiality

6.1 Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£1.75m (2020: £1.75m)	£1.58m (2020: £1.58m)
Basis for determining materiality	Materiality has been determined on the basis of considering a number of different measures including Adjusted Profit Before Tax and Revenue. This is consistent with the prior year.	Parent company materiality represents 0.95% (2020: 1.09%) of net assets of £166.2m (2020: £145.6m).
Rationale for the benchmark applied	We considered a number of relevant benchmarks in our determination of materiality. Adjusted Profit Before Tax is a significant metric used in reporting the results for the Group as this is the key performance indicator for the users of the financial statements. In addition, we incorporated Revenue and Net Revenue as additional benchmark as they reflects the growth of the Group. Materiality, representing approximately 3.6% (2020: 4.4%) of adjusted profit before tax and 0.6% (2020: 0.6%) of revenue.	The Parent company is a holding company, and net assets is indicative of the company’s ability to support its subsidiaries.



Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

6. Our application of materiality continued

6.2 Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	68.5% (2020: 65%) of group materiality	65% (2020: 65%) of parent company materiality
Basis and rationale for determining performance materiality	<p>We have set out the significant circumstances behind the professional judgements made in determining performance materiality for this audit. The specific factors were:</p> <p>a. we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes;</p> <p>b. there is an effective corporate governance structure;</p> <p>c. low level of uncorrected misstatements;</p> <p>d. no prior period adjustments;</p> <p>e. consideration of the resultant value in the context of how materiality has remained constant but decreased as a percentage of its benchmark; and</p> <p>f. there is maturity within the executive management team, with little turnover.</p>	<p>a. we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes;</p> <p>b. there is an effective corporate governance structure;</p> <p>c. low level of uncorrected misstatements;</p> <p>d. no prior period adjustments; and</p> <p>e. there is maturity within the executive management team, with little turnover.</p>

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.09m (2020: £0.09m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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

Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Based on our assessment, we focused our audit work on 19 components, 15 of which were subject to full audit scope and 4 were subject to specified audit procedures. Our procedures on full audit scope components provided coverage of 73.4% of the Group's consolidated revenue and 83.6% of the Group's Adjusted Profit Before Tax.

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

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

The range of component materialities we have used are from £600,000 to £660,000 (2020: (£136,000 to £621,000)).

All of the work was performed by the group engagement team.

8. Other information

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

We have nothing to report in this regard.

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

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

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

Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

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

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

11.1 Identifying and assessing potential risks related to irregularities continued

- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: completeness of rebates in revenue agreements whereby we identified Brand management could potentially enter into agreements with customers to provide discounted services and not record these appropriately. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

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

11.2 Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud in rebates in revenue agreements, we obtained an understanding of relevant controls of the group's monitoring of rebate arrangements and testing key customer contracts in each brands, as well as a sample of credit notes, to determine if there were any rebate type arrangements which were not appropriately accounted for or disclosed to group; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Independent auditors' report continued

to the members of Next Fifteen Communications Group plc

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

13 Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

14. Use of our report

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

Peter McDermott (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 April 2021

Consolidated income statement

for the year ended 31 January 2021 and the year ended 31 January 2020

	Note	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000
Revenue	2		323,668		300,711
Direct costs			(56,782)		(52,242)
Net revenue			266,886		248,469
Staff costs	3	189,530		171,180	
Depreciation	4,12,16	11,609		13,196	
Amortisation	4,11	16,394		13,211	
Other operating charges		35,665		31,469	
Total operating charges			(253,198)		(229,056)
Operating profit	2,5		13,688		19,413
Finance expense	6		(16,884)		(16,672)
Finance income	7		1,459		2,611
Net finance expense			(15,425)		(14,061)
Share of profit from associate			431		204
(Loss)/profit before income tax	5		(1,306)		5,556
Income tax expense	8		(2,643)		(2,717)
(Loss)/profit for the year			(3,949)		2,839
Attributable to:					
Owners of the Parent			(4,938)		2,262
Non-controlling interests			989		577
			(3,949)		2,839
(Loss)/earnings per share					
Basic (pence)	10		(5.5)		2.7
Diluted (pence)	10		(5.3)		2.5

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

All results relate to continuing operations.

	Note	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
(Loss)/profit for the year		(3,949)	2,839
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments designated as fair value through other comprehensive income		(117)	(562)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,395)	(136)
Loss arising on hedging instruments designated in hedges of the net assets in foreign operation	19	—	(411)
Total other comprehensive expense for the year		(1,512)	(1,109)
Total comprehensive (expense)/income for the year		(5,461)	1,730
Total comprehensive (expense)/income attributable to:			
Owners of the Parent		(6,450)	1,153
Non-controlling interests		989	577
		(5,461)	1,730

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 2021 and 31 January 2020

	Note	31 January 2021 £'000	31 January 2021 £'000	31 January 2020 £'000	31 January 2020 £'000
Assets					
Property, plant and equipment	12	8,904		14,224	
Right-of-use assets	16	26,008		41,655	
Intangible assets	11	163,777		155,408	
Investment in equity-accounted associate		254		232	
Investments in financial assets		955		1,075	
Deferred tax assets	18	15,314		10,967	
Other receivables	13,19	860		809	
Total non-current assets			216,072		224,370
Trade and other receivables	13,19	77,530		70,260	
Cash and cash equivalents	19	26,831		28,661	
Corporation tax asset		1,215		734	
Total current assets			105,576		99,655
Total assets			321,648		324,025
Liabilities					
Loans and borrowings	19	7,810		33,007	
Deferred tax liabilities	18	3,229		3,538	
Lease liabilities	16	31,812		43,023	
Other payables	14,19	1,576		16	
Provisions	15,19	7,140		4,942	
Contingent consideration	17,19	36,194		26,815	
Share purchase obligation	17,19	5,302		2,098	
Total non-current liabilities			(93,063)		(113,439)
Loans and borrowings	19	5,000		5,000	
Trade and other payables	14,19	77,319		59,620	
Lease liabilities	16	10,957		11,210	
Provisions	15,19	5,656		1,522	
Corporation tax liability		604		1,173	
Deferred consideration	17,19	1,262		2,715	
Contingent consideration	17,19	9,700		15,366	
Share purchase obligation	17,19	1,206		1,269	
Total current liabilities			(111,704)		(97,875)
Total liabilities			(204,767)		(211,314)
Total net assets			116,881		112,711

	Note	31 January 2021 £'000	31 January 2021 £'000	31 January 2020 £'000	31 January 2020 £'000
Equity					
Share capital	20	2,274		2,163	
Share premium reserve		92,408		76,019	
Share purchase reserve		(2,673)		(2,673)	
Foreign currency translation reserve		6,166		7,561	
Other reserves	24	608		608	
Retained earnings		18,174		29,618	
Total equity attributable to owners of the Parent			116,957		113,296
Non-controlling interests			(76)		(585)
Total equity			116,881		112,711

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

These financial statements were approved and authorised by the Board on 12 April 2021.

Peter Harris
Chief Financial Officer

Company number 01579589

Consolidated statement of changes in equity

for the year ended 31 January 2021 and the year ended 31 January 2020

	Note	Share capital £'000	Share premium reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other reserves ¹ £'000	Retained earnings £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2020		2,163	76,019	(2,673)	7,561	608	29,618	113,296	(585)	112,711
(Loss)/profit for the year		—	—	—	—	—	(4,938)	(4,938)	989	(3,949)
Other comprehensive expense for the year		—	—	—	(1,395)	—	(117)	(1,512)	—	(1,512)
Total comprehensive (expense)/income for the year		—	—	—	(1,395)	—	(5,055)	(6,450)	989	(5,461)
Shares issued on satisfaction of vested performance shares	20	69	10,162	—	—	—	(10,231)	—	—	—
Shares issued on acquisitions	20,26	42	6,227	—	—	—	—	6,269	—	6,269
Movement in relation to share-based payments		—	—	—	—	—	3,557	3,557	—	3,557
Tax on share-based payments	8	—	—	—	—	—	491	491	—	491
Movement due to ESOP share purchases		—	—	—	—	(5)	—	(5)	—	(5)
Movement due to ESOP share option exercises		—	—	—	—	5	—	5	—	5
Movement on reserves for non-controlling interests		—	—	—	—	—	(206)	(206)	206	—
Non-controlling dividend	9	—	—	—	—	—	—	—	(686)	(686)
At 31 January 2021		2,274	92,408	(2,673)	6,166	608	18,174	116,957	(76)	116,881

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

	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 2019 as previously stated		2,089	62,993	(2,673)	7,697	1,019	41,404	112,529	(1,076)	111,453
Change in accounting policy (IFRS 16)		—	—	—	—	—	(1,794)	(1,794)	—	(1,794)
Deferred tax on accounting policy change (IFRS 16)		—	—	—	—	—	400	400	—	400
At 1 February 2019		2,089	62,993	(2,673)	7,697	1,019	40,010	111,135	(1,076)	110,059
Profit for the year		—	—	—	—	—	2,262	2,262	577	2,839
Other comprehensive expense for the year		—	—	—	(136)	(411)	(562)	(1,109)	—	(1,109)
Total comprehensive (expense)/income for the year		—	—	—	(136)	(411)	1,700	1,513	577	1,730
Shares issued on satisfaction of vested performance shares	20	38	5,388	—	—	—	(5,426)	—	—	—
Shares issued on acquisitions	20,26	36	7,638	—	—	—	—	7,674	—	7,674
Movement in relation to share-based payments		—	—	—	—	—	600	600	—	600
Tax on share-based payments	8	—	—	—	—	—	167	167	—	167
Dividends to owners of the Parent	9	—	—	—	—	—	(6,759)	(6,759)	—	(6,759)
Movement due to ESOP share purchases		—	—	—	—	(15)	—	(15)	—	(15)
Movement due to ESOP share option exercises		—	—	—	—	15	—	15	—	15
Movement on reserves for non-controlling interests		—	—	—	—	—	(674)	(674)	674	—
Non-controlling dividend	9	—	—	—	—	—	—	—	(760)	(760)
At 31 January 2020		2,163	76,019	(2,673)	7,561	608	29,618	113,296	(585)	112,711

