Next Fifteen Communications Group plc

Interim results for the six months ended 31 January 2012

Next Fifteen Communications Group plc ("Next 15" or "the Group"), a worldwide digital marketing group, today announces its results for the six months ended 31 January 2012.

Financial Highlights:

- Revenues increased by 11% to £45.3 million (2011: £40.8 million)
- Organic growth in revenues of 4% over the prior period
- Adjusted profit before tax rose by 15% to £4.25 million (2011: £3.69 million) (see note 3)
- Diluted adjusted earnings per share increased by 12% to 4.35p (2011: 3.89p) (see note 8)
- Basic earnings per share increased by 1% to 2.82p (2011: 2.79p) (see note 8)
- Interim dividend increased by 10% to 0.565p per share (2011: 0.515p)
- Net debt[1] of £4.4m following £5.4m of acquisition related payments in the period (see note 9)
- EBITDA increased to £5.1m from £4.5m in the comparative period

Corporate Progress:

- Bite Group acquired an 80% stake in two German-based communications businesses, Trademark Public Relations and Trademark Consulting to enhance its international offering and reach
- Launched a new business, Animo, which specialises in mobile marketing
- Restructuring to accelerate digital transition in UK Consumer PR business, resulting in £0.25m charge in first half and £0.4m total expected for full year.
- After the balance sheet date, Next 15 entered into an arrangement to purchase the remaining 20% interest in digital marketing agency, Bourne, making it a wholly owned subsidiary

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

“Next 15's strategy to focus on digital marketing is delivering positive results. The Group's dedicated digital agencies continue to perform strongly, delivering organic revenue growth of 39%. The outperformance of our digital brands once again supports the investment we have made and continue to make in this area. The Group is now focused on ensuring that knowledge and expertise gained in digital are spread and adopted by the rest of the portfolio.”

[1]Net debt excludes contingent consideration and share purchase obligations. For details of other financial liabilities see note 10 to the Interim results.

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Attached:
Chairman and Chief Executive's statement
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated statement of cash flow
Notes to the interim results

Chairman and Chief Executive's Statement

Next Fifteen Communications Group plc ("Next 15" or "the Group"), a worldwide digital marketing communications group, has reported interim results for the period to 31 January 2012. These show revenues up 11% to £45.3m (2011: £40.8m). Profit before tax was up 7% to £2.67m (2011: £2.49m) whereas the adjusted profit before tax increased 15% to £4.25m (2011: £3.69m) (see note 3). The diluted adjusted earnings per share were up 12% to 4.35p (2011: 3.63p) and the reported basic earnings per share increased by 1% to 2.82p (2011: 2.79p) (see note 8). Adjusting for acquisitions and currency impact the Group delivered organic revenue growth of 4%. This reflects strong growth in a number of the Group's agencies but weakness in its UK consumer business and in Europe. Given the continued progress demonstrated by these results, the Board has decided to increase the interim dividend by 10% to 0.565p per share (2011: 0.515p).

During the period the Group made acquisition-related payments of £5.4m, including contingent consideration payments for the acquisitions of M Booth and The Blueshirt Group, in addition to the initial consideration for the acquisition of Trademark, described below. As a result, the Group had net debt (excluding contingent consideration and share purchase obligation) of £4.4m at 31 January 2012, compared with £1.6m at the previous year end and £2.7m at 31 January 2011 (see note 9).

Digital drives organic growth

Next 15's strategy to focus on digital marketing is delivering positive results. The Group's dedicated digital agencies continue to perform strongly, delivering organic revenue growth of 39%. This growth includes the addition of significant new clients such as Novartis, EMI and Groupon. Our growing digital expertise is also benefiting the traditional businesses in the Group. The US consumer business, which invested in social media and other digital services in 2011, has seen another strong period and this is true of other parts of the Group. However, the UK consumer business has been slower to adapt. This resulted in the Group's consumer business declining 2% overall in the first half of the financial year. To accelerate the transition to digital, the Group has restructured the UK consumer business. This has included a change in senior management, a greater emphasis on digital services and a rebranding of the business. The other major contributor to organic growth was in the Corporate Communications segment, where our investor relations and financial communications business Blueshirt, continued its strong performance with new clients such as Yelp and Angie's List benefitting from a busy IPO market for technology companies.

