Parent company accounts for Savanta Group Limited, company number SC 281352

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Growing together

Next 15 Group plc
Annual Report 2023

Company number
01579589

SATURDAY
A03 *ACF450XC* 28/10/2023 #39
COMPANIES HOUSE

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Great things happen when we work together

We are growth consultants

The world has changed in so many ways since our last Annual Report and the need for sustainable growth is even more vital.

Like our clients, we're on our own journey and this is reflected in our new name: Next 15 Group plc. In dropping the word 'Communications', we're not turning our back on the origins of Next 15 but embracing the fact that we are now a much broader-based Group with insight, management consultancy and sales enablement capabilities at our core.

This year's report describes the considerable progress that we have made on many fronts, and what we have planned for the future.

Performing together
p8

Winning together
p11

Creating together
p15

Innovating together
p32

Key numbers for 2023

Employees	Offices	Countries	Acquisitions
4,079	39	15	7
2022: 2,983 2021: 2,077	2022: 41 2021: 47	2022: 15 2021: 15	2022: 4 2021: 5

More about our business
www.next15.com

More about growth
www.next15.com/growth

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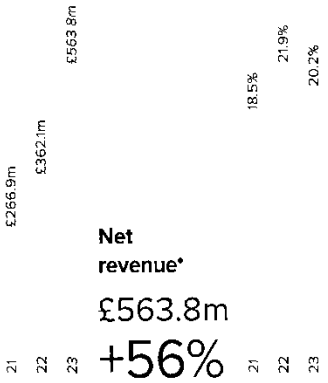
Financial highlights



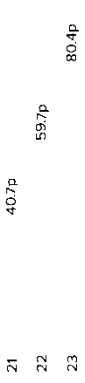
Net revenue*

£563.8m

+56%

Adjusted operating profit margin*

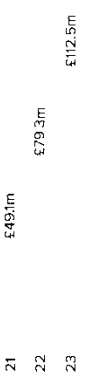
20.2%



Adjusted diluted earnings per share*[1]

80.4p

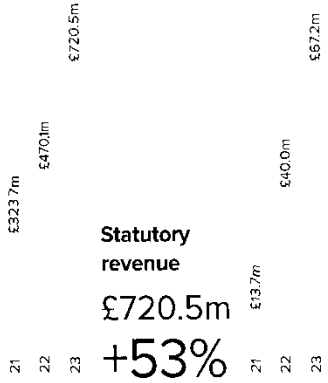
+35%



Adjusted profit before tax*[1]

£112.5m

+42%



Statutory revenue

£720.5m

+53%

Statutory operating profit

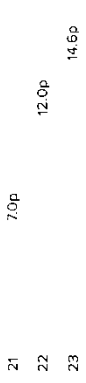
£67.2m

+68%

Net cash inflow from operating activities

£74.9m

+0.3%



Dividend per share

14.6p

+22%

1 For FY23 statutory diluted earnings per share is 1.5p (FY22: loss of 74.9p) and statutory profit before tax for is £10.1m (FY22: loss of £80.1m). These measures have not been graphically represented as the movements are not meaningful.

Alternative Performance Measures

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

* Measures with this symbol are defined in the Glossary section on page 199.

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History of Next 15

Started as Text 100 in Hammersmith, London by Mark Adams and Tom Lewis

1995

Bite established

1999

Text 100 floated on the Main Market of the London Stock Exchange and became Text 100 plc

2000

Text 100 plc changed its name to OneMonday Group plc

2016

Acquired Twogether

2017

Acquired elvis and Velocity

2018

Acquired Activate and Brandwidth

2019

Text 100 merged with Bite and became Archetype

M Booth launched M Booth Health

Acquired Planning-inc and Palladium

Morar and MIG became Savanta

2020

Acquired Conversion Rate Experts and Mach49

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2002

Name changed to Next Fifteen Communications Group plc

2004

Moved to Alternative Investment Market ('AIM') of the London Stock Exchange

2005

Acquired Outcast

2008

Acquired M Booth

2010

Beyond established

2012

Agent3 established

2014

Acquired The Blueshirt Group

2015

Acquired ODD, Encore & Publitek

2021

Acquired SMG

2022

Acquired Engine

MHP Mischief becomes MHP Group

ODD and Engine Creative merge to become House 337

Engine Transformation becomes Transform

Acquisition of Cubaka

2023

Name changed to Next 15 Group plc

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Our business

WE ARE A TECHNOLOGY AND DATA-BASED GROWTH CONSULTANCY THAT DELIVERS VALUE TO ITS CLIENTS THROUGH BEST-IN-CLASS SPECIALISTS.

Next 15 comprises four segments of growth consulting capabilities that work individually or together to solve customers' problems: Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

More about our brands
next15.com/portfolio

Customer Insight

Data and analytics, and the insights they reveal, are critical for helping our customers make the best growth decisions in a world that becomes ever more complex. Our rapidly-expanding insights sector generates both behavioural and perceptual insights for our clients either directly or as part of other growth consulting projects. We continue to invest in new data analytics techniques and tools to ensure we can offer our customers leading-edge solutions.

What we do

- Conduct primary market research
- Track opinion about brands and politics
- Use transaction-level data to predict customer behaviours and recommend actions
- Manage large scale data sets for our clients

Halfords: data-driven customer experience

Halfords partnered with Planning-inc to launch The Halfords Motoring Club, its digital-first loyalty proposition, designed to drive deeper emotional engagement from customers, grow their basket size and build retention.

Planning-inc's technology was deployed to facilitate exceptional, data-driven customer experiences from the point of sign-up.

Connecting huge streams of behavioural and transactional data, Planning-inc enabled real-time, hyper-personalised messaging across web and e-mail channels, delivering relevant content, reminders, discounts and motoring advice, tailored to each customer and their car. Planning-inc's expert marketing services then helped Halfords plan vigorous test-and-learn processes to optimise performance and avoid overloading customers with communications.

Halfords Motoring Club has successfully recruited 1.7 million members to date, driven a record NPS score and seen an increase of up to 5.1x frequency of shop compared to non-loyalty customers.

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Customer Engagement

Legendary adman David Ogilvy defined *brands as:* "the intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised". In the 21st century digital ecosystem, brands also have to navigate an extraordinary variety of platforms, technologies and languages and get each just right while being true to the brand's values. This has become as much science as art and, when done well, can add extraordinary amplification to an idea, product or service. We are experts in navigating this highly complex landscape and creating space for our clients in the minds of their customers.