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

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

Consolidated statement of cash flow

for the year ended 31 January 2021 and the year ended 31 January 2020

Note	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000
Cash flows from operating activities				
	(3,949)		2,839	
	Adjustments for:			
4,12	3,880		4,505	
16	7,729		8,691	
4,11	16,394		13,211	
6	16,884		16,672	
7	(1,459)		(2,611)	
	(431)		(204)	
	8,503		—	
4	6,885		1,360	
4	(2,327)		14	
8	2,643		2,717	
	8,041		5,029	
	3,587		600	
Net cash inflow from operating activities before changes in working capital				
		66,380		52,823
	(5,692)		1,971	
	12,942		(1,950)	
	(697)		(3,343)	
Change in working capital				
		6,553		(3,322)
Net cash generated from operations				
		72,933		49,501
		(8,423)		(5,993)
Net cash inflow from operating activities				
Cash flows from investing activities				
26	(8,097)		(18,501)	
	(15,539)		(5,622)	
	—		(50)	
	(1,998)		(3,460)	
	4		23	

	Note	Year ended 31 January 2021 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2020 £'000
Proceeds on disposal of subsidiary		—		466	
Acquisition of intangible assets		(2,109)		(1,831)	
Net movement in long-term cash deposits		(82)		(24)	
Income from finance lease receivables		780		547	
Interest received	7	47		112	
Net cash outflow from investing activities			(26,994)		(28,340)
Net cash inflow from operating and investing activities			37,516		15,168
Cash flows from financing activities					
Repayment of lease liabilities		(12,647)		(11,367)	
Increase in bank borrowings and overdrafts		—		27,045	
Repayment of bank borrowings and overdrafts		(24,912)		(14,006)	
Interest paid	6	(881)		(979)	
Dividend and profit share paid to non-controlling interest partners	9	(686)		(760)	
Dividend paid to shareholders of the Parent	9	—		(6,759)	
Net cash outflow from financing activities			(39,126)		(6,826)
Net (decrease)/increase in cash and cash equivalents			(1,610)		8,342
Cash and cash equivalents at beginning of the year			28,661		20,501
Exchange loss on cash held			(220)		(182)
Cash and cash equivalents at end of the year	9		26,831		28,661

1 In the current year, we have reclassified the employment linked acquisition provision charge within the statement of cash flow to better reflect that it is a material non-cash movement. Previously the charge was classified as an item within the movement on provisions and therefore the prior year charge has also been reclassified to aid comparability year on year.

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

Notes to the accounts

for the year ended 31 January 2021

1 Accounting policies

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

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

A. Basis of preparation

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

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

B. New and amended standards adopted by the Group

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

C. Basis of consolidation

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

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

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

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

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.

1 Accounting policies continued

C. Basis of consolidation continued

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.

Notes to the accounts continued

for the year ended 31 January 2021

1 Accounting policies continued

E. Revenue and other income continued

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

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

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

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

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

Accrued and deferred income

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

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

Finance income

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

1 Accounting policies continued

F. Intangible assets

Goodwill

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

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 and a higher or lower spend has no relation on the underlying organic business. 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 four 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.

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 in for the Group's adjusted performance measures to aid comparability with its peer Group and to enhance comparability of the Group's profitability year on year.

Notes to the accounts continued

for the year ended 31 January 2021

1 Accounting policies continued

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.

1 Accounting policies continued

I. Foreign currency continued

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

J. Operating segments

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

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

Notes to the accounts continued

for the year ended 31 January 2021

1 Accounting policies continued

K. Financial instruments continued

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.

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.

1 Accounting policies continued

L. Provisions

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

M. Retirement benefits

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

N. Share-based payments

The Group issues equity-settled share-based payments to certain employees via the Group's Long-Term Incentive Plan. The share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period. The cumulative expense is adjusted for failure to achieve non-market performance vesting conditions.

Fair value is measured by use a Black-Scholes model on the grounds that there are no market-related vesting conditions. The expected life used in the model has been adjusted, based on the Board's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group grants brand equity appreciation rights to key individuals in the form of LLC units or restricted Ordinary Shares in the relevant subsidiary. The LLC units or restricted Ordinary Shares give the individuals a right to a percentage of the future appreciation in their particular brand's equity. Appreciation is measured based on a multiple of the brand's operating earnings in subsequent year(s), over the base line value determined at the date of grant. Since any brand appreciation payments are to be settled in Group equity, they are accounted for as equity-settled share-based payments. The value is recognised as a one-off share-based payment in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. Therefore, adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's performance and enhances comparability year on year.

O. Leased assets

The Group leases various assets, comprising mostly of properties and office equipment. The Group assesses whether a contract is or contains a lease, at inception of a contract, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets, where the Group has elected to use the exemption. The total rentals payable under these leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease. When this rate cannot be determined, the Group uses the incremental borrowing rate for the same term as the underlying lease. Lease payments comprise fixed payments less any lease incentives receivable and variable lease payments as at the commencement date. The lease liability is subsequently remeasured when there is a change in future lease payments due to a renegotiation or market rent review, or a reassessment of the lease term. Lease modifications result in remeasurement of the lease liability with a corresponding adjustment to the related right-of-use asset. Interest expense is included within finance expense in the Consolidated Income Statement. The right-of-use asset is initially measured based on the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, plus the estimated cost for any restoration costs the Group is obligated to at lease inception. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset.

Notes to the accounts continued

for the year ended 31 January 2021

1 Accounting policies continued

O. Leased assets continued

At times, entities of the Group will sublet certain of their properties when underlying business requirements change. The Group assesses the classification of these subleases with reference to the right-of-use asset, not the underlying asset. As a result, certain subleases are classified as finance leases and a sublease receivable is recognised and recorded as a financial asset within trade and other receivables on the Consolidated Balance Sheet and any relating right-of-use asset is derecognised.

When the Group acts as an intermediate lessor it accounts for the head lease and the sublease separately. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership in relation to the underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as finance lease receivables at the amount of the Group's net investment in the leases using the effective interest rate method. The Group recognises lessor payments under operating leases as income on a straight-line basis over the lease term.

P. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Q. Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated Balance Sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the asset can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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.

1 Accounting policies continued

Q. Deferred tax continued

Where a temporary difference arises between the tax base of employee share options and their carrying value, a deferred tax asset should arise. To the extent that the future tax deduction exceeds the related cumulative IFRS 2 'Share-Based Payment' ('IFRS 2') expense, the excess of the associated deferred tax balance is recognised directly in equity. To the extent that the future tax deduction matches the cumulative IFRS 2 expense, the associated deferred tax balance is recognised in the Consolidated Income Statement.

R. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

S. Employee Share Ownership Plan ('ESOP')

As the Group is deemed to have control of its ESOP trust, the trust is treated as a subsidiary and is consolidated for the purposes of the Group accounts. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Group's shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

T. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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 or otherwise impact the comparability of the Group's results year on year. Adjusting items for the Group include amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs, restructuring costs, UK furlough grant and property impairment.

Notes to the accounts continued

for the year ended 31 January 2021

1 Accounting policies continued

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

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 FY22 budget, and there is no growth in perpetuity, no impairment would be required. Secondly, with all other variables unchanged, if the discount rate increased by 5% to 17.7%, no impairment would be required.

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 2021 or later periods. These new pronouncements are listed below:

- IFRS 17 'Insurance Contracts'; and
- IFRS 10 'Consolidated Financial Statements' and IAS 28 (amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

2 Segment information

Reportable segments

The Board of Directors has identified the operating segments based on the reports it reviews as the chief operating decision-maker ('CODM') to make strategic decisions, assess performance and allocate resources. These are deemed to be both regional and service segments.

The Group's business is separated into a number of brands which are considered to be the underlying cash-generating units ('CGUs'). These brands are organised into service segments based on the work they do for their customers and into geographical segments based on where the brand is located; within these reportable segments the Group operates a number of separate businesses which generally offer complementary products and services to their customers.

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, details of which are included in this note. 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 2021					
Revenue	168,921	66,684	88,063	—	323,668
Net revenue	140,530	48,447	77,909	—	266,886
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	34,573	13,254	13,053	(11,394)	49,486
Adjusted operating profit margin ¹	24.6%	27.4%	16.8%	—	18.5%
Organic net revenue (decline)/growth	(5.5)%	8.2%	(6.0)%	—	(3.4)%
Year ended 31 January 2020					
Revenue	160,242	59,446	81,023	—	300,711
Net revenue	135,036	45,054	68,379	—	248,469
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	29,930	12,697	7,774	(9,541)	40,860
Adjusted operating profit margin ¹	22.2%	28.2%	11.4%	—	16.4%
Organic net revenue (decline)/growth	(5.7)%	19.3%	(2.1)%	—	(2.0)%

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

Notes to the accounts continued

for the year ended 31 January 2021

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 2021						
Revenue	126,811	9,621	170,467	16,769	—	323,668
Net revenue	106,247	8,610	138,383	13,646	—	266,886
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	22,402	1,997	34,150	2,331	(11,394)	49,486
Adjusted operating profit margin ¹	21.1%	23.2%	24.7%	17.1%	—	18.5%
Organic net revenue decline	(6.4)%	(4.7)%	(0.8)%	(5.5)%	—	(3.4)%
Year ended 31 January 2020						
Revenue	119,551	10,631	153,481	17,048	—	300,711
Net revenue	97,377	8,820	127,563	14,709	—	248,469
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	20,094	1,587	26,421	2,299	(9,541)	40,860
Adjusted operating profit margin ¹	20.6%	18.0%	20.7%	15.6%	—	16.4%
Organic net revenue growth/(decline)	0.3%	0.4%	(4.6)%	4.8%	—	(2.0)%

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

2 Segment information continued

Measurement of operating segment profit continued

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

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Operating profit	13,688	19,413
Interest on finance lease liabilities	(1,408)	(1,596)
Operating profit after interest on finance lease liabilities	12,280	17,817
Share-based payment charge ¹	2,424	374
Employment-related acquisition payments ²	8,041	5,029
Deal costs ³	371	945
Costs associated with restructuring ⁴	2,746	4,596
UK furlough grant ⁵	(1,396)	—
Property impairment ⁶	10,018	—
Total adjusted costs in operating profit excluding amortisation	22,204	10,944
Amortisation of acquired intangibles ⁷	15,002	12,099
Total adjusted costs in operating profit	37,206	23,043
Segment adjusted operating profit after interest on finance lease liabilities	49,486	40,860

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in M Booth & Associates LLC, Twogether Creative Limited, Savanta Group Limited and ODD London Limited (2020: M Booth & Associates 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 an upfront share-based payment in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. It also includes £239,000 of charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (or growth shares) should be excluded from 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.