In geographic terms, the APAC region delivered revenue growth of 14% of which 10% was organic. The US and UK grew by 9% and 13% respectively with 3% of this being organic in both cases. The investment in Trademark, detailed below generated revenue growth on a reported basis in mainland Europe, but the underlying markets were flat, given mixed trading conditions.

Investments

In October 2011, Next 15's Bite subsidiary acquired Munich-based Trademark PR and Trademark Consulting as a key part of its plans to offer a global service to its clients by providing specialist communications and marketing expertise in Europe. In October, the Group also formed Animo, a specialised marketing agency focused on the market for mobile technology. During the period the Group has also continued to invest in its new Bite business in India, which now operates from three cities.

Outlook

We are pleased by the progress made across the group in mixed market conditions for marketing services generally. In particular, the outperformance of our dedicated digital brands once again supports the investment we have made and continue to make in this area. The Group is now focused on ensuring that knowledge and expertise gained in digital are spread and adopted by the rest of the portfolio. Naturally, some of our brands and markets are more advanced than others in this regard. Encouraged by our successes in the US consumer PR market, we are accelerating our digital investment in our UK consumer activities as part of a more general restructuring of this business. This will be completed by the year end and will result in restructuring costs of approximately £0.4m in the current financial year (£0.25m in the first half), for benefit in 2013 and beyond.

The group is seeing a strong flow of new business opportunities in all regions except some parts of mainland Europe. Overall, before the impact of the restructuring costs above, we anticipate profits for the full year 2012 to be modestly ahead of management expectations. Given this and the opportunities now being generated by the Group's focus on digital, the Board is optimistic about the outlook for the coming financial year that starts in August.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

	Note	Six months ended 31 January 2012 (Unaudited)		Six months ended 31 January 2011 (Unaudited)		Year ended 31 July 2011 (Audited)	
		£'000	£'000	£'000	£'000	£'000	£'000
Billings			53,849		50,054		105,163
Revenue	2		45,314		40,796		86,035
Staff costs		30,853		28,087		59,699	
Depreciation		688		603		1,201	
Amortisation		700		482		1,494	
Other operating charges		9,320		8,163		15,624	
Total operating charges			(41,561)		(37,335)		(78,018)
Operating profit	2		3,753		3,461		8,017
Finance expense	6		(1,499)		(1,106)		(3,170)
Finance income	7		414		133		2,680
Net finance expense			(1,085)		(973)		(490)
Profit before income tax	2,3		2,668		2,488		7,527
Income tax expense	4		(800)		(746)		(2,260)
Profit for the period			1,868		1,742		5,267
Attributable to:							
Owners of the parent			1,595		1,532		4,997
Non-controlling interests			273		210		270
			1,868		1,742		5,267
Earnings per share	8						
Basic (pence)			2.82		2.79		9.10
Diluted (pence)			2.43		2.41		7.82

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited)	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Profit for the period	1,868	1,742	5,267
Other comprehensive income:			
Exchange differences on translating foreign operations	44	(362)	(1,022)
Translation differences on long-term foreign currency intercompany loans	(12)	282	583
Net investment hedge	(202)	84	213
Other comprehensive income for the period	(170)	4	(226)
Total comprehensive income for the period	1,698	1,746	5,041
Total comprehensive income attributable to:			
Owners of the parent	1,425	1,536	4,771
Non-controlling interests	273	210	270
	1,698	1,746	5,041

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 JANUARY 2012

	Note	31 January 2012 (Unaudited)		31 January 2011 (Unaudited)		31 July 2011 (Audited)	
		£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Property, plant and equipment		2,940		2,639		3,067	
Intangible assets		40,380		34,190		37,926	
Deferred tax asset		2,429		1,659		2,503	
Other receivables		838		1,008		840	
Total non-current assets			46,587		39,496		44,336
Trade and other receivables		25,463		22,914		25,931	
Cash and cash equivalents		8,463		7,973		8,517	
Corporation tax asset		448		918		321	
Total current assets			34,374		31,805		34,769
Total assets			80,961		71,301		79,105
Liabilities							
Loans and borrowings	9	12,261		681		9,754	
Deferred tax liabilities		211		100		122	
Other payables		1		27		6	
Provisions		129		-		131	
Contingent consideration	10	5,700		4,341		6,316	
Share purchase obligation	10	4,793		4,614		4,348	
Total non-current liabilities			(23,095)		(9,763)		(20,677)
Loans and borrowings	9	601		9,910		272	
Trade and other payables		18,962		17,974		20,085	
Corporation tax liability		390		958		732	
Provisions		-		16		-	
Derivative financial liabilities		391		410		405	
Contingent consideration	10	2,113		4,004		4,601	
Share purchase obligation	10	-		549		-	
Total current liabilities			(22,457)		(33,821)		(26,095)
Total liabilities			(45,552)		(43,584)		(46,772)
TOTAL NET ASSETS			**35,409**		**27,717**		**32,333**
Equity							
Share capital			1,434		1,416		1,416
Share premium reserve			6,562		5,575		5,996
Merger reserve			3,075		3,498		3,075
Share purchase reserve			(4,255)		(4,648)		(4,261)
Foreign currency translation reserve			2,234		1,652		2,202
Other reserves			(79)		(694)		(525)
Retained earnings			22,807		19,057		21,137
Total equity attributable to owners of the parent			31,778		25,856		29,040
Non-controlling interests			3,631		1,861		3,293
TOTAL EQUITY			**35,409**		**27,717**		**32,333**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