What we do

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

Missing people: increasing public engagement

Every year more than 70,000 young people are reported missing. MHP Group helped the charity Missing People increase public engagement with their searches.

The missing person poster is still one of the most powerful ways to find people. But its design hadn't changed in decades and wasn't making use of the latest advances in tech or behavioural science. MHP Group worked with their partners, Influence At Work, to completely overhaul the posters to boost public engagement and create a media moment, to coincide with International Missing Children's Day.

The changes ranged from the complex (using digital tech to create smiling images that boosted audience empathy) to the simple (replacing 'missing' with 'help find' to increase motivation). We launched the new posters across three major London sites and worked with broadcasters to maximise the story.

The launch secured 420 pieces of coverage, with a combined reach of 1.5b+, a 900% increase on their previous campaign. BBC Breakfast ran the story five times, including a ten-minute segment, and it also aired on ITV London, ITV Anglia, BBC London, CBS, Reuters and Times Radio.

Crucially, the campaign increased public participation in the search for missing people. Traffic to their website increased 117%, while audience research found the posters improved viewer recall of key details. Lumen eye tracking validated the posters' improved performance.

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Customer Delivery

Our Customer Delivery brands turn potential customers into actual sales. Our specialist brands deliver sales across both B2B and consumer markets using a combination of first party and intent data, sophisticated algorithms and highly-tuned content.

What we do

- Demand generation
- Account-centric marketing
- Retail media centre design, build and operate
- Media buying and selling
- E-commerce

Boots Media Group: a full-service advertising offering for supplier brands, rooted in insights and first-party data

SMG's retail media agency Threefold partnered with Boots UK to launch 'Boots Media Group' ('BMG'), a full-service, internal media agency that enables Boots to harness their scale, reach, data, connectivity and brand equity, to achieve high-performing connected campaigns.

Now in its second year, BMG is already exceeding expectations, with FY23 H1 investment up 40% vs the prior year.

The success of the partnership can be closely credited to delivery across four key focus areas:

connected campaigns: activating supplier campaigns across the path to purchase that puts the Boots brand first;

data and tech: using technology to build a market-leading mass personalisation capability;

internal alignment: partnering closely with both trading and marketing to achieve the best balance of goals; and

team expertise: a capable media centre team in place to drive progress and create a smooth transition.

Described as the engine that powers BMG, Audience360 is a unique and market-leading proposition that allows brands to specify the exact segments they want to reach within Advantage Card data and use this first party data to deliver connected omni-channel media campaigns. Audience 360 campaigns have been delivered for brands such as Unilever, P&G, Johnson and Johnson, and L'Oréal, regularly reporting triple-digit percentage sales uplift vs a 3% benchmark.

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Business Transformation

As a growth consultancy we are increasingly asked by our clients to help them address challenges for which the solutions are not simply to do more sales or marketing. The brands in our Business Transformation *segment help their clients design entirely new* solutions to complex problems. The range of these projects is extraordinary, covering: building entirely new businesses, solving complex societal problems, growing the value of newly-acquired business units and helping to tap public finance markets.

What we do

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

Health Education England: tackling the workforce challenges

HEE's mission is to improve health and care for the people of England, ensuring the necessary public health workforce is adequate, reducing attrition and increasing attainment. It costs £250,000 and takes five years to train a GP, and £500,000 and longer for a consultant. Not everyone completes their training, so reducing attrition helps reduce costs and increase the number of skilled workers.

HEE had insight into the drivers of attrition through surveys and leaver interviews but didn't understand the unique blends of drivers for each individual. Leaving mid-way through training is often due to a combination of factors for individuals. Understanding how these factors vary across diverse junior doctor learning and development journeys, and how their influence changes over time would provide HEE the information it needs to design targeted intervention and support strategies.

Transform's work started in data preparation, bringing together structured and unstructured datasets to create a Modelling Dataset. This consisted of historical data with a known outcome relating to the target variable – whether the trainee completed the programme.

The Modelling Data Set was fed into a number of supervised Machine Learning classifier algorithms that are designed to understand the relationship between the variables and attrition (the target variable). The classifier used was CatBoost, which is a boosted decision tree algorithm (essentially combining a series of decision trees).

The optimised model successfully identified 63% of those individuals at risk of attrition (a recall of 0.63 with a precision of 0.57). This allowed HEE to identify individuals with a high propensity of attrition and, combined with further analysis using Shapley Values and interactive plots, allowed for a more in-depth understanding of factors and potential intervention approaches.

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Performing together

"How would it be an orchestra if all were French horns?"

Desmond Tutu

We believe in the power of deep, best-in-class specialists working together to solve clients' growth challenges.

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THE GROUP GREW AT ITS FASTEST PACE IN OVER A DECADE.

Penny Ladkin-Brand
Chair

Dear Shareholders,
If there's a word to sum up the last year, it's 'growth'. The Group grew at its fastest pace in over a decade to deliver net revenues of £564m and adjusted profits of just over £112m. Adjusted earnings per share grew from 59.7p to 80.4p and statutory operating profit grew 68% to £67.2m. We completed six small acquisitions, won the largest contract in our history, garnered countless awards, raised £50m of funding and made our largest acquisition to date with Engine.

During the course of the year, we bid for M&C Saatchi but were not successful. This was a disappointment, but also a reminder of the importance of capital discipline. We had strong reasons for wanting to make the acquisition, but we also had firm criteria upon which we believed the deal made sense. I'm therefore pleased that we held our ground and didn't get deal fever. In that regard we showed we are not afraid to walk away when the economics don't make sense. This should give shareholders a great deal of comfort about how we go about delivering growth through acquisition, regardless of the size of the prize.

It was a remarkable year. The Group's fastest pace of growth in many years was thanks in part to the acquisition of Engine, but also the strong organic growth of our brands in every sector. Delivering this kind of growth is not easy but our decentralised structure really enabled us to grow without the business tripping over itself. Our individual brands, which are all specialist in nature, were each able to move at their own pace and navigate their own challenges and opportunities. This agility has for a long time been central to our success and this year we really demonstrated its value.

As the theme of this year's Annual Report shows, we believe that 'growth' in business (in the widest sense of the word) requires a range of complementary specialist products and services to be brought to bear. Some providers offer a one size fits all solution. As Tim says in the CEO's statement, this is the equivalent of a department store versus a specialist retailer. Both can offer great value. One offers convenience and the other offers deep customer service. Our model aims to give customers the best of both worlds. We are able to bring our global footprint and capabilities to bear in ways that are designed to solve the unique challenges our customers face. Going back to the retail analogy, it means our customers aren't having to walk through the toy department every time they need to buy a new sweater. Our complexity is the customer's simplicity.