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

3 These costs are directly attributable to business combinations and 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 to aid comparability of the Group's profitability year-on-year.

4 In the current year the Group has incurred restructuring costs which primarily relates to Covid-19 redundancy costs taken in the year in response to the pandemic in addition to writing off intangibles. These costs relate to these specific transformational events; they do not relate to underlying trading of the relevant brand and therefore have been added back to aid comparability of performance year on year. These costs are made up of £2.5m staff-related costs and £0.2m of other costs relating to the intangible write offs.

5 As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme which has been accounted for as a reduction in staff costs. Subsequent to the balance sheet date, the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts received are added back to aid comparability of the Group's profitability year-on-year.

Notes to the accounts continued

for the year ended 31 January 2021

2 Segment information continued

Measurement of operating segment profit continued

6 In the current period the Group has recognised charges relating to the reorganisation of the property space across the Group. The majority of the charge is impairment of right-of-use assets and leasehold improvements. As a result of Covid-19, the Group has identified excess property space within the portfolio and therefore taken an impairment charge relating to those offices. The Group has adjusted for this cost, as the additional one-off impairment charge does not relate to the underlying trading of the business and therefore added back to aid comparability.

7 In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles has been added back to aid comparability.

3 Employee information

Staff costs for all employees, including Directors, consist of:

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Wages and salaries	161,630	150,203
Social security costs	12,045	11,676
Pension costs	4,227	3,672
Share-based payment charge (note 21)	11,628	5,629
	189,530	171,180

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

	Year ended 31 January 2021	Year ended 31 January 2020
UK	969	916
Europe and Africa	101	100
US	854	754
Asia Pacific	337	293
Head office	56	55
	2,317	2,118

Key management personnel are considered to be the Board of Directors as set out on pages 24 and 25.

3 Employee information continued

Directors' remuneration consists of:

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Short-term employee benefits	976	1,036
Pension costs	101	112
Share-based payment charge	603	137
	1,680	1,285

The highest paid Director received total emoluments of £756,000 (2020: £839,000).

4 Operating profit

This is arrived at after charging/(crediting):

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Depreciation of owned property, plant and equipment	3,880	4,505
Depreciation of right-of-use assets	7,729	8,691
Amortisation of intangible assets	16,394	13,211
Impairment of right-of-use assets	8,503	—
Loss on sale and impairment of property, plant and equipment	6,885	1,360
Share-based payment charge	1,402	226
Share-based payment charge – adjusted (note 2)	10,226	5,403
Short-term sublease income	(453)	(487)
Short-term lease expense	933	986
Low-value lease expense	78	194
UK furlough grant - adjusted (note 2)	(1,396)	—
Other government grants	(748)	—
Foreign exchange loss	775	250

Notes to the accounts continued

for the year ended 31 January 2021

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 2021 £'000	Year ended 31 January 2020 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	320	300
The auditing of financial statements of the subsidiaries pursuant to legislation	107	111
Non-audit services:		
Tax advisory services	—	21
Other assurance services	5	5
	432	437

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 industry peers, although the Group's measures may not be calculated in the same way as similarly titled measures reported by other companies. 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.

5 Reconciliation of pro forma financial measures continued

Adjusted (loss)/profit before income tax and earnings to ordinary shareholders

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
(Loss)/profit before income tax	(1,306)	5,556
Unwinding of discount on contingent and deferred consideration (note 17) ¹	4,694	3,394
Unwinding of discount on share purchase obligation (note 17) ¹	459	158
Total adjusting items in operating profit (note 2)	37,206	23,043
Change in estimate of future contingent consideration payable (note 17) ²	5,332	6,167
Change in estimate of future share purchase obligation (note 17) ²	2,732	1,919
Adjusted profit before income tax	49,117	40,237

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

2 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.

Adjusted EBITDA

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Operating profit	13,688	19,413
Depreciation of owned property, plant and equipment (note 12)	3,880	4,505
Depreciation of right-of-use assets (note 16)	7,729	8,691
Amortisation of intangible assets (note 11)	16,394	13,211
EBITDA	41,691	45,820
Total adjusting items in operating profit excluding amortisation (note 2)	22,204	10,944
Adjusted EBITDA	63,895	56,764

Notes to the accounts continued

for the year ended 31 January 2021

5 Reconciliation of pro forma financial measures continued

Adjusted staff costs

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Staff costs	189,530	171,180
Reorganisation costs	(2,458)	(2,880)
UK furlough grant	1,396	—
Charges associated with equity transactions accounted for as share-based payments (note 2)	(2,185)	(374)
Employment-related acquisition payments (note 2)	(8,041)	(5,029)
Adjusted staff costs	178,242	162,897

6 Finance expense

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Financial liabilities at amortised cost		
Bank interest payable	877	977
Interest on lease liabilities	1,408	1,596
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	459	158
Change in estimate of future share purchase obligation (note 17)	2,908	1,997
Unwinding of discount on contingent and deferred consideration (note 17)	4,694	3,394
Change in estimate of future contingent consideration payable (note 17)	6,534	8,548
Other		
Other interest payable	4	2
Finance expense	16,884	16,672

7 Finance income

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Financial assets at amortised cost		
Bank interest receivable	43	99
Finance lease interest receivable	34	40
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	176	78
Change in estimate of future contingent consideration (note 17)	1,202	2,381
Other		
Other interest receivable	4	13
Finance income	1,459	2,611

8 Taxation

The major components of income tax expense for the year ended 31 January 2021 and year ended 31 January 2020 are:

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	8,472	6,244
Adjustments in respect of current income tax in prior years	(334)	(692)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(5,464)	(3,223)
Adjustments in respect of deferred tax for prior years	(31)	388
Income tax expense reported in the Consolidated Income Statement	2,643	2,717
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based remuneration	(491)	(167)
Income tax benefit reported in equity	(491)	(167)

Notes to the accounts continued

for the year ended 31 January 2021

8 Taxation continued

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2020: 19%). The difference is explained below:

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Factors affecting the tax charge for the year		
(Loss)/profit before income tax	(1,306)	5,556
Corporation tax expense at 19% (2020: 19%)	(248)	1,056
Effects of:		
Disallowed expenses	2,947	1,775
Recognition of previously unrecognised tax losses	—	(2)
Non-utilisation of tax losses	4	3
Higher rates of tax on overseas earnings	305	189
Adjustments in respect of prior years	(365)	(304)
	2,643	2,717
	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense:		
Income tax expense reported in the Consolidated Income Statement	2,643	2,717
Add back:		
Tax on adjusting items		
Costs associated with the current period restructure and office moves (note 2)	1,965	912
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	1,956	2,104
Share-based payment charge (note 2)	141	(198)
Amortisation of acquired intangibles	3,196	2,492
Employment-related acquisition liabilities	21	19
Adjusted tax expense	9,922	8,046
Adjusted profit before income tax (note 5)	49,117	40,237
Adjusted effective tax rate	20%	20%

8 Taxation continued

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.

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2020: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. In the Spring Budget 2021, the Government announced that from April 2023, the main rate of UK corporation tax will increase to 25%. As this new law has not been substantively enacted at the balance sheet date, its effects are not included in the financial statements. Deferred tax balances at 31 January 2021 have been recognised at 19%, being the rate substantively enacted at the balance sheet date.

Net corporation tax paid during the year totalled £8.4m (2020: £6m).

9 Dividend

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Dividends paid during the year		
Final dividend paid for prior year of £Nil per Ordinary Share (2020: 5.4p)	—	4,595
Interim dividend paid of £Nil per Ordinary Share (2020: 2.5p)	—	2,164
	—	6,759
Non-controlling interest dividend ¹	686	760

¹ During the year, a profit share was paid to the holders of the non-controlling interest of Blueshirt of £159,595 (2020: £153,706), Outcast of £196,152 (2020: £225,840), M Booth of £329,906 (2020: £291,887), Beyond of £Nil (2020: £81,556), and Connections Media of £Nil (2020: £7,181).

The ESOP waived its right to dividends in the financial years ended 31 January 2021 and 2020.

A final dividend of 7p per share has been proposed, which is a total amount of £6,368,808. This has not been accrued. In the prior year, given the macroeconomic backdrop due to Covid-19, the Group decided to suspend the final dividend. This makes the total dividend for the year 7p per share (2020: 2.5p). The final dividend, if approved at the AGM on 24 June 2021, will be paid on 13 August 2021 to all shareholders on the Register of Members as at 9 July 2021. The ex-dividend date for the shares is 8 July 2021.

Notes to the accounts continued

for the year ended 31 January 2021

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.