	Share capital	Share premium reserve	Merger reserve	Share purchase reserve	Foreign currency translation reserve[1]	Other reserves[2]	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010 (audited)	**1,401**	**5,575**	**3,075**	**(1,359)**	**2,014**	**(868)**	**16,791**	**26,629**	**950**	**27,579**
Profit for the period	-	-	-	-	-	-	1,532	1,532	210	1,742
Other comprehensive income for the period	-	-	-	-	(362)	84	282	4	-	4
Total comprehensive income for the period	-	-	-	-	(362)	84	1,814	1,536	210	1,746
Non-controlling interest on business combination	-	-	-	(777)	-	-	-	(777)	777	-
Shares issued on acquisitions	15	-	423	-	-	-	-	438	-	438
Acquisition of subsidiary	-	-	-	(2,512)	-	-	-	(2,512)	-	(2,512)
Movement in relation to share-based payments	-	-	-	-	-	-	242	242	-	242
Deferred tax on share-based payments	-	-	-	-	-	-	198	198	-	198
Movement due to ESOP share options exercises	-	-	-	-	-	90	12	102	-	102
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(76)	(76)
At 31 January 2011 (unaudited)	**1,416**	**5,575**	**3,498**	**(4,648)**	**1,652**	**(694)**	**19,057**	**25,856**	**1,861**	**27,717**
Profit for the period	-	-	-	-	-	-	3,465	3,465	60	3,525
Other comprehensive income for the period	-	-	-	-	(77)	129	(282)	(230)	-	(230)
Total comprehensive income for the period	-	-	-	-	(77)	129	3,183	3,235	60	3,295
Dividends	-	-	-	-	-	-	(1,045)	(1,045)	-	(1,045)
Non-controlling interest on business combination	-	-	-	777	-	-	-	777	1,569	2,346
Share purchase obligation arising on existing subsidiary	-	-	-	(556)	-	-	-	(556)	4	(552)
Share purchase obligation arising on acquisitions	-	-	-	(2,346)	-	-	-	(2,346)	-	(2,346)
Shares issued on acquisitions	-	421	(423)	-	-	-	-	(2)	-	(2)
Movement in relation to share-based payments	-	-	-	-	-	-	207	207	-	207
Deferred tax on share-based payments	-	-	-	-	-	-	202	202	-	202
Movement due to ESOP share options exercises	-	-	-	-	-	40	(23)	17	-	17
Movement on reserves for non-controlling interests	-	-	-	-	-	-	183	183	(183)	-
Movement in respect of translation differences on long term intercompany loans	-	-	-	-	627	-	(627)	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(18)	(18)
At 31 July 2011 (Audited)	**1,416**	**5,996**	**3,075**	**(4,261)**	**2,202**	**(525)**	**21,137**	**29,040**	**3,293**	**32,333**
Profit for the period	-	-	-	-	-	-	1,595	1,595	273	1,868
Other comprehensive income for the period	-	-	-	-	32	(202)	-	(170)	-	(170)
Total comprehensive income for the period	-	-	-	-	32	(202)	1,595	1,425	273	1,698
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	279	279
Movement in put option on existing subsidiaries	-	-	-	6	-	-	-	6	(6)	-
Shares issued to existing subsidiaries	18	566	-	-	-	-	-	584	-	584
Movement in relation to share-based payments	-	-	-	-	-	-	163	163	-	163
Deferred tax on share-based payments	-	-	-	-	-	-	(35)	(35)	-	(35)
Movement on issue of treasury shares	-	-	-	-	-	595	-	595	-	595
Movement due to ESOP share options exercises	-	-	-	-	-	53	(53)	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(208)	(208)
At 31 January 2012 (unaudited)	**1,434**	**6,562**	**3,075**	**(4,255)**	**2,234**	**(79)**	**22,807**	**31,778**	**3,631**	**35,409**

[1] The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries.