In terms of how we are delivering growth, the good news is we are now seeing each segment of our business deliver real scale. A few years ago, almost all our revenue was in what we call our Customer Engagement segment. Today, less than 50% of our net revenue is in that area and we have already surpassed the US$100m revenue goal we set for ourselves in Business Transformation, with net revenues hitting £134.8m, achieving our goals two years ahead of schedule.

In order to enable the Group to scale, the Board has focused on what it believes are the foundations of a modern company: a diverse, well-motivated and incentivised work force; a diverse and engaged Board (with the additions of Dianna Jones and Paul Butler, both based in the US, to the Group's Board this year); investment in building technology and data into the fabric of all our brands; and elevating the importance of ESG through everything we do. We believe that by demonstrating to our clients and workforce that we are truly committed to delivering on an ESG agenda we are embedding best practice that will deliver immense long-term value.

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Chair's statement continued

"Next 15 is on a journey and has bold ambitions for the future."

Next 15 is on a journey and has bold ambitions for the future. We believe there is an important business to be built at the intersection of the management consulting, systems integration and digital marketing worlds. A business that can, through a collection of specialist products and services, help customers maximise their growth not just in financial terms, but also in market share, human capital and a range of other ways. We think the revenues for this business are well above the £1 billion mark if we get things right. To be successful, we need to remain disciplined in terms of how we allocate our resources and our capital and not flinch from the decentralised model that has served us so well over the years.

Looking to the year ahead, the macro-economic environment is clearly harder to navigate. However, we expect the increasing diversification of the Group to stand us in good stead, whilst we are predicting slower organic and overall growth than in the year just ended. Part of this is our natural caution but a part is simply that, as we scale, delivering such percentage levels of growth does get harder. That said, the Group ended the year with a strong liquidity position, leaving it well placed to make acquisitions in a market where competition for deals is expected to be lower. We expect last year's capital discipline to prove beneficial for the acquisitions in the year ahead.

In closing, I want to thank the people, customers and partners of Next 15 for all they have done in the last year. It has been an incredible year in so many ways and it wouldn't have been possible without you.

Penny Ladkin-Brand
Chair
24 April 2023

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Winning together

"Great things in business are never done by one person. They're done by a team of people."

Steve Jobs

We invest not only in our deep specialists but also in the connections between our brands. This allows us to win together when clients have complex, multidisciplinary needs.

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Chief Executive Officer's statement

A GREAT DEAL OF OUR SUCCESS WAS DERIVED FROM THE WAY OUR BUSINESS IS STRUCTURED.

Tim Dyson
Chief Executive Officer

Dear Shareholders,
We have all just lived through one of the most challenging economic cycles, aka the pandemic. This transformed entire industries, ripped up supply chains and caused a massive wave of innovation in businesses large and small. The aftereffects of all that are being felt as we emerge from that crisis to a new economic cycle characterised by inflation and high interest rates. Indeed, I've read countless articles heralding the so called 'end of free money'. I've also read countless articles saying that we are on the edge of a local, national and in some cases global recession. In other words, having just lived through one storm, we are all about to be plunged into another. Which begs the question, how did we do during the last few years and what can we expect in the next? The answer to that question is what I hope to address in my letter this year.

The year ended 31 January 2023 was a historic year for the Group. We grew by 56% to £564m in net revenues. In other words, we added more revenue in the last year than we achieved as a business in FY18. We also managed to deliver this growth without sacrificing profitability, which as business leaders will tell you isn't easy. A great deal of our success was derived from the way our business is structured. Unlike many others in our field, we run a highly decentralised business model. That means we give a great deal of freedom to the leaders of our brands to run their business in the way they think is best for their customers and their people. While we have relevant controls in place to make sure they comply with the relevant legal and accounting practices, our leaders feel like entrepreneurs. They don't have to get our constant approval to do things. They can move at the speed they need to make sure the customer gets what they need and that their teams are well supported. In other words, the thing that looks most complicated about our business (the number of brands) has proven to be our biggest strength.

The portfolio of businesses that makes up Next 15 all have one thing in common: they are all highly specialised. In other words, they have deep domain expertise. They understand their markets at least as well as their customers do and have products and services that are specifically designed to solve the challenges these businesses face. In simple terms, we are not a department store that sells a little bit of everything but has a limited selection. We are instead, the equivalent of a collection of specialist retailers that are all located in the same place. This means we have brands that are fascinated by the markets in which they do business and are constantly looking for better solutions for their customers. This makes the brands very agile and means the innovation is at the interface with the customer and not buried somewhere in the centre. They do collaborate to solve complex problems and work together with clients where appropriate.

I make this point because I think it's helpful for shareholders to understand that this model means we can adapt to change more quickly than a single entity business of our size might. One thing the pandemic showed was that operating models need to adapt over time and in some cases overnight. Just as many of our customers have had to reshape their supply chains so that their reliance on one source for raw materials, or manufacturing doesn't trip them up, we must adapt our operating models to ensure we can deliver the products and services they need at the speed they need and at a price point that delivers value. For us, this means automating processes and, in some areas, shifting work to different parts of the world to access the right talent. While that can be challenging at times, our structure means we are often solving a series of smaller problems than a few huge ones. In turn, that means we can move like a series of small speed boats, rather than one huge tanker.

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Looking to the future, while the macro-economic picture is hard to read (quite literally), I remain quite optimistic about the year ahead. We demonstrated through the pandemic that our business could adapt quickly to the needs of customers, which gives me confidence they can do so again. What we have seen time and again is that quality of product and service matters. Being the best you can be at something has enormous value, if that something is what customers need. As long as we stay close to what our customers need and continue to adapt our products accordingly, and focus on excellence, we should be in a very good place.

One small but meaningful change we have made this year is to our name. We're incredibly proud of our heritage as a communications group working with the world's biggest technology companies. And that's still a very significant part of what Next 15 does. But, we have evolved to become so much more. As I have set out, we're now a growth consultancy with specialist services spanning market research and data analytics to advertising, lead generation, shopper marketing, management consultancy and venture building.

We had been feeling for a while that the name of our Group hasn't reflected this breadth. What's more, it has occasionally felt like some of our non-communications brands are excluded by it. So, as of 18 April 2023, we changed the name of our Group from Next Fifteen Communications Group plc to Next 15 Group plc. It may seem like a small thing but we see this as an important sign of the continued evolution and growth of Next 15.