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Earnings attributable to ordinary shareholders	(4,938)	2,262
Unwinding of discount on contingent and deferred consideration	4,694	3,394
Unwinding of discount on share purchase obligation	459	158
Change in estimate of future contingent consideration payable	5,332	6,167
Change in estimate of share purchase obligation	2,732	1,919
Costs associated with the current period restructure (note 2)	2,746	4,596
Share-based payment charge (note 2)	2,424	374
Property impairment (note 2)	10,018	—
Deal costs (note 2)	371	945
Employment-related acquisition payments (note 2)	8,041	5,029
UK furlough grant (note 2)	(1,396)	—
Amortisation of acquired intangibles	15,002	12,099
Tax effect of adjusting items above	(7,280)	(5,331)
Adjusted earnings attributable to ordinary shareholders	38,205	31,612
	Number	Number
Weighted average number of Ordinary Shares	89,382,909	85,284,663
Dilutive LTIP shares	820,997	755,018
Dilutive growth deal shares ¹	1,552,359	2,983,371
Other potentially issuable shares	2,062,239	1,913,430
Diluted weighted average number of Ordinary Shares	93,818,504	90,936,482
Basic (loss)/earnings per share	(5.5)p	2.7p
Diluted (loss)/earnings per share	(5.3)p	2.5p
Adjusted earnings per share	42.7p	37.1p
Diluted adjusted earnings per share	40.7p	34.8p

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 2019	11,756	14,141	51,367	5,715	90,270	173,249
Additions	148	—	—	—	—	148
Capitalised internal development	1,677	—	—	—	—	1,677
Acquired through business combinations ¹	6	2,436	15,308	1,159	22,336	41,245
Disposals	(741)	—	—	—	—	(741)
Exchange differences	(10)	(12)	(65)	(3)	(130)	(220)
At 31 January 2020	12,836	16,565	66,610	6,871	112,476	215,358
Additions	290	—	—	—	—	290
Capitalised internal development	1,819	—	—	—	—	1,819
Acquired through business combinations ¹	5	2,108	7,207	1,286	14,735	25,341
Disposals	(397)	—	—	—	—	(397)
Exchange differences	(25)	(336)	(949)	(97)	(1,757)	(3,164)
At 31 January 2021	14,528	18,337	72,868	8,060	125,454	239,247
Amortisation and impairment						
At 31 January 2019	6,864	4,875	22,244	2,352	10,765	47,100
Charge for the year ²	1,432	1,185	9,560	1,034	—	13,211
Disposals	(125)	—	—	—	—	(125)
Exchange differences	(12)	(18)	(123)	(10)	(73)	(236)
At 31 January 2020	8,159	6,042	31,681	3,376	10,692	59,950
Charge for the year ²	1,684	1,441	11,944	1,325	—	16,394
Disposals	(158)	—	—	—	—	(158)
Exchange differences	(23)	(157)	(551)	(63)	78	(716)
At 31 January 2021	9,662	7,326	43,074	4,638	10,770	75,470
Net book value at 31 January 2021	4,866	11,011	29,794	3,422	114,684	163,777
Net book value at 31 January 2020	4,677	10,523	34,929	3,495	101,784	155,408

1 During the year, the Group acquired CRE, Marlin and Mach49 as well as other acquisitions and a number of trade and asset purchases, none of which are individually significant to the Group (note 26).

2 Amortisation charge for the period includes acquired intangibles of £1,325,000 for non-compete agreements, £11,944,000 for customer relationships, £1,441,000 for trade names and £292,000 relating to software.

Notes to the accounts continued

for the year ended 31 January 2021

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:

	2021 £'000	2020 £'000
Archetype ¹	8,268	7,104
Outcast (US)	12,077	12,580
M Booth (US)	20,519	22,025
Blueshirt (US)	4,993	5,201
Savanta ²	9,608	8,881
ODD	4,950	4,950
Publitek	9,873	9,879
Twogether	10,620	10,620
Velocity	5,653	5,653
Elvis	2,179	2,179
Activate (US)	5,386	5,610
Brandwidth	2,212	2,212
Planning-inc	2,157	2,157
CRE	4,351	—
Mach49 (US)	8,771	—
Other ³	3,067	2,733
	114,684	101,784

1 The goodwill in Archetype (formerly known as Text 100) has increased due to the acquisition of Marlin £1,162,000 and the remainder of the change is due to change in foreign exchange.

2 The goodwill in Savanta has increased in the year due the trade and asset purchases of Future Thinking (£739,000).

3 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 2021. 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 FY22 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 FY22 budget.

Note that the growth rates in stages 1 and 2 applied for year five are dependent on the geographical region of the respective brand. The long-term perpetuity growth rates applied for year five onwards for the US, UK and APAC regions are 2% (2020: 2%), 1.5% (2020: 0.5%) and 1% (2020: 1%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 2% (2020: 1.5%), 2% (2020: 0.5%) and 3% (2020: 1%) respectively.

11 Intangible assets continued

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 FY22 budgeted cash flows for the following four years based on the estimated regional growth rates, which is applied to revenue and costs. This rate does not exceed the average long-term growth rate for the relevant markets. The value in use is compared with the combined total of goodwill, intangible assets and tangible fixed assets. The growth rate in relation to the geographical region of the brand is then applied into perpetuity after five years.

Pre-tax discount rate

A pre-tax rate, being the Board's estimate of the discount rate of 12.7% (2020: 11.2%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 12.7% to be calculated using appropriate methodology. This rate is already in the higher end of the spectrum amongst its peers, and the Board views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

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for the year ended 31 January 2021

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2019	17,813	8,735	3,276	2	29,826
Exchange differences	(85)	(67)	(23)	—	(175)
Additions	1,126	1,564	770	—	3,460
Acquired through business combinations	243	104	14	—	361
Disposals	(598)	(1,039)	(223)	—	(1,860)
At 31 January 2020	18,499	9,297	3,814	2	31,612
Exchange differences	(387)	(130)	(91)	—	(608)
Additions	386	1,231	381	—	1,998
Acquired through business combinations	74	48	5	—	127
Disposals	(5,518)	(1,803)	(747)	—	(8,068)
At 31 January 2021	13,054	8,643	3,362	2	25,061
Accumulated depreciation					
At 31 January 2019	6,196	6,216	1,542	2	13,956
Exchange differences	(87)	(58)	(26)	—	(171)
Charge for the year	2,119	1,578	808	—	4,505
Disposals	(171)	(590)	(141)	—	(902)
At 31 January 2020	8,057	7,146	2,183	2	17,388
Exchange differences	(277)	(102)	(89)	—	(468)
Charge for the year	1,736	1,493	651	—	3,880
Disposals	(2,494)	(1,619)	(530)	—	(4,643)
At 31 January 2021	7,022	6,918	2,215	2	16,157
Net book value at 31 January 2021	6,032	1,725	1,147	—	8,904
Net book value at 31 January 2020	10,442	2,151	1,631	—	14,224

13 Trade and other receivables

	2021 £'000	2020 £'000
Current		
Trade receivables	59,825	52,915
Less: provision for impairment of trade receivables	(476)	(310)
Trade receivables – net	59,349	52,605
Other receivables	1,405	2,875
Prepayments	4,146	4,004
Accrued income	9,389	10,293
Finance lease receivables	3,241	483
	77,530	70,260
Non-current		
Rent deposits	860	809

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

As of 31 January 2021, trade receivables of £476,000 (2020: £310,000) were impaired. Movements in the provision were as follows:

	2021 £'000	2020 £'000
At start of year	310	378
Provision for receivables impairment	478	254
Receivables written off during the year as uncollectable	(269)	(284)
Unused amounts reversed	(25)	(31)
Foreign exchange movements	(18)	(7)
At end of year	476	310

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.

Notes to the accounts continued

for the year ended 31 January 2021

13 Trade and other receivables continued

As at 31 January, the analysis of trade receivables that were not impaired is as follows:

	2021 £'000	2020 £'000
Not past due	44,516	35,289
Up to 30 days	10,344	11,123
31 to 60 days	2,899	3,353
Greater than 61 days	1,590	2,840
At end of period	59,349	52,605

14 Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade creditors	13,964	13,940
Other taxation and social security	5,593	5,378
Short-term compensated absences	1,766	1,582
Other creditors	5,295	2,832
Accruals	14,997	13,362
Deferred income	35,704	22,526
	77,319	59,620
Non-current		
Other creditors	1,576	16
	1,576	16

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	Acquisition payments ³ £'000	Other ⁴ £'000	Total £'000
At 31 January 2019	541	462	784	1,156	2,943
Additions	—	612	4,563	—	5,175
On acquisition of subsidiary	—	55	—	36	91
Used during the year	(557)	—	(522)	(671)	(1,750)
Exchange differences	16	(7)	(4)	—	5
At 31 January 2020	—	1,122	4,821	521	6,464
Additions	—	36	8,041	20	8,097
On acquisition of subsidiary	—	18	—	—	18
Used during the year	—	(486)	(1,256)	(35)	(1,777)
Exchange differences	—	5	(11)	—	(6)
At 31 January 2021	—	695	11,595	506	12,796
Current	—	130	5,385	141	5,656
Non-current	—	565	6,210	365	7,140

1 Onerous lease provisions were calculated based on the remaining term of the lease and associated cost where the Group expected the cost to outweigh the benefit. Onerous leases were debited on transition to IFRS 16 in the prior year.

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 Acquisition payments are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision.

4 Other includes provisions for potential tax liabilities and redundancy provisions.

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for the year ended 31 January 2021

16 Leases

The movements in the year ended 31 January 2021 were as follows:

Right-of-use assets:	Land and buildings £'000
Cost	
At 1 February 2019	44,371
Exchange differences	(1,487)
Additions	7,955
Disposals	(2,369)
At 31 January 2020	48,471
Exchange differences	(1,348)
Additions	1,137
Acquired through business combinations	3,543
Disposals	(6,201)
At 31 January 2021	45,602
Accumulated depreciation	
At 1 February 2019	—
Exchange differences	(638)
Charge for the year	8,691
Disposals	(1,237)
At 31 January 2020	6,816
Exchange differences	(940)
Charge for the year	7,729
Impairment	8,503
Disposals	(2,514)
At 31 January 2021	19,594
Net book value at 31 January 2021	26,008
Net book value at 31 January 2020	41,655

16 Leases continued

Lease liabilities:	Land and buildings £'000
At 1 February 2020	54,233
Exchange differences	(952)
On acquisition of subsidiary	3,823
Additions	311
Interest expense related to lease liabilities	1,408
Disposals	(3,407)
Repayment of lease liabilities	(12,647)
At 31 January 2021	42,769

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts recognised as finance income and finance costs:

	2021 £'000	2020 £'000
Depreciation of right-of-use assets	7,729	8,691
Short-term lease expense	933	986
Low-value lease expense	78	194
Short-term sublease income	(453)	(487)
Charge to operating profit	8,287	9,384
Sublease finance income	(34)	(40)
Lease liability interest expense	1,408	1,596
Lease charge to profit before income tax	9,661	10,940

The maturity of the lease liabilities is as follows:

	2021 £'000	2020 £'000
Amounts payable:		
Within one year	11,981	12,648
In two to five years	28,998	38,116
After five years	4,723	8,335
Total gross future liability	45,702	59,099
Effect of discounting	(2,933)	(4,866)
Lease liability at 31 January	42,769	54,233

The Group does not face a significant liquidity risk with regard to its lease liabilities. Refer to note 19 for management of liquidity risk.