[2] Other reserves include ESOP reserve, treasury reserve and hedging reserve. During the period all 1,164,258 shares held as treasury shares were issued to satisfy the vesting of LTIP shares. Shares were issued for £nil proceeds and as such the weighted average cost of £595,000 held in treasury shares has been taken to Retained earnings.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

	Six months ended 31 January 2012 (Unaudited)		Six months ended 31 January 2011 (Unaudited)		Year ended 31 July 2011 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Profit for the period	1,868		1,742		5,267	
Adjustments for:						
Depreciation	688		603		1,201	
Amortisation	700		482		1,494	
Finance expense	1,499		1,106		3,170	
Finance income	(414)		(133)		(2,680)	
Loss/(profit) on sale of property, plant and equipment	6		(2)		-	
Income tax expense	800		746		2,260	
Share-based payment charge	163		242		449	
Movement in fair value of forward foreign exchange contracts	(15)		106		(13)	
Net cash inflow from operating activities before changes in working capital		5,295		4,892		11,148
Change in trade and other receivables	1,790		(1,623)		(3,301)	
Change in trade and other payables	(2,210)		2,003		3,420	
(Decrease)/increase in provision	(5)		(42)		173	
		(425)		338		292
Net cash generated from operations		4,870		5,230		11,440
Income taxes paid		(1,492)		(1,859)		(2,618)
Net cash inflow from operating activities		3,378		3,371		8,822
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash acquired	(5,365)		(4,185)		(6,304)	
Acquisition costs	-		(85)		-	
Proceeds on disposal of property, plant and equipment	-		-		5	
Acquisition of property, plant and equipment	(320)		(872)		(1,920)	
Acquisition of intangible assets	(38)		(92)		(77)	
Net movement in long-term cash deposits	-		-		168	
Interest received	5		18		54	
Net cash outflow from investing activities		(5,718)		(5,216)		(8,074)

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

	Six months ended 31 January 2012 (Unaudited)		Six months ended 31 January 2011 (Unaudited)		Year ended 31 July 2011 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Net cash outflow from investing activities b/f		(5,718)		(5,216)		(8,074)
Cash flows from financing activities						
Proceeds from sale of own shares	2		102		118	
Capital element of finance lease rental repayment	(94)		(45)		(83)	
Net movement in bank borrowings	2,836		2,755		1,993	
Interest paid	(288)		(238)		(479)	
Non-controlling interest dividend paid	(208)		(76)		(94)	
Dividends paid to shareholders of the parent	-		-		(1,045)	
Net cash inflow from financing activities		2,248		2,498		410
Net (decrease)/increase in cash and cash equivalents		(92)		653		1,158
Cash and cash equivalents at beginning of the period		8,517		7,296		7,296
Exchange gains on cash held		38		24		63
Cash and cash equivalents at end of the period		8,463		7,973		8,517

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

1) BASIS OF PREPARATION

The financial information in these interim results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ending 31 July 2012. The financial information for the six months ended 31 January 2012 and the six months ended 31 January 2011 has not been reviewed, is unaudited and does not constitute the Group's statutory financial statements for those periods, as defined under section 434 of the Companies Act 2006. The comparative financial information for the full year ended 31 July 2011 has, however, been derived from the audited statutory financial statements for that year. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

2) SEGMENT INFORMATION

Reportable segments
The Board of Directors has identified the operating segments based on the reports it reviews as the chief operating decision maker to make strategic decisions, assess performance and allocate resources. The Group's business is separated into a number of brands which are considered to be the underlying operating segments. These brands are organised into four reportable segments, being the provision of public relations services in the technology and consumer markets, digital and research consultancy, and corporate communications consultancy. Within these reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