Strategically, the Group is well placed to deal with a changing economy. It has a strong balance sheet which, in turn, means it can move quickly to add new capabilities to existing brands or add entire new businesses through acquisition. Our growth in the last year came from a wide range of businesses. In the next year, I expect we will again see a range of businesses contributing, large and small. While I can't predict the future, what I do know, is that the need for the products and services we sell is expanding. Our shift some years ago to prioritise businesses that have data and technology at their centre has ensured that. Equally, our expansion into the consulting world, specifically in relation to business transformation, has proven to be well timed.

We live in an age when innovation is constant for both our customers and our business. All our business leaders are always looking for what the customer will need next. They know businesses need to remain agile and ready to adapt as new technologies emerge. With the energy and level of innovation I am witnessing within the Group, I see a very bright future in the year ahead.

Tim Dyson
Chief Executive Officer
24 April 2023

"With the energy and level of innovation I'm witnessing within the Group, I see a very bright future in the year ahead."

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The markets we operate in

GROWTH CONSULTANCY IS A HUGE AND GROWING MARKET. WE DIVIDE IT INTO FOUR MAJOR SEGMENTS.

Customer Insight

2021 market size:
£133.99b

CAGR growth 2021-26:
8.9%

FY23 Next 15 net revenue:
£52.0m

2021 breakdown
(growth 2021-26 CAGR %)

Market research:
£59.4b (3.5%)

Data management:
£13.0b (8.5%)

Data analytics and implementation:
£22.2b (23.2%)

Customer Relationship Management implementation:
£39.4b (9.3%)

Customer Engagement

2021 market size:
£277.7b

CAGR growth 2021-26:
13.20%

FY23 Next 15 net revenue:
£274.9m

2021 breakdown
(growth 2021-26 CAGR %)

Customer experience:
£14.2b (13.36%)

Content, communications and creative:
£263.5b (4.6%)

Customer Delivery

2021 market size:
£235.62b

CAGR growth 2021-26:
14.63%

FY23 Next 15 net revenue:
£102.1m

2021 breakdown
(growth 2021-26 CAGR %)

E-commerce implementation:
£23.1b (9.37%)

Search Engine Optimisation:
£32.56b (18.6%)

Media buying and planning:
£46.2b (6%)

Social media management:
£11.2b (23.6%)

Lead generation:
£122.5b (17%)

Business Transformation

2021 market size:
£992.47b

CAGR growth 2021-26:
7.69%

FY23 Next 15 net revenue:
£134.8m

2021 breakdown
(growth 2021-26 CAGR %)

Strategy consulting:
(inc Environmental, Social and Governance and People Change Management)
£141.1b (6.85%)

Digital transformation:
£41.1b (13.67%)

Big data and analytics:
£94.3b (12.7%)

Other:
£716.03b (6.85%)

2021 data has been used as a baseline to ensure a uniform comparison across the data given an absence of publicly published data for 2022 in several of the above capabilities. Sources for this page are on page 211.

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Creating together

"Creativity is seeing what everyone else has seen, and thinking what no one else has thought."

Albert Einstein

Creativity in all its forms is one of the defining characteristics of Next 15. We bring new ideas to our clients and constantly innovate with new tools such as generative AI.

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Our strategy

WE CONTINUE TO EVOLVE FROM OUR MARKETING SERVICES HERITAGE INTO A FULLY-FLEDGED GROWTH CONSULTANCY. OUR CORE STRATEGY REMAINS THE SAME:

- build or buy the specialist growth consultancy services that our clients need;
- work together to solve our clients' most pressing growth problems;
- develop our key talent; and
- make sure we leave the world a better place than we found it.

However, the world is a very different place from a year ago: war, economic upheaval, rapid technological advances and competitive pressures have all changed the environment. We have responded by looking deeply at the ecosystems that we operate in, the problems our clients face and the solutions we offer. The result is a tighter focus on investment in high-growth areas, and the use of new technology, data and product thinking to improve our efficiency and better serve clients' needs.

Build our growth consultancy model

Our priorities
Growth has never been more important to our clients, whether that's to deliver financial returns or societal outcomes. Growth is what Next 15 offers and we continue to evolve our Group to offer clients a leading-edge service. We will continue to invest in talented, entrepreneur-led businesses that bring new capabilities that our customers need. Our focus remains primarily UK and US.

Use the power of Next 15

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

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Progress in FY23

- Made our biggest ever acquisition of Engine and integrated it into Next 15. Of the three new businesses acquired, Engine Creative merged with existing brand ODD to form House 337 which extends our ability to bring top-end creativity to UK clients, MHP Group is one of the UK's top 15 communications businesses, and Transform has been a significant addition to our Business Transformation sector and gives us an enviable track record in purposeful digital transformation for the UK public sector.
- Acquired several smaller companies as bolt-ons for existing brands, particularly to develop our customer delivery segment.
- Mach49 started delivery on a landmark contract with a stealth client to build innovation-led, technology-driven, sustainable ventures across the globe.
- Mach49's CEO Linda Yates' book 'The Unicorn Within' which describes a growth methodology was published and picked up a number of accolades including inclusion in Forbes' '10 Best Business Books of 2022'.
- Won a significant contract to build a retail media sales centre for UK grocer Morrisons.
- Launched or enhanced a number of exciting new products including 'Prism', an automated due diligence service that is in beta test with a number of clients and partners.
- Clustered and combined some of our brands to better serve clients' growth needs. For example, Mighty Social, Cubaka and Conversion Rate Experts have now become part of Brandwidth. Likewise, Archetype, Outcast, Nectar and Publitek are now part of a coordinated cluster that is leveraging services and capabilities across the four brands.

Priorities for FY24

- Accelerate an integrated data strategy for Next 15 that allows all our brands to benefit from the insight and expertise that we generate in the course of our work.
- Drive our productisation initiative to ensure that we offer our clients the full benefits of automation and artificial intelligence technology.
- Focus on investment in new growth consultancy capabilities, particularly focusing on digital transformation including sales and marketing systems integration, eCommerce and data analytics.
- Explore more client need-led clusters within Next 15 that organise our skills and expertise around client growth pain points.

Progress in FY23

- Appointed our first Client MD to start building more holistic client relationships and focus on their most urgent growth challenges.
- Started to bring together more of our brands into clusters to make it easier for them to organise around client problems.
- Consolidated our brands under one roof in London, New York and San Francisco to bring benefits such as reduced environmental footprint and improved collaboration.

Priorities for FY24

- Increasing digital and marketing transformation work as a means to orchestrate our network of specialist growth capabilities.
- Developing the Next 15 Growth Team's role in joining up around client problems and building more C-Suite relationships.
- Reviewing and refreshing our incentives to make it easier for our brands to work together.
- Leverage our Group data resources to build better solutions for our clients.