Notes to the accounts continued

for the year ended 31 January 2021

17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration ¹ £'000	Share purchase obligation £'000	Total £'000
At 31 January 2019	4,646	24,712	1,736	31,094
Arising during the year ¹	350	14,445	—	14,795
Changes in estimates ²	—	6,167	1,919	8,086
Exchange differences	—	(726)	7	(719)
Utilised ³	(2,667)	(5,425)	(453)	(8,545)
Unwinding of discount	386	3,008	158	3,552
At 31 January 2020	2,715	42,181	3,367	48,263
Arising during the year ¹	—	12,885	—	12,885
Changes in estimates ²	—	5,332	2,732	8,064
Exchange differences	—	(1,979)	(50)	(2,029)
Utilised ³	(4,037)	(14,635)	—	(18,672)
Reclassification	2,405	(2,405)	—	—
Unwinding of discount	179	4,515	459	5,153
At 31 January 2021	1,262	45,894	6,508	53,664
Current	1,262	9,700	1,206	12,168
Non-current	—	36,194	5,302	41,496

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Mach49, CRE and Marlin as well as a number of other acquisitions, none of which are material to the Group. (2020: M Booth Health, Nectar and Market Making). 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 £14.6m in cash and £4.1m in shares.

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY22 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.

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 £3,260,000, £8,825,000, and £4,093,000, respectively. The most sensitive earn-out individually would increase or decrease by £2,361,000, £4,426,000 and £1,535,000 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 £3,250,000 impact on the liabilities. An increase in the liability would result in an increase in interest expense, 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 2019	(466)	318	2,876	53	(1,549)	3,841	945	6,018
(Charge)/credit to income	(772)	(63)	(1,275)	33	4,117	1,125	(330)	2,835
Exchange differences	24	(3)	—	(1)	(99)	26	(7)	(60)
Acquisition of subsidiaries	44	—	—	—	(2,225)	472	—	(1,709)
Taken to equity	—	—	(55)	—	—	400	—	345
At 31 January 2020	(1,170)	252	1,546	85	244	5,864	608	7,429
Reclassification	377	—	(780)	—	780	(377)	—	—
(Charge)/credit to income	508	(38)	133	43	4,136	1,108	(395)	5,495
Exchange differences	12	(7)	—	(5)	(250)	(223)	6	(467)
Acquisition of subsidiaries	(7)	—	—	—	(1,028)	74	—	(961)
Taken to equity	—	—	589	—	—	—	—	589
At 31 January 2021	(280)	207	1,488	123	3,882	6,446	219	12,085

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

	2021 £'000	2020 £'000
Net deferred tax balance		
Deferred tax assets	15,314	10,967
Deferred tax liabilities	(3,229)	(3,538)
Net deferred tax asset	12,085	7,429

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. Notwithstanding the current year statutory loss at a Group level, the recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £0.2m (2020: £0.2m).

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £7.9m (2020: £7.4m). 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.

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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 2021, 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	2021 £'000	2020 £'000
Group	+200	(260)	(769)

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 has £5m left to be repaid 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 2021 the Group had an undrawn amount of £31,848,833 (2020: £11,277,521) on the RCF in the UK and \$3,220,637 (2020: \$4,012,637) available on the \$7m US facility (this allows for the letters of credit in place).

19 Financial instruments continued

Liquidity risk continued

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 2021 and 31 January 2020, 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 2021				
Financial liabilities	70,581	101,177	4,723	176,481
At 31 January 2020				
Financial liabilities	70,248	123,839	10,977	205,064

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	2021 £'000	2020 £'000
US dollar	20%	(4,647)	(5,060)
Euro	20%	(512)	(358)
Australian dollar	20%	(228)	(262)
Indian rupee	20%	(17)	115

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	2021 £'000	2020 £'000
US dollar	20%	(13)	(5,197)
Euro	20%	(509)	(561)
Australian dollar	20%	(349)	(412)
Indian rupee	20%	(110)	(63)

Notes to the accounts continued

for the year ended 31 January 2021

19 Financial instruments continued

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on an expected credit loss model driven by historical experience and factors specific to certain debtors.

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

	2021 £'000	2020 £'000
Total trade and other receivables	77,530	70,260
Cash and cash equivalents	26,831	28,661

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2021 to 2025.

	2021 £'000	2020 £'000
Total loans and borrowings ¹	12,810	38,007
Less: cash and cash equivalents	(26,831)	(28,661)
Net (cash)/debt	(14,021)	9,346
Total equity	116,881	112,711
Total capital	102,860	122,057

¹ Total loans and borrowings is made up of current obligations (£5,000,000) and non-current obligations (£7,810,000).

19 Financial instruments continued

Capital risk management continued

	2021 £'000	2020 £'000
Net (cash)/debt	(14,021)	9,346
Share purchase obligation	6,508	3,367
Contingent consideration	45,894	42,181
Deferred consideration	1,262	2,715
Net debt plus earn-out liabilities	39,643	57,609

The movement in net debt is as follows:

	At 1 February 2019 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2020 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2021 £'000
Total loans and borrowings	25,678	(4,006)	17,045	(710)	38,007	(24,912)	—	(285)	12,810
Less: cash and cash equivalents	(20,501)	(15,470)	7,128	182	(28,661)	(22,026)	23,636	220	(26,831)
Net debt	5,177	(19,476)	24,173	(528)	9,346	(46,938)	23,636	(65)	(14,021)

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 2021, with the exception of obligations under finance leases. The book value of obligations under finance leases is £42,769,000 (2020: £54,233,000) and the fair value is £45,702,000 (2020: £59,099,000). 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.

Notes to the accounts continued

for the year ended 31 January 2021

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 2021	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	955	—	—	955
Other receivables	—	—	—	860	860
	—	955	—	860	1,815
Current financial assets					
Cash and cash equivalents	—	—	—	26,831	26,831
Trade and other receivables	—	—	—	73,384	73,384
	—	—	—	100,215	100,215
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	36,022	—	36,022
Lease liabilities	—	—	10,957	—	10,957
Provisions	—	—	5,656	—	5,656
Contingent consideration ¹	1,206	—	—	—	1,206
Share purchase obligation ¹	9,700	—	—	—	9,700
Deferred consideration ¹	—	—	1,262	—	1,262
	10,906	—	58,897	—	69,803
Non-current financial liabilities					
Loans and borrowings	—	—	7,810	—	7,810
Lease liabilities	—	—	31,812	—	31,812
Provisions	—	—	7,140	—	7,140
Other payables	—	—	1,576	—	1,576
Contingent consideration ¹	36,194	—	—	—	36,194
Share purchase obligation ¹	5,302	—	—	—	5,302
	41,496	—	48,338	—	89,834

¹ See note 17.

19 Financial instruments continued

Financial instruments – detailed disclosures continued

Financial instruments recognised in the balance sheet continued

The Group has no fair value Level 1 instruments (2020: none). The investments in equity instruments are Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than quoted prices, such as historical quoted prices.

All other instruments at fair value through profit or loss were Level 3 instruments as per the table above in the current year and were as per the table below in the prior year. Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data.

At 31 January 2020	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	—	1,075	—	—	1,075
Other receivables	—	—	—	809	809
	—	1,075	—	809	1,884
Current financial assets					
Cash and cash equivalents	—	—	—	28,661	28,661
Trade and other receivables	—	—	—	66,256	66,256
	—	—	—	94,917	94,917
Current financial liabilities					
Loans and borrowings	—	—	5,000	—	5,000
Trade and other payables	—	—	31,716	—	31,716
Lease liabilities	—	—	11,210	—	11,210
Provisions	—	—	1,522	—	1,522
Contingent consideration ¹	1,269	—	—	—	1,269
Share purchase obligation ¹	15,366	—	—	—	15,366
Deferred consideration ¹	—	—	2,715	—	2,715
	16,635	—	52,163	—	68,798

Notes to the accounts continued

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19 Financial instruments continued

Financial instruments – detailed disclosures continued

Financial instruments recognised in the balance sheet continued

At 31 January 2020	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial liabilities					
Loans and borrowings	—	—	33,007	—	33,007
Lease liabilities	—	—	43,023	—	43,023
Provisions	—	—	4,942	—	4,942
Other payables	—	—	16	—	16
Contingent consideration ¹	26,815	—	—	—	26,815
Share purchase obligation ¹	2,098	—	—	—	2,098
	28,913	—	80,988	—	109,901

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 2021:

	Effective interest rate	2021 £'000	2020 £'000
Current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	5,000	5,000
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	7,810	33,007

The fair value of the borrowings at 31 January 2021 is US\$11,000,000 (£8,013,000) (2020: US\$21,000,000 (£15,934,000)). In the prior year, The foreign exchange loss of £411,000 on translation of the borrowing to functional currency at the end of the reporting period was 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 (2020: £Nil).