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, including movement in fair value of financial instruments, unwinding of the discount on contingent and deferred consideration, unwinding of the discount on the share purchase obligation, changes in estimates of contingent consideration and share purchase obligations, amortisation of acquired intangibles, and goodwill impairment charges. Other information provided to them is measured in a manner consistent with that in the financial statements. Head office costs relate to group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	Technology PR	Consumer PR	Digital & research consultancy	Corporate communications	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 January 2012 (Unaudited)						
Revenue	**30,142**	**7,511**	**4,375**	**3,286**	**-**	**45,314**
Segment adjusted operating profit	**4,392**	**1,172**	**447**	**729**	**(2,211)**	**4,529**
Six months ended 31 January 2011 (Unaudited)						
Revenue	29,218	7,658	2,068	1,852	-	40,796
Segment adjusted operating profit	3,908	1,454	255	338	(2,042)	3,913
Year ended 31 July 2011 (Audited)						
Revenue	59,323	16,103	5,583	5,026	-	86,035
Segment adjusted operating profit	8,022	2,884	670	1,146	(3,899)	8,823

2) SEGMENT INFORMATION *(Continued)*

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

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited)	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Segment adjusted operating profit	4,529	3,913	8,823
Reorganisation costs[3]	(250)	-	-
Amortisation of acquired intangibles	(541)	(346)	(819)
Movement in fair value of forward foreign exchange contracts	15	(106)	13
Total operating profit	**3,753**	**3,461**	**8,017**
Unwinding of discount on contingent consideration and share purchase obligation	(805)	(630)	(1,329)
Change in estimate of future contingent consideration and share purchase obligation payable	(10)	(238)	1,251
Movement in fair value of interest rate cap-and-collar contract	13	115	14
Other finance expense	(288)	(238)	(479)
Other finance income	5	18	53
Profit before income tax	**2,668**	**2,488**	**7,527**

The following table provides an analysis of the Group's revenue and adjusted operating profit by geographical market.

	UK	Europe and Africa	US and Canada	Asia Pacific	Head Office	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Six months ended 31 January 2012 (Unaudited)						
Revenue	**9,426**	**5,298**	**23,475**	**7,115**	**-**	**45,314**
Adjusted operating profit	**1,512**	**286**	**4,705**	**237**	**(2,211)**	**4,529**
Six months ended 31 January 2011 (Unaudited)						
Revenue	8,329	4,713	21,497	6,257	-	40,796
Adjusted operating profit	1,406	260	4,184	105	(2,042)	3,913
Year ended 31 July 2011 (Unaudited)						
Revenue	17,986	9,746	45,142	13,161	-	86,035
Adjusted operating profit	2,935	855	8,693	239	(3,899)	8,823

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

3) RECONCILIATION OF PRO-FORMA FINANCIAL MEASURES

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited)	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Profit before income tax	2,668	2,488	7,527
Movement in fair value of interest rate cap-and-collar contract	(13)	(115)	(14)
Movement in fair value of forward foreign exchange contracts[2]	(15)	106	(13)
Unwinding of discount on contingent consideration and share purchase obligation	805	630	1,329
Change in estimate of future contingent consideration and share purchase obligation payable	10	238	(1,251)
Reorganisation costs[3]	250	-	-
Amortisation of acquired intangibles	541	346	819
Adjusted profit before income tax	4,246	3,693	8,397

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

[1]Interest rate cap-and-collar contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within finance income/expense in the income statement. These financial instruments comprise financial products used to manage the interest rate risks of the Group's long-term debt obligations. The movement in fair value of the interest rate cap-and-collar contract since 31 July 2011 is a credit of £13,000.

[2]Forward foreign exchange contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within operating expenses in the income statement. These financial instruments comprise financial products used for hedging currency exposure on US dollar and euro. The movement in fair value of the forward foreign exchange contracts since 31 July 2011 is a credit of £15,000.

[3]The reorganisation costs arise in the UK Consumer PR business and relate to redundancy costs and re-branding costs.

4) TAXATION

The tax charge is based on the forecast effective tax rate of 30% for the year. The Group's corporation tax rate for the year ending 31 July 2012 is expected to be higher than the standard UK rate due to the non-deductibility of accounting charges relating to acquisitions made by the Group in previous financial years and overseas tax disputes.

5) DIVIDENDS

An interim dividend of 0.565p (Interim 2011: 0.515p) per ordinary share will be paid on 1 June 2012 to shareholders listed on the register of members on 4 May 2012. Shares will go ex-dividend on 2 May 2012.