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Our strategy continued

Focus on doing better

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

Celebrate and develop our people

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

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Progress in FY23

- Established the Environmental, Social and Governance ('ESG') Committee.
- elvis became a certified B Corp.
- Next 15 continued exploration of the best way to achieve B Corp certification for our brands.
- Completed a materiality assessment to establish the most material ESG topics to Next 15.
- Extended our Scope 3 reporting.
- Attained ISO 14001 certification at our Head Office.

Priorities for FY24

- Further develop an exciting and compelling ESG strategy that our brands and people can feel part of.
- Progress our toolset for measuring the impact our client work has on the world.
- Continue our mission to embed EDI at the heart of the Group.

Progress in FY23

- Partnered with external specialist advisers to help us make progress on our EDI strategy including building an EDI Council Steering Committee.
- Progressed Board succession planning with senior leadership assessment and development programme.
- Added two US citizens to the Board as Non-Executive Directors.
- Conducted an employee engagement survey delivering an employee Net Promoter Score for the Group and providing non-financial success metrics for consideration in short-term incentive schemes.
- Further developed the Next 15 Academy content to include training for new leaders and commercial training for new starters, as well as mandatory compliance training.

Priorities for FY24

- Use the power of the collective people data across the Group for better decision making and predictive analysis around our workforce changes.
- Evolve retention strategies to include more cross-Group mentoring and coaching, as well as Group-wide employee interest groups.
- Explore opportunities to make the employee experience better through automation and building environments. This will include the use of tools to help monitor the use of space, online coaching tools, and access to mental health support.

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HOW WE MEASURE OUR PERFORMANCE

Our KPIs represent the most important metrics we as a management team use to evaluate and compare the performance of Next 15 brands, and of the Group as whole.

We are showing continued progress in our financial and client metrics, reflecting the strong year we have had. Staff retention has also remained strong in a challenging market for talent post pandemic.

As described elsewhere in this report we are developing our ESG strategy and, as a result, it may be that KPIs in this area change over FY24 to better reflect the outcomes we want to achieve.

Financial KPIs

Adjusted operating margin◆

20.2%

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

Performance
Margin remained above 20% in FY23 despite the acquisition of Engine in March which was at a lower margin when we acquired it, but saw improvement in performance as the year progressed.

Organic net revenue growth◆

20.7%

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

Performance
FY23 saw a continuation of high level organic growth as we benefitted from customer spending on new initiatives and aided by a significant contract win at Mach49.

◆ Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 199.

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Non-financial KPIs

***Number of clients spending* over £2.5m**

38

21	17
22	25
23	38

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

Performance

In FY23 we saw continued progress in growing major client relationships, accelerated by the acquisition of Engine.

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

25

21	12
22	21
23	25

As we grow our growth consultancy model the number of customer relationships that are serviced by more than one of our brands is becoming more important.

Performance

We continue to focus on clients' growth problems whilst are often multidisciplinary and involve services from more than one of our brands. This focus is shown in the continued improvements in the number of significant multi-brand relationships in FY23.

Staff retention

77.0%

21	77.7%
22	76.9%
23	77.0%

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

Performance

FY23 has seen minimal changes in staff retention rates. With the continued adoption of hybrid working allowing people greater flexibility, combined with continued effort of CEOs and People teams across the Brands to build inclusive working cultures, 'quiet quitting' has had limited impact across the Group.

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Financial review

THE GROUP HAS CONTINUED TO TRADE VERY STRONGLY OVER THE LAST 12 MONTHS DESPITE THE MACROECONOMIC HEADWINDS, WITH ALL PARTS OF THE BUSINESS MAKING A POSITIVE CONTRIBUTION.

Peter Harris
Chief Financial Officer

Audit Committee report p80

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A year of strong trading

The Group has continued to trade very strongly over the last 12 months despite the macro-economic headwinds with all parts of the business making a positive contribution to the Group's performance. We had a particularly encouraging performance in the first half of the year following the acquisition of Engine and the significant contract win for Mach49. This continued into the second half albeit at not quite the rate of the first half, as we were modestly impacted by the global tech slowdown. Profitability was also positively enhanced in the first half of the year to 31 January 2023 by the nature of the Mach49 contract win whereby we accounted for the contracted revenue equally across the year, but the costs were phased in the second half as we geared up for a significant increase in the revenue and deliverables in our new financial year. This had the impact of increasing the Group's underlying profit in our first half by approximately £5m which reduced to a normalised profit in the second half.

The trading performance was strongest in our Customer Delivery and Business Transformation segments as clients focused on maximising their revenue growth and adapting their business models to a digital-first environment, whilst our Customer Insights and Customer Engage segments also saw encouraging revenue growth.

The Group's strategy is to acquire and then enhance entrepreneurially led businesses, where management teams are incentivised to deliver growth over the medium term. This often results in the Group acquiring companies in the early stages of their development where their future performance is uncertain, leading to significant

	Year to 31 January 2023 £m	Year to 31 January 2022 £m	Growth %
Adjusted results*			
Net revenue	**563.8**	362.1	56%
Adjusted operating profit after interest on finance lease liabilities	**114.2**	79.3	44%
Adjusted operating profit margin	**20.2%**	21.9%	
Adjusted profit before income tax	**112.5**	79.3	42%
Adjusted diluted earnings per share	**80.4p**	59.7p	35%
Statutory results			
Revenue	**720.5**	470.1	53%
Operating profit	**67.2**	40.0	68%
Loss before income tax	**10.1**	(80.1)	
Net cash generated from operations	**95.2**	88.8	7%
Diluted earnings/(loss) per share	**1.5p**	(74.9)p	

* Alternative performance measures. Measures with this symbol are defined and reconciled in the Glossary section on page 199.

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A year of strong trading continued

changes in the estimates used for future earn-out payments. We continue to examine the impact of these material changes in estimates on the statutory results and have an additional glossary to the Annual Report to separately show the alternative performance measures used. The glossary section set out at the end of the report and accounts provides reconciliations between the statutory and the adjusted results in order to help the readers of the accounts to interpret the results.

In order to assist shareholders' understanding of the performance of the business, the narrative below is focused on the adjusted performance of the business for the 12 months to 31 January 2023, compared with the 12 months to 31 January 2022, in particular the net revenue performance, adjusted operating profit and adjusted diluted earnings per share.