20 Share capital

Called up share capital

Ordinary Shares of 2.5p each:

	2021 Number	2020 Number
Authorised, allotted, called up and fully paid		
At start of year	86,552,648	83,563,988
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	1,661,610	1,456,041
Issued in the year in satisfaction of vested LTIPs (note 21)	187,001	583,176
Issued in the year in respect of growth share sales	2,581,715	949,443
At end of year	90,982,974	86,552,648

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

21 Share-based payments

The Group uses a Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications for LTIPs. At each period end the cumulative expense is adjusted to take into account any changes in the estimate of the likely number of shares expected to vest. Details of the relevant LTIP schemes are given in the following note. All the share-based payment plans are subject to non-market performance conditions such as adjusted earnings per share targets and continued employment. All schemes are equity-settled. The Group uses a weighted average probability model to value the brand appreciation rights as permitted under IFRS 2.

In the period ended 31 January 2021 the Group recognised a charge of £11,628,000 (2020: £5,629,000) made up of £1,402,000 (2020: £226,000) in respect of employment-related LTIP shares and restricted stock units; £2,185,000 (2020: £374,000) given in respect of the grant of brand equity interests of 8.5% in M Booth & Associates LLC, 9.5% in ODD London Limited, 15% in Savanta Group Limited and 20% in Twogether Creative Limited (2020: 4.5% in M Booth & Associates LLC), as well as £8,041,000 (2020: £5,029,000) for employment-linked acquisition-related payments.

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

	Outstanding 31 January 2020 Number (‘000)	Granted Number (‘000)	Lapsed Number (‘000)	Exercised Number (‘000)	Outstanding 31 January 2021 Number (‘000)	Exercisable 31 January 2021 Number (‘000)
Long-Term Incentive Plan — performance shares	925	559	(219)	(187)	1,078	159

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for the year ended 31 January 2021

21 Share-based payments continued

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

	July 2020
Fair value of performance shares granted under the LTIP (p)	338
Share price at date of grant (p)	377
Risk-free rate (%)	1.94
Expected life (years)	3
Expected volatility (%)	41.0
Dividend yield (%)	0.66

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 365p (2020: 520p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2020: 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	47,593	1 February 2017	31 January 2022	2 May 2017
	158,638	1 February 2018	31 January 2021	10 April 2018
	80,798	1 February 2018	31 January 2023	10 April 2018
	194,762	1 February 2019	31 January 2022	25 April 2019
	74,564	1 February 2019	31 January 2024	25 April 2019
	522,132	1 February 2020	31 January 2023	30 July 2020
	1,078,487			

During the period the Company issued 187,001 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).

22 Performance shares continued

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 2021 the ESOP held Nil (2020: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 187,001 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 187,001 shares for £Nil consideration (2020: 583,176 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 (2020: Nil shares for £Nil proceeds).

Notes to the accounts continued

for the year ended 31 January 2021

24 Other reserves

	Merger reserve £'000	ESOP reserve ¹ £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2019	3,075	—	(2,056)	1,019
Total comprehensive expense for the year	—	—	(411)	(411)
Purchase and take on of shares	—	(15)	—	(15)
Movement due to ESOP LTIP and growth shares exercises	—	15	—	15
At 31 January 2020	3,075	—	(2,467)	608
Purchase and take on of shares	—	(5)	—	(5)
Movement due to ESOP LTIP and growth shares exercises	—	5	—	5
At 31 January 2021	3,075	—	(2,467)	608

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 a result of the transition to IFRS 16, leases previously classified as operating leases have now been recognised on balance sheet, except for the short-term leases and leases of low-value assets which are included below.

As at 31 January 2021, the Group's total future minimum lease rentals are as follows:

	2021		2020	
	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	69	793	148
In two to five years	—	56	—	121
After five years	—	—	—	—
	10	125	793	269

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Conversion Rates Experts Limited;
2. the acquisition of UK-based Marlin PR Limited; and
3. the acquisition of US-based Mach49 LLC.

More details on each transaction are provided below.

1. Conversion Rates Experts Limited

On 15 July 2020, Next 15 purchased the entire share capital of Conversion Rates Experts Limited (“CRE”) (previously known as Implementra Limited), a UK-based web optimisation agency.

Goodwill of £4,351,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period CRE has contributed £2,061,000 to net revenue and £839,000 to profit before tax. If acquired on 1 February 2020 CRE would have contributed net revenue of £3,533,000 and profit before tax of £1,438,000 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	—	2,717	2,717
Property, plant and equipment	13	—	13
Current assets			
Cash and cash equivalents	6,408	—	6,408
Other current assets ¹	164	—	164
Current liabilities	(1,314)	—	(1,314)
Deferred tax liability	—	(516)	(516)
Net assets acquired	5,271	2,201	7,472
Goodwill			4,351
			11,823
Consideration			
Initial consideration settled in cash ²			10,230
Initial consideration settled in Ordinary Shares of the Parent			1,328
Total discounted contingent consideration			265
			11,823

¹ The fair value of receivables acquired is £145,000.

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 £73,000. Further consideration is payable based on the profit before interest and tax of CRE over the next four years.

Notes to the accounts continued

for the year ended 31 January 2021

26 Acquisitions and equity transactions continued

2. Marlin PR Limited

On 31 October 2020, Archetype Agency Limited purchased the entire share capital of To This Day Limited and its trading subsidiary Marlin PR Limited ("Marlin").

Goodwill of £1,162,000 arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Marlin has contributed £658,000 to net revenue and £63,000 to profit before tax. If acquired on 1 February 2020 Marlin would have contributed net revenue of £2,630,000 and profit before tax of £253,000 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	5	1,291	1,296
Property, plant and equipment	63	—	63
Current assets			
Cash and cash equivalents	592	—	592
Other current assets ¹	563	—	563
Current liabilities	(884)	—	(884)
Provisions	(18)	—	(18)
Deferred tax liability	(8)	(245)	(253)
Net assets acquired	313	1,046	1,359
Goodwill			1,162
			2,521
Consideration			
Initial consideration settled in cash ²			1,758
Initial consideration settled in Ordinary Shares of the Parent			484
Total discounted contingent consideration			279
			2,521

¹ The fair value of receivables acquired is £495,000.

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 £95,000.

26 Acquisitions and equity transactions continued

3. Mach49 LLC

On 25 August 2020, Next 15 purchased the entire share capital of Mach49 LLC ("Mach49") and its subsidiaries, the Silicon Valley-based growth incubator for global businesses. Goodwill of £9,033,000 (\$12,040,000) arises from anticipated profitability and future operating synergies from the acquisition.

In the post-acquisition period Mach49 has contributed £5,739,000 to net revenue and £396,000 to profit before tax. If acquired on 1 February 2020 Mach49 would have contributed net revenue of £13,774,000 and profit before tax of £950,000 to the Group results. The due diligence over the identifiable assets acquired is still in progress; therefore, the fair value of the assets used below are provisional.

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	—	5,416	5,416
Property, plant and equipment	3,477	—	3,477
Current assets			
Cash and cash equivalents	248	—	248
Other current assets ¹	735	—	735
Current liabilities	(5,219)	—	(5,219)
Net assets acquired	(759)	5,416	4,657
Goodwill ³			9,033
			13,690
Consideration			
Initial consideration settled in cash ²			1,500
Total discounted contingent consideration			12,190
			13,690

1 The fair value of receivables acquired is £418,000.

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 £56,000.

Further consideration is payable based on the profit before interest and tax of Mach49 over the next four years.

Notes to the accounts continued

for the year ended 31 January 2021

26 Acquisitions and equity transactions continued

The following table summarises the net cash outflow and value of shares issued on acquisition of subsidiaries during the year ending 31 January 2021:

	Consideration settled in cash £'000	Cash and cash equivalent balances acquired £'000	Total net cash outflow £'000	Value of shares issued £'000
CRE	10,230	(6,408)	3,822	1,328
Marlin	1,758	(592)	1,166	484
Mach49	1,500	(248)	1,252	—
Other ¹	2,262	(405)	1,857	—
	15,750	(7,653)	8,097	1,812

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

27 Subsidiaries

The Group's subsidiaries at 31 January 2021 are listed below.

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Activate Marketing Services LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Agent3 Limited	United Kingdom	✓	56.9	75 Bermondsey Street, London SE1 3XF
Agent3 LLC	USA		56.9	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Archetype Agency AB	Sweden		100	1, Ferkens gränd, 111 30 Stockholm, Sweden
Archetype Agency Beijing Limited	China		100	14F, Room 1703,1705, Tower 2, No. 22 Guanghai Road, Chaoyang District, Beijing, 100020 China
Archetype Agency BV	Netherlands		100	Silodam 1D, 1013 AL Amsterdam, Netherlands
Archetype Agency GmbH	Germany		100	Nymphenburger Straße 168, 80634 München
Archetype Agency Limited	Hong Kong	✓	100	Rooms 1102 & 1103 11th Floor, 299QRC, Nos. 287-299 Queens Road Central, Sheung Wan, Hong Kong
Archetype Agency Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Archetype Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Archetype Agency Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025
Archetype Agency Pte Limited	Singapore		100	36 Prinsep Street #05-01/02, Singapore 188 648
Archetype Agency Pty Limited	Australia		100	GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia
Archetype Agency SARL	France		100	17 rue de la Banque, 75002 Paris
Archetype Agency Sdn. Bhd.	Malaysia		100	BO3-B-12-1, Level 12, Menara 3A, Kuala Lumpur, Malaysia
Archetype Agency SL	Spain		100	c/ Prim, 19 5ª Planta, Madrid 28004

27 Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Archetype Agency SRL	Italy		100	Piazzale Principessa Clotilde, 8 20121 Milano
August.One Communications International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
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
Brandwidth Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Brandwidth LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Brandwidth Marketing Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
BYND Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
BYND LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Communicate Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Conversion Rate Experts Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Elvis Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Encore Digital Media Limited	United Kingdom	✓	100	3 Melville Street, Edinburgh, Scotland EH3 7PE
Fearless Labs Limited	United Kingdom	✓	51	75 Bermondsey Street, London SE1 3XF
HPI Research Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Hypertext Communications Private Limited	India		100	Unit 503, Fifth Floor, Millennium Plaza, M.G. Road, Gurgaon, Haryana, 122002, India
Hypertext Pte Limited	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
Mach49 LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Mach49 Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Mach49 Singapore Pte Ltd	Singapore		100	22 Malacca Street #04-03 RB Capital Building Singapore 048980
M Booth & Associates LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
M Booth Health LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Market Making Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Marlin PR Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Narration LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Nectar Communications LLC	USA		100	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