6) FINANCE EXPENSE

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited)	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Financial liabilities at amortised cost			
Bank interest payable	282	234	472
Financial liabilities at fair value through profit and loss			
Unwinding of discount on contingent consideration and share purchase obligation	805	630	1,329
Change in estimate of future contingent consideration and share purchase obligation payable	406	238	1,362
Other			
Finance lease interest	6	4	7
Finance expense	1,499	1,106	3,170

7) FINANCE INCOME

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited)	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Financial assets at amortised cost			
Bank interest receivable	5	18	54
Financial assets at fair value through profit and loss			
Movement in fair value of interest rate cap-and-collar contract	13	115	14
Change in estimate of future contingent consideration and share purchase obligation payable	396	-	2,612
Finance income	414	133	2,680

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 JANUARY 2012

8) EARNINGS PER SHARE

	Six months ended 31 January 2012 (Unaudited)	Six months ended 31 January 2011 (Unaudited and restated[1])	Year ended 31 July 2011 (Audited)
	£'000	£'000	£'000
Earnings attributable to ordinary shareholders	1,595	1,532	4,997
Movement in fair value of interest rate cap-and-collar contract after tax	(10)	(83)	(10)
Movement in fair value of forward foreign exchange contracts after tax	(11)	77	(9)
Unwinding of discount on contingent consideration after tax[1]	540	393	1,007
Unwinding of discount on share purchase obligation after tax[1]	265	237	322
Change in estimate of future contingent consideration and share purchase obligation payable after tax	(75)	98	(1,251)
Reorganisation costs	187	-	-
Amortisation of acquired intangibles after tax	366	220	528
Adjusted earnings attributable to ordinary shareholders	2,857	2,474	5,584
	Number	**Number**	**Number**
Weighted average number of ordinary shares	56,541,487	54,826,142	54,925,003
Dilutive share options/performance shares outstanding[2]	6,219,005	6,242,072	6,127,173
Other potentially issuable shares[3]	2,942,262	2,489,100	2,867,156
Diluted weighted average number of ordinary shares	65,702,754	63,557,314	63,919,332
Basic earnings per share	2.82p	2.79p	9.10p
Diluted earnings per share	2.43p	2.41p	7.82p
Adjusted earnings per share	5.05p	4.51p	10.17p
Diluted adjusted earnings per share	4.35p	3.89p	8.74p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 3 is the tax effect of those adjusting items.

[1]Following clarification on the US tax treatment on unwinding of discounts, whereby no tax benefit arises, the prior 2011 interim has been restated to remove the tax effect on unwinding discounts associated with contingent consideration and share purchase obligations. This position was reflected for the year ended 31 July 2011 and so no restatement of those comparatives is required.

[2]Relates mainly to performance shares on which the performance criteria are expected to be met and will vest.

[3]Relates to an estimate of the contingent consideration satisfied in shares, payable to M Booth, Bourne and Trademark, in addition to the share purchase obligation payable in shares to Beyond.

9) NET DEBT

The Barclays Bank revolving credit facilities expire in 2014, and therefore the outstanding balance has been classified in non-current borrowings.

	31 January 2012 (Unaudited)	31 January 2011 (Unaudited)	31 July 2011 (Audited)
	£'000	£'000	£'000
Total loans and borrowings	12,862	10,591	10,026
Obligations under finance leases	31	73	62
Less: cash and cash equivalents	(8,463)	(7,973)	(8,517)
Net debt	4,430	2,691	1,571
Contingent consideration	7,813	8,345	10,917
	12,243	11,036	12,488

10) OTHER FINANCIAL LIABILITIES

	Contingent consideration[1]	Share purchase obligation
	£'000	£'000
At 1 August 2010 (Audited)	6,112	1,499
Arising during the period	4,226	3,311
Exchange differences	(133)	(36)
Utilised	(2,339)	-
Unwinding of discount	393	237
Change in estimate	86	152
At 31 January 2011 (Unaudited)	**8,345**	**5,163**
Arising during the year	3,284	(394)
Exchange differences	(205)	(48)
Utilised	(69)	-
Unwinding of discount	614	85
Change in estimate	(1,052)	(437)
At 31 July 2011 (Audited)	10,917	4,369
Arising during the period	1,231	-
Exchange differences	318	110
Utilised	(5,154)	-
Unwinding of discount	540	265
Change in estimate	(39)	49
At 31 January 2012 (Unaudited)	**7,813**	**4,793**
Current	2,113	-
Non-current	5,700	4,793

[1]See note 11 for details of Contingent consideration on acquisitions in the period and details of payments made.