The Directors consider these adjusted measures to be highly relevant as they reflect the trading performance of the business and align with how shareholders value the business. They also give shareholders more information to allow understandable like-for-like, year-on-year comparisons and more closely correlate with the cash and working capital position of the Group. The Group also presents net revenue which is calculated as statutory revenue less direct costs as shown on the Consolidated Income Statement and is more closely aligned to the fees the Group earns for their product and services.

In line with industry peers, the adjusted profit measures take account of items which are not related to underlying trading in the year including property-related impairments, brand equity incentive schemes, costs associated with restructuring and certain other items. In order to provide comparability with industry peers, amortisation of acquired intangibles is also adjusted for.

Reconciliation of adjusted operating profit to statutory operating profit

	Year to 31 January 2023 £m	Year to 31 January 2022 £m
Statutory operating profit	**67.2**	40.0
Interest on lease liabilities	**(1.4)**	(1.1)
One-off charges for employee incentive schemes	**0.6**	5.9
Employment-related acquisition payments	**12.0**	15.2
Deal costs	**5.5**	0.5
Costs associated with Engine restructuring	**2.3**	—
Gains on investment activities	**—**	(0.5)
Property impairment	**4.8**	0.2
UK Furlough	**—**	1.4
Amortisation of acquired intangibles	**23.2**	17.7
Adjusted operating profit after interest on finance lease liabilities	**114.2**	79.3

In February 2022 we announced that our wholly owned subsidiary Mach49, the growth incubator for global businesses, had entered into a five-year strategic alliance with a global technology and digital company. Over the initial term of the contract, total fees including third-party expenses are expected to be in excess of US$400m. Revenues in the first year were approximately US$65m. This materially increased our estimate of the earn-out payable to Mach49's equity holders, which was reflected in last year's financial results and resulted in a significant statutory loss before stax. Mach49 has continued to trade very well across its business and therefore we have further increased our estimate of the earn-out to the maximum cap of US$300m, and accordingly, a discounted increase in the potential liability has been included in our current year statutory profit and loss account as a finance expense.

While adjusted operating profit increased by 44% to £114.2m (2022: £79.3m), reflecting the very strong trading of the Group, we made a statutory profit before tax of only £10.1m (statutory loss in 2022: £80.1m). The low statutory profit before tax was mostly caused by the increase in the Mach49 earn-out as well as acquisition-related accounting, including the amortisation of acquired intangibles. The statutory operating profit increased by 68% to £67.2m (2022: £40.0m). Diluted earnings per share was 1.5p, compared with a diluted loss per share of 74.9p in the previous year.

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Review of adjusted results to 31 January 2023

Group profit and loss account

Total Group net revenues increased by 56% to £563.8m, of which Engine contributed £80m, and grew by 20.7% on an organic basis including the benefit of foreign currency translation. Our adjusted operating profit after interest on finance lease liabilities increased by 44% to a record £114.2m, whilst the operating profit margin remained at above 20% despite the acquisition of Engine in March 2022, which was operating at a lower margin when we acquired it, but saw significant improvement in performance as the year progressed. Each of our four segments saw strong revenue and profit growth last year with the standout performances being from Activate, M Booth Health, Brandwidth and Mach49, which each grew their revenue above 30% and showed good margin progression. Our B2B agencies performed very strongly whilst our B2C agencies including Savanta continued to recover from the impact of the pandemic in the prior year.

As shown in the previous table, we incurred £0.6m of one-off charges for employee incentive schemes on new growth shares for elvis and Publitek, and £12.0m in relation to employment-related acquisition payments. We incurred £5.5m of deal costs in relation to acquisitions, mostly our acquisition of Engine and our unsuccessful offer for M&C Saatchi. Amortisation of acquired intangibles was £23.2m in the year. We incurred an overall charge of £4.8m in relation to the reorganisation of our property space, principally in relation to the property consolidation in London following the acquisition of Engine. The significant reduction in our property footprint post the pandemic has directly led to a permanent improvement of 3% in the Group's operating margin.

Taxation

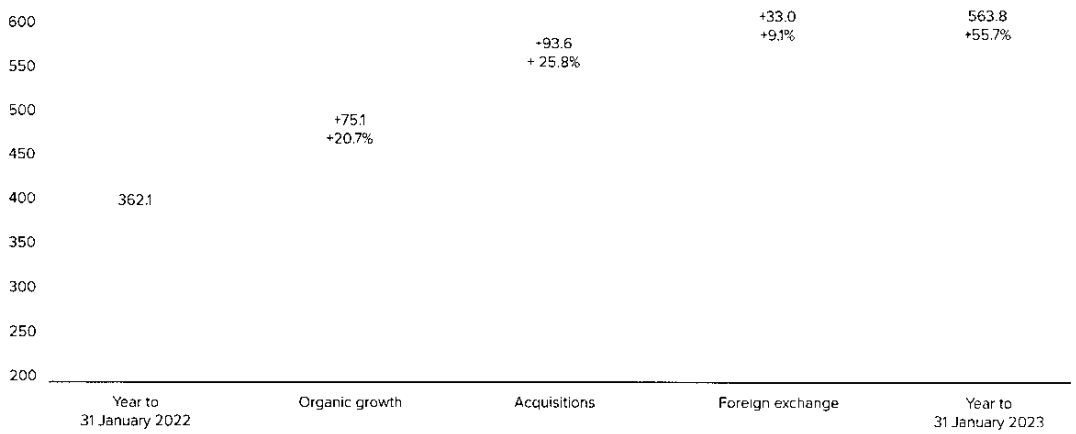
The adjusted effective tax rate on the Group's adjusted profit for the year to 31 January 2023 was at a rate of 23.3% (2022: 21.6%), compared to the UK enacted statutory rate of 19% (refer to note 8). The adjusted effective tax rate was higher than the rate achieved in the prior year largely due to a strong performance from our US based agencies, where the rate of corporation tax is typically higher than in the UK. The impact of differing overseas tax rates and withholding taxes is captured in note 8.

The Group notes that the UK tax rate is increasing to 25% from April 2023 and 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 over the next few years reflecting these increases. We inherited a complicated corporate structure with the acquisition of Engine and we are progressing a number of outstanding tax queries, which we believe we have adequately provided for. 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

Adjusted diluted earnings per share has increased by 35% to 80.4p for the year to 31 January 2023 compared with 59.7p achieved in the prior year, as a result of the improved profitability on an adjusted basis.