Notes to the accounts continued

for the year ended 31 January 2021

27 Subsidiaries continued

Legal Entity	Country of Incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Next Fifteen Holdco1 Limited	United Kingdom		100	3 Melville Street, Edinburgh, Scotland EH3 7PE
ODD Communications Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
ODD London Limited	United Kingdom		90	75 Bermondsey Street, London SE1 3XF
Outcast London Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Palladium Group Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Planning-inc 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
Savanta Analytics Limited	Canada		100	700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B8
Savanta Group Limited	United Kingdom	✓	100	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
Technical Publicity Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
Text 100 Pty Limited	Australia		100	Level 17, 383 Kent Street, Sydney NSW 2000, Australia
Text 100 International Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Text 100 Proprietary Limited	South Africa		100	13 Wellington Road, Parktown, 2193, Private Bag X60500, Houghton, Johannesburg, 2041, South Africa
The Blueshirt Group LLC	USA		89.3	CT Corp System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017
The Craft Consulting Limited	United Kingdom		100	75 Bermondsey Street, London SE1 3XF
The Lexis Agency 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
To This Day Limited	United Kingdom	✓	100	75 Bermondsey Street, London SE1 3XF
Twogether Creative Limited	United Kingdom	✓	100	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
Vox Public Relations India Private Limited	India		100	2nd Floor, TDI Centre, Plot No.7, Jasola, New Delhi – 110025

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.

27 Subsidiaries continued

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2021 by virtue of section 479A of the Companies Act 2006: Agent3 Limited (08331678), Archetype Agency Limited (03329933), August.One Communications International Limited (03224261), Bite Communications Group Limited (04131879), Bite Communications Limited (03023521), Brandwidth Group Limited (09599858), Brandwidth Marketing Limited (03860505), BYND Limited (07123452), Communicate Research Limited (04810991), Conversion Rate Experts Limited (05895439), Elvis Communications Limited (04768344), Encore Digital Media Limited (SC449653), Fearless Labs Limited (13073454), HPI Research Limited (05816194), Mach49 Limited (12281031), Market Making Limited (07913465), Marlin PR Limited (06480768), Next Fifteen Holdco1 Limited (SC364548), The Lexis Agency Limited (04404752), ODD Communications Limited (07861569), Outcast London Limited (07831770), Palladium Group Limited (09460746), Technical Publicity Limited (02384040), Text 100 International Limited (02433862), The Craft Consulting Limited (09439145), To This Day Limited (10479051) and Velocity Partners Limited (04128107).

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated and registered in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. During the period to 31 January 2021 there were the following related-party transactions:

Brand	Services	Related party	Income impact 2021 £'000	Asset at year end 2021 £'000	Income impact 2020 £'000	Asset at year end 2020 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors is an associate of Next 15	823	771	35	34

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris, Penny Ladkin-Brand and Richard Eyre received dividends of £Nil, £Nil, £Nil and £Nil respectively (2020: £383,897, £26,787, £Nil and £7,884). 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:

	2021 £'000	2020 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	251	231
In two to five years	—	—
	251	231

30 Events after the balance sheet date

Shopper Media Group

On 9 April 2021 Next 15 purchased the entire issued share capital of Shopper Media Group Ltd ("SMG") and its subsidiaries, a UK based agency specialising in commerce marketing activation, connecting retailers and brands with shoppers at the point of purchase both online and in-store. The initial consideration is approximately £15.7m and further consideration is payable around June 2023 and June 2025 based on the EBITDA performance of SMG in the two year periods ending 31 January 2023 and 31 January 2025. We expect to recognise goodwill on this acquisition due to the anticipated profitability and operating synergies. Due to the recent timing of the acquisition, the IFRS 3 acquisition accounting has not yet been completed.

Company balance sheet

as at 31 January 2021 and 31 January 2020

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Non-current assets					
Intangible assets	2	313		646	
Tangible assets	3	1,310		1,050	
Right-of-use assets	4	5,663		6,115	
Investments in subsidiaries	5	183,925		170,916	
Investment in financial assets		834		838	
Deferred tax assets	10	892		755	
			192,937		180,320
Current assets					
Trade and other receivables	6	36,421		49,412	
Current tax asset		2,259		2,259	
			38,680		51,671
Current liabilities					
Borrowings		5,000		5,000	
Trade and other payables	7	23,270		19,667	
Lease liabilities	4	1,973		1,213	
Provisions	9	4,636		1,129	
Contingent consideration		1,596		7,402	
Deferred consideration		1,262		2,715	
			(37,737)		(37,126)
Net current assets					
			943		14,545
Total assets less current liabilities					
			193,880		194,865
Non-current liabilities					
Borrowings	8	7,810		33,007	
Other financial liabilities	8	8,349		7,080	
Lease liabilities	4	5,478		5,576	
Provisions		6,076		3,578	
			(27,713)		(49,241)
Net assets					
			166,167		145,624

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Equity					
Share capital	11	2,274		2,163	
Share premium account		92,408		76,019	
Merger reserve		3,075		3,075	
Share-based payment reserve		9,008		8,136	
Other reserve		26,460		26,460	
Retained earnings		32,942		29,771	
Equity attributable to owners of the Company			166,167		145,624

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

The Company reported a profit for the financial year ended 31 January 2021 of £3,175,000 (2020: £12,937,000).

These financial statements were approved and authorised for issue by the Board on 12 April 2021.

Peter Harris

Chief Financial Officer

Company number 01579589

Company statement of changes in equity

for the year ended 31 January 2021 and 31 January 2020

	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 2019	2,089	62,993	3,075	7,925	—	26,871	24,616	127,569
Change in accounting policy (IFRS 16)	—	—	—	—	—	—	(573)	(573)
Deferred tax on accounting policy change (IFRS 16)	—	—	—	—	—	—	97	97
At 1 February 2019 (as restated)	2,089	62,993	3,075	7,925	—	26,871	24,140	127,093
Profit for the period	—	—	—	—	—	—	12,937	12,937
Fair value loss on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	(547)	(547)
Dividends	—	—	—	—	—	—	(6,759)	(6,759)
Shares issued in satisfaction of vested share options and performance shares	38	5,388	—	(15)	—	—	—	5,411
Shares issued on acquisition	36	7,638	—	—	—	—	—	7,674
Movement in hedging reserve	—	—	—	—	—	(411)	—	(411)
Movement in relation to share-based payments	—	—	—	226	—	—	—	226
Movement due to ESOP share purchases	—	—	—	—	(15)	—	—	(15)
Movement due to ESOP share option exercises	—	—	—	—	15	—	—	15
At 1 February 2020	2,163	76,019	3,075	8,136	—	26,460	29,771	145,624
Profit for the period	—	—	—	—	—	—	3,175	3,175
Fair value loss on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	(4)	(4)
Shares issued in satisfaction of vested share options and performance shares	69	10,162	—	(5)	—	—	—	10,226
Shares issued on acquisition	42	6,227	—	—	—	—	—	6,269
Movement in relation to share-based payments	—	—	—	877	—	—	—	877
Movement due to ESOP share purchases	—	—	—	—	(5)	—	—	(5)
Movement due to ESOP share option exercises	—	—	—	—	5	—	—	5
At 31 January 2021	2,274	92,408	3,075	9,008	—	26,460	32,942	166,167

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 2021

1 Accounting policies

A. Basis of preparation

Next Fifteen Communications Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 23. 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 new standards and amendments which have not yet been adopted are disclosed in note 1, section U, to the consolidated financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Group accounts of Next Fifteen Communications Group plc. The Group accounts of Next Fifteen Communications Group plc are available to the public and are at the beginning of this section.

The monthly average number of employees during the year was 45 and employee costs for the year totalled £4,813,000 (2020: £3,292,000). This was made up of £3,632,000 in respect of wages and salaries (2020: £2,474,000); £584,000 in respect of social security (2020: £604,000); £162,000 in respect of pension costs (2020: £107,000) as well as £435,000 in relation to share-based payment charges (2020: £107,000). Disclosures relating to the remuneration of the Parent company's Directors are included in the Directors' remuneration report on pages 40 to 57.

B. Investments in subsidiaries

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

Notes forming part of the Company financial statements continued

for the year ended 31 January 2021

1 Accounting policies continued

C. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report section of the annual report, which also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

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.

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 £184m.

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 2020	3,654
Additions	67
At 31 January 2021	3,721
Accumulated depreciation	
At 1 February 2020	3,008
Charge for the year	400
At 31 January 2021	3,408
Net book value	
At 31 January 2021	313
At 31 January 2020	646

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2020	1,811	783	2,594
Additions	621	39	660
At 31 January 2021	2,432	822	3,254
Accumulated depreciation			
At 1 February 2020	937	607	1,544
Charge for the year	350	50	400
At 31 January 2021	1,287	657	1,944
Net book value			
At 31 January 2021	1,145	165	1,310
At 31 January 2020	874	176	1,050

Notes forming part of the Company financial statements continued

for the year ended 31 January 2021

4 Leases

The movements in the year ended 31 January 2021 were as follows:

Right-of-use assets:

	Land and buildings £'000
At 31 January 2020	6,115
Additions	769
Depreciation of right-of-use assets	(1,221)
At 31 January 2021	5,663

At 31 January 2021 the closing cost was £10,983,000 (2020: £10,214,000) and the closing accumulated depreciation was £5,320,000 (2020: £4,099,000).