11) ACQUISITIONS

1. On 4 October 2011, Bite Communications Group Limited ('Bite') acquired 80% of the issued share capital of two German-based businesses Trademark Public Relations GmbH and Trademark Consulting GmbH (referred to hereafter as 'Trademark businesses'). The acquisition was made with a view to strengthen Bite Group's reach across mainland Europe.

The initial consideration paid in cash on completion was £1,282,000 (€1,378,000).

Contingent consideration will be payable subject to the achievement of certain revenue and staff metric performance targets. The first payment is based on the 10 months of results from the date of acquisition through the financial year end of 31 July 2012. Additional payments may become due in each of the 4 subsequent years up to 31 July 2016, dependent on the achievement of performance targets. A final payment may be payable based on the 2 month results to 31 September 2016.

The contingent consideration that may be payable will be satisfied by 50% cash and 50% Next 15 shares. Management's best estimate of contingent consideration payable at the date of acquisition was £1,823,000 (€2,113,000) undiscounted and £1,231,000 (€1,427,000) discounted. At the balance sheet date, the present value of the obligation was £1,241,000.

Acquisition costs of £82,000 were paid in relation to the purchase of the Trademark businesses, and recognised within the consolidated income statement in the period to 31 January 2012.

Goodwill of £1,588,000 arises from anticipated profitability and future operating synergies from the combination.

Intangible assets of £669,000 have been recognised in respect of customer relationships, which will be amortised over five years. An associated deferred tax liability of £235,000 has been capitalised and is included within the value of goodwill. The liability will be released over the same term as the amortisation.

The remaining 20% interest in the business at acquisition has been recognised as the non controlling interest's proportion of the fair value of net assets (£290,000).

In the post acquisition period, the Trademark businesses contributed £745,000 to revenue and £123,000 to profit before tax.

The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Intangible assets	-	669	669
Property, plant and equipment	131	-	131
Current assets			
Cash and cash equivalents	487	-	487
Other current assets	1,500	-	1,500
Current liabilities	(1,337)	-	(1,337)
Deferred tax liability	-	(235)	(235)
Net assets acquired	**781**	**434**	**1,215**
Goodwill			1,588
Consideration			
Cash consideration			1,282
Excess working capital payment			-
Total contingent cash consideration			1,231
			2,513
Fair value of non-controlling interest			290
			2,803

11) ACQUISITIONS (Continued)

2. On 24 October 2011, the Group paid US$3,393,000 (£2,153,000) relating to year two earnings contingent consideration for the purchase of M Booth. US$2,545,000 (£1,615,000) was satisfied in cash and US$848,000 (£538,000) in shares (691,522 shares). M Booth is a wholly owned subsidiary acquired in August 2009.

On 24 November 2011, the Group paid US$4,388,000 (£2,781,000) relating to year one earnings contingent consideration for the purchase of Blueshirt. The entire payment was satisfied in cash.

During the period, subsidiaries of the Group settled obligations for Glasshouse, One Xeno and ILS contingent consideration totalling £220,000. Cash payments totalled £175,000 and part of the Glasshouse contingent consideration was settled by issue of 57,731 Next 15 shares at a value of £45,000.

12) EVENTS AFTER THE BALANCE SHEET DATE

On 5 April 2012, Next 15 acquired the remaining 20% non-controlling interest in CMG Worldwide Limited ('Bourne') which reflected a revision of the original terms of the share purchase agreement. This gives Next 15 100% ownership of Bourne.

Under the revised terms, the contingent consideration due on the original 80% acquired on 12 May 2011, will now be satisfied via a cash payment of £1.90 million, split between £0.38 million payable in January 2013 and the balance of £1.52 million payable in October 2014.

In exchange for the remaining 20% holding in Bourne acquired on the 5 April 2012 (previously recognised as a share purchase obligation at the 2011 year end), Next 15 issued 309,279 new ordinary shares in the Company with a restriction that the shares cannot be sold or transferred before 31 October 2016. Next 15 will also issue Performance Share awards over a further 1.35 million Next 15 shares, with vesting being subject to profit-related performance conditions through to July 2017.

The contingent consideration and share purchase obligation in the Interim financial statements reflects the legal situation that existed at the balance sheet date and so estimates of future obligations payable have not been adjusted to reflect the new deal structure.