Net revenue bridge (£m)



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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 2023. The four operational segments were Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

Customer Insight

This segment includes Savanta and Planning-inc. Savanta performed well as its predominantly B2C client base continued to recover from the pandemic. Their UK business was strengthened by the acquisition of Motif, which expanded their client offering in the financial services and healthcare markets, whilst Savanta US grew by over 38% year on year helped by the acquisition of Infosurv, which focuses on employee engagement research. Planning-inc continued to grow their retail client base and developed a suite of products which should facilitate further growth over the next couple of years. Total net revenue increased by 23.5% to £52.0m with organic growth of 10.2%, whilst the adjusted operating profit increased by 22.5% to £11.0m at an adjusted operating margin of 21.3%.

Customer Engagement

This segment includes M Booth, M Booth Health, Outcast, Archetype, Brandwidth, Nectar, BYND, elvis, Publitek plus MHP and House 337, which were both acquired as part of the acquisition of Engine in March 2022. M Booth Health, MHP and Brandwidth were the stand-out performers as they expanded their relationships with a broad cross-section of clients including P&G, Google, Astra Zeneca and Dow Chemicals. The segment produced a very positive performance overall with net revenue growing by 46.6% to £275.0m, with organic revenue growth of 9.3%, and delivered an adjusted operating profit of £55.4m at an adjusted operating margin of 20.2%.

Customer Delivery

This segment includes our Activate, Agent3, Twogether and SMG agencies. This segment is focused on solving short-term revenue challenges for its clients usually through digital products. The Covid-19 pandemic brought an exceptional performance as online growth was often the only route to market for our clients. Growth has moderated somewhat as more traditional routes to market have resumed, but the segment still delivered net revenue growth of 27.7% to £102.1m with organic revenue growth of 12.0%. The adjusted operating profit increased to £30.2m at an adjusted operating profit margin of 29.6%.

	Customer Engage £'000	Customer Delivery £'000	Customer Insights £'000	Business Transformation £'000	Head Office £'000	Total £'000
Year ended 31 January 2023						
Net revenue♦	**274,951**	**102,096**	**51,985**	**134,767**	**—**	**563,799**
Organic net revenue growth♦	**9.3%**	**12.0%**	**10.2%**	**83.3%**	**—**	**20.7%**
Adjusted operating profit/(loss) after interest on finance lease liabilities♦	**55,432**	**30,191**	**11,049**	**43,855**	**(26,358)**	**114,169**
Adjusted operating profit margin♦	**20.2%**	**29.6%**	**21.3%**	**32.5%**	**—**	**20.2%**
Year ended 31 January 2022						
Net revenue	187,566	79,951	42,109	52,477	—	362,103
Organic net revenue (decline)/growth	15.7%	40.0%	18.6%	99.9%	—	26.1%
Adjusted operating profit/(loss) after interest on finance lease liabilities	40,434	28,501	9,023	15,221	(13,832)	79,347
Adjusted operating profit margin	21.6%	35.6%	21.4%	29.0%	—	21.9%

♦ Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 199.

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Financial review continued

Segmental review continued

Business Transformation

This segment includes Mach49, Blueshirt, Palladium, plus Transform, which was acquired as part of the Engine acquisition. We saw a very strong performance from this segment as the significant contract win for Mach49, which we announced in February 2022, contributed significant revenue and profit growth during the year. Transform made an encouraging start and their operating margin has improved materially during the period. Overall, the segment delivered net revenue growth of 156.8% to £134.8m with organic revenue growth of 83.3%. The adjusted operating profit increased by 188.1% to £43.9m at an adjusted operating profit margin of 32.5%.

Geographical review

US

Our US businesses have continued to perform extremely well. In the year to 31 January 2023, total US net revenues grew by 47.1% to £293.2m from £199.3m which included organic growth of 28.2%.

In February 2022, Mach49 announced a significant new contract win which added approximately US$65m of revenue during the year. The rest of their business also showed very strong growth.

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

	UK £'000	Europe and Africa £'000	US £'000	Asia Pacific £'000	Office £'000	Total £'000
Year ended 31 January 2023						
Net revenue*	**240,971**	**11,626**	**293,177**	**18,025**	**—**	**563,799**
Organic net revenue growth*	**11.3%**	**16.3%**	**28.2%**	**11.0%**	**—**	**20.7%**
Adjusted operating profit/(loss) after interest on finance lease liabilities*	**42,460**	**2,826**	**93,463**	**1,778**	**(26,358)**	**114,169**
Adjusted operating profit margin*	**17.6%**	**24.3%**	**31.9%**	**9.9%**	**—**	**20.2%**
Year ended 31 January 2022						
Net revenue	137,491	10,041	199,348	15,223	—	362,103
Organic net revenue decline	18.3%	21.3%	33.2%	11.9%	—	26.1%
Adjusted operating profit/(loss) after interest on finance lease liabilities	30,910	2,504	58,355	1,410	(13,832)	79,347
Adjusted operating profit margin	22.5%	24.9%	29.3%	9.3%	—	21.9%

* Alternative performance measures. Measures with this symbol are defined in the Glossary section on page 199.

We also benefitted from a property consolidation which was prompted by the 'working from home' imperative which arose during the pandemic. This has reduced our establishment costs by 3% of revenues as our real estate footprint has materially reduced, despite our growth in scale. The adjusted operating profit from our US businesses increased by 60.2% to £93.5m compared with £58.4m in the previous 12 months to 31 January 2022, with the operating margin increasing to 31.9% from 29.3% in the prior year.

UK

The UK businesses have delivered an impressive performance over the last 12 months, with net revenue increasing by 75.3% to £241.0m from £137.5m in the prior period. This growth was helped by the Group's acquisition of Engine in March 2022. Our UK businesses achieved organic revenue growth of 11.3%. The adjusted operating profit increased to £42.5m from £30.9m in the prior year with the adjusted operating margin decreasing to 17.6% from 22.5% in the prior year due to the acquisition of Engine, which was operating at a lower margin on acquisition. Operational improvements will result in a much improved operating profit and margin in the new financial year.

EMEA

The EMEA business continued to perform very well with net revenue increasing by 15.8% to £11.6m (2022: £10.0m) and adjusted operating profit increasing to £2.8m at an impressive adjusted operating margin of 24.3%.

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Geographical review continued

APAC

In the APAC region net revenue increased by 18.4% to £18.0m (2022: £15.2m). The operating profit increased to £1.8m at an improved operating margin of 9.9%.

Cash flow

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2023 increased to £119.6m from £88.6m in the prior year. Our management of working capital continues to be a focus despite the difficult macro-economic backdrop. We had a net outflow from working capital of £24.4m due to the unwinding of the Covid impacts as well as the Engine acquisition and our very strong revenue performance increasing trade receivables. This resulted in our net cash generated from operations being £95.2m (2022: £88.8m). Income taxes paid increased to £20.3m from £14.1m.