Lease liabilities:

	Land and buildings £'000
At 31 January 2020	6,789
Additions	2,242
Interest expense related to lease liabilities	206
Repayment of lease liabilities	(1,786)
At 31 January 2021	7,451

The maturity of the lease liabilities is as follows:

	2021 £'000
Amounts payable:	
Within one year	2,163
In two to five years	4,841
After five years	939
Total gross future liability	7,943
Effect of discounting	(492)
Lease liability at 31 January	7,451

5 Investments

	Total £'000
Cost	
At 1 February 2020	170,916
Acquisitions ¹	13,009
At 31 January 2021	183,925

¹ On 15 July 2020, the Company purchased 100% of the issued share capital of Conversion Rates Experts Limited. On 1 February 2020, the Company purchased 100% of the share capital of The Craft Consulting 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.

6 Trade and other receivables

	Company 2021 £'000	Company 2020 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	33,758	48,015
Other debtors	1,643	922
Prepayments and accrued income	745	320
Other taxation	275	155
Total trade and other receivables	36,421	49,412

7 Trade and other payables

	Company 2021 £'000	Company 2020 £'000
Overdraft	12,644	4,333
Trade creditors	1,074	327
Amounts owed to subsidiary undertakings	8,514	13,750
Other taxation and social security	175	117
Other creditors	—	7
Accruals and deferred income	863	1,133
Total trade and other payables	23,270	19,667

Notes forming part of the Company financial statements continued

for the year ended 31 January 2021

8 Non-current liabilities

	Company 2021 £'000	Company 2020 £'000
Bank loan¹	12,810	33,007
Between one and two years	5,000	5,000
Between two and five years	7,810	28,007
After five years	—	—
Contingent consideration	4,643	4,982
Between one and two years	1,596	1,350
Between two and five years	3,047	3,632
After five years	—	—
Deferred consideration	1,262	—
Between one and two years	1,262	—
Between two and five years	—	—
After five years	—	—
Share purchase obligation	5,302	2,098
Between one and two years	—	—
Between two and five years	5,302	2,098
After five years	—	—
Total	24,017	40,087

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 2021.

The Company has no fair value Level 1 instruments (2020: 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.

9 Provisions

	Employment-related acquisition liabilities £'000	Total £'000
At 31 January 2020	4,707	4,707
Additions	7,134	7,134
Utilised in period	(1,129)	(1,129)
At 31 January 2021	10,712	10,712

Employment-related acquisition liabilities are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision.

10 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 January 2019	5	17	25	47
Accounting policy change (IFRS 16)	—	—	97	97
Credit to income	30	(17)	598	611
At 31 January 2020	35	—	720	755
Credit to income	85	—	52	137
At 31 January 2021	120	—	772	892

11 Share capital and reserves

	2021 £'000	2020 £'000
Authorised, allotted, called up and fully paid		
90,982,974 Ordinary Shares of 2.5p each	2,274	2,163

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.

Notes forming part of the Company financial statements continued

for the year ended 31 January 2021

12 Operating leases

As a result of the transition to IFRS 16, leases previously classified as operating leases have now been recognised on balance sheet, except for the short-term leases and leases of low value assets which are included below.

As at 31 January 2021, the Company's total future minimum lease rentals are as follows:

	2021		2020	
	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	—	—	91	27
	—	—	91	27

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

13 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 2021 £'000	Year ended 31 January 2020 £'000	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Agent3 Limited	—	—	1,316	906
Blueshirt Group LLC	—	—	257	243

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

	Year ended 31 January 2021 £'000	Year ended 31 January 2020 £'000
Agent3 Limited	859	2,986
Blueshirt Group LLC	121	4

Five-year financial information

for the 12-month period ended 31 January 2021 (unaudited)

	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000	Year ended 2017 IFRS £'000
Profit and loss					
Net revenue	266,886	248,469	224,093	196,811	171,013
Staff costs	189,530	171,180	153,247	136,346	126,756
Operating profit	13,688	19,413	20,677	17,225	7,914
Net finance expense	(15,425)	(14,061)	(1,917)	(3,955)	(4,742)
(Loss)/profit before income tax	(1,306)	5,556	18,825	13,296	2,900
Income tax expense	(2,643)	(2,717)	(4,299)	(4,000)	(1,232)
(Loss)/profit for the year	(3,949)	2,839	14,526	9,296	1,668
Non-controlling interests	989	577	639	664	530
(Loss)/profit attributable to owners of the Parent	(4,938)	2,262	13,887	8,632	1,138
Balance sheet					
Non-current assets	216,072	224,370	155,028	120,082	107,410
Net current (liabilities)/assets	(6,128)	1,780	10,792	15,014	15,243
Non-current liabilities	(93,063)	(113,439)	(54,367)	(58,775)	(54,156)
Total equity attributable to owners of the Parent	116,957	113,296	112,529	76,964	67,571
Non-controlling interests	(76)	(585)	(1,076)	(643)	926
Total equity	116,881	112,711	111,453	76,321	68,497
Cash flow					
(Loss)/profit for the year	(3,949)	2,839	14,526	9,296	1,668
Non-cash adjustments and working capital movements	76,882	46,662	23,856	19,569	31,176
Net cash generated from operations	72,933	49,501	38,382	28,865	32,844
Income tax paid	(8,423)	(5,993)	(6,237)	(4,284)	(1,978)
Net cash from operating activities	64,510	43,508	32,145	24,581	30,866
Acquisition of subsidiaries net of cash acquired	(8,097)	(18,501)	(19,281)	(9,824)	(14,546)
Acquisition of property, plant and equipment	(1,998)	(3,460)	(5,648)	(2,974)	(8,284)
Net cash outflow from investing activities	(26,994)	(28,340)	(37,154)	(19,399)	(30,592)
Net cash movement in bank borrowings	(24,912)	13,039	(10,922)	4,484	11,589
Dividends paid to owners of the Parent	—	(6,759)	(5,243)	(4,121)	(3,264)
Net cash (outflow)/inflow from financing activities	(39,126)	(6,826)	645	(2,034)	6,500
(Decrease)/increase in cash for the year	(1,610)	8,342	(4,364)	3,148	6,774
Dividend per share (p)	7.0	2.5	7.56	6.30	5.25

Five-year financial information continued

for the 12-month period ended 31 January 2021 (unaudited)

	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000	Year ended 2018 IFRS £'000	Year ended 2017 IFRS £'000
Basic earnings per share (p)	(5.5)	2.7	17.5	11.6	1.6
Diluted earnings per share (p)	(5.3)	2.5	16.3	10.5	1.5
Key performance indicators and other non-statutory measures					
Adjusted staff costs as a % of net revenue ¹	66.8	65.6	65.9	67.0	67.6
Adjusted EBITDA ²	63,895	56,764	41,733	34,388	28,964
Adjusted profit before income tax ³	49,117	40,237	36,004	29,338	24,200
Diluted adjusted earnings per share (p) ⁴	40.7	34.8	33.1	27.8	23.4
Net cash/(debt) ⁵	14,021	(9,346)	(5,177)	(11,593)	(11,412)

1 Staff costs excluding restructuring costs. See note 5 of the financial statements.

2 Operating profit before depreciation, amortisation, acquisition-related consideration movements and other adjusting 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

2021 full-year results announcement	13 April 2021
Annual General Meeting	24 June 2021
2022 half-year results announcement	October 2021
Year end	31 January 2022
2022 full-year results announcement	April 2022

Final dividend

Ex-dividend date	8 July 2021
Record date	9 July 2021
Last date for DRIP election	23 July 2021
Payment of 2021 final dividend	13 August 2021

Interim dividend

Ex-dividend date	October 2021
Record date	October 2021
Last date for DRIP election	November 2021
Payment of 2022 interim dividend	November 2021

These dates are provisional and may be subject to change.

Annual General Meeting

Please see page 59 for further details.

Managing your shares and shareholder communications

The Company's shareholder register is maintained by its registrar, Link Group. Information on how to manage your shareholdings can be found at www.signalshares.com. Shareholders can contact Link Group in relation to all administrative enquiries relating to their shares, such as a change of personal details, the loss of a share certificate,

out-of-date dividend cheques, change of dividend payment methods and to apply for the Dividend Reinvestment Plan. Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign up by registering at www.signalshares.com. Should shareholders who have elected for electronic communications require a paper copy of any of the Company's shareholder documentation, or wish to change their instructions, they should contact Link Group.

Registrar

Link Group

10th Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone from the UK: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Lines are open Monday to Friday (9.00 a.m.–5.30 p.m.).

Telephone from overseas: +44 (0)371 664 0300

Calls outside the UK will be charged at the applicable international rate.

E-mail: enquiries@linkgroup.co.uk

Dividends

Dividends can be paid directly into your bank account. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out-of-date cheques. A dividend mandate form is available from Link Group or at www.signalshares.com.

For dividends payable on or after 6 April 2018 the dividend nil rate will only apply to the first £2,000 of a person's dividend income. Please refer to HMRC's website www.gov.uk/tax-on-dividends or seek advice from a professional tax adviser if you have any doubt about how this impacts your tax position.

Link Group is also able to pay dividends to shareholder bank accounts in many currencies worldwide through the International Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Link Asset Services or at <http://ips.linkassetservices.com/>.

Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan ('DRIP') which enables shareholders to buy the Company's shares on the London Stock Exchange with their cash dividend. Further information about the DRIP is available from Link Group. If shareholders would like their future dividends to qualify for the DRIP, completed application forms must be returned to the registrar.

Shareholder fraud

Fraud is on the increase and many shareholders are targeted every year. If you have any reason to believe that you may have been the target of fraud, or attempted fraud, in relation to your shareholding, please contact Link Group immediately.

More detailed information can be found on the FCA website at: www.fsa.gov.uk/consumerinformation/scamsandwindles/investment_scams/boiler_room.

Advisers

Nominated adviser and joint broker

Numis Securities

10 Paternoster Square
London EC4M 7LT

Joint broker

Berenberg

Joh. Berenberg, Gossler & Co. KG
London Branch
60 Threadneedle Street
London EC2R 8HP

External Auditor

Deloitte LLP

Hill House
1 Little New Street
London EC4A 3TR

Bankers

HSBC Bank plc

8 Canada Square
London E14 5HQ

Investor relations

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Company number

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Website

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Next Fifteen Communications Group plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus silk, an FSC® certified material.

This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.



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