Dividends paid to Next 15 shareholders during the year was £12.7m (2022: £9.8m), reflecting an increased return to shareholders in line with the strong financial performance and our future confidence in the business. Net interest paid to the Group's banks increased to approximately £1.7m (2022: £0.3m) as we partially funded the acquisition of Engine out of debt facilities and we were also impacted by central banks increasing interest rates to combat rising inflation.

Balance sheet

The Group's balance sheet remains in a strong position with net cash excluding lease liabilities as at 31 January 2023 of £26.1m (2022: £35.7m) and net assets of £114.4m (2022: £61.5m). Since the previous year end, intangible assets have significantly increased primarily due to £47.3m of goodwill and £50.4m of acquired intangible assets recognised as a result of the acquisition of Engine.

Cash flow KPIs

	Year to 31 January 2023 £m	Year to 31 January 2022 £m
Net cash inflow from operating activities before changes in working capital	**119.6**	88.6
Changes in working capital	**(24.4)**	0.2
Net cash generated from operations	**95.2**	88.8
Income taxes paid	**(20.3)**	(14.1)
Investing activities	**(67.5)**	(18.5)
Dividend paid to shareholders	**(12.7)**	(9.8)
Net cash	**26.1**	35.7
Net (decrease)/increase in bank borrowings	**(1.5)**	9.6

Treasury and funding

The Group agreed new banking facilities in September 2021 and now operates a £100m revolving credit facility ('RCF') with HSBC and Bank of Ireland available until September 2024 with an option to extend for a further two years. The £100m facility is primarily used for acquisitions and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and euro at an interest margin dependent upon the level of gearing in the business. The Group also has a US facility of US$7.0m (2022: US$7.0m) 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.

DocuSigned by:
Peter Harris
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Peter Harris
Chief Financial Officer
24 April 2023

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Stakeholder engagement

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Next 15 is committed to delivering long-term sustainable performance and growth for the benefit of its stakeholders. We understand the importance and benefit of engagement with all key stakeholders

We aim to continue to have open dialogue with our internal and external stakeholders alike, and we are creating and embedding more formal frameworks and systems to achieve this. In this section we present the various stakeholder groups and how we engage with them.

See also:

Our strategy
p16

Corporate governance
p68

Employees

We put our people first. Our business is built by the talent of our people, and we know our success is fundamentally driven by their skill, commitment and passion. As detailed in our ESG Report on page 33, we have clear priorities to ensure engagement with our people, including: EDI, attracting and retaining the best talent, employment policies and remuneration, health, safety and wellbeing of employees and data privacy and cyber security. The way that people work has changed following the pandemic and therefore we need to continually review the way we engage with employees given this change.

How we engage at Board level

- Paul Butler, Non-Executive Director, has been appointed as the Non-Executive Director responsible for workforce engagement in order to give the Board access to employees at all levels across the Group.
- Holding at least two Board meetings per year in person, with at least one in the UK and one in the US, to include time for the Board to meet employees.
- A 'people dashboard' with updates on our employee base and the output of staff surveys is regularly shared with the Board.

How we engage across Next 15

- Monthly Company newsletter sent to all employees.
- Regular team meetings, both in person and virtually.
- Teams set regular days where employees are encouraged to be in the office for collaboration and social activities
- Regular employee 'net promoter score' surveys carried out which from FY24 are a component of Executive Director bonus
- Regular town halls to share Company news and events
- Using Slack channels to keep staff informed and allow easy access to management.
- Using the Next 15 Academy, an online learning platform to share polices and procedures as well as training and development materials.

Customers

Our client base is varied but includes some of the world's best-known brands. Focusing on meeting the needs of our clients is critical to the success of each of our businesses. By the nature of the work we do, our brands work in collaboration with their clients. Teams are embedded within client organisations, and we continue to look at ways to better serve client needs based on what they tell us.

How we engage at Board level

- The Board receives regular updates from management regarding new client wins, the client pipeline and the performance of the brands.
- Executive Directors, in particular our CEO, regularly meets with clients to understand their challenges and growth priorities.

How we engage across Next 15

- A standard client onboarding process to ensure we understand them and they understand us better.
- Client satisfaction surveys to ensure we continue to meet their needs.
- Client networking events held by our brands to share good business practices and collaborate with our clients.
- Sharing new client wins and industry awards and events across all brands encourages employees from all parts of the business to understand our key clients and how we support them
- Giving brands access to the Ethics Group as detailed in the ESG report on page 33 to ensure clients fit with our strategy and values.

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Investors

The Board recognises the critical importance of open dialogue, transparency and fair consideration of the Company's shareholders Executive Directors engage with shareholders regularly throughout the year to discuss strategy and ensure they are appraised on our strategic plans and financial results

How we engage at Board level

- The CEO and CFO regularly meet with major shareholders in person or virtually following interim and full-year results announcements
- Capital markets days are held from time to time.
- Direct consultation takes place for key decisions such as brands deciding to become a B Corp, our ESG strategy and key remuneration matters.
- Ensuring key shareholders know that access to all of our Board Directors is available if they want to discuss anything with regard to the Company
- The Directors attend the Annual General Meeting ('AGM') which is an opportunity for all shareholders to meet the Board and discuss the Annual Report and Accounts and the work of the Board Committees.

How we engage across Next 15

- Our Annual Report and Accounts is prepared each year to give shareholders details on the Company's strategy, the performance of the Group and the operation of the Board
- Our corporate website provides access to key Company information and publications as well as additional resources and links to all of our brands.
- Key shareholders have access to ad-hoc meetings with Executive Directors and other members of the senior management team upon request.

Suppliers

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

How we engage at Board level

- The Board receives updates on supplier and partner relations and the matters reserved for the Board ensures that key new and renewing supplier contracts are referred to the Board for approval.

How we engage across Next 15

- A supplier onboarding process to help minimise risk and ensure suppliers meet our ethical standards and values.
- We use formal contracts with suppliers to ensure they are engaged on appropriate terms.
- For major new suppliers, a member of our senior management team will act as a sponsor to oversee the selection, negotiation and onboarding of suppliers.

Our brands

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

How we engage at Board level

- Monthly meetings for all Group CEOs with the Executive Directors
- Regular 1:1 meetings with Next 15 Executive Directors
- Annual strategy sessions with the Next 15 Board
- In-person Board meetings are held in the UK and US and time is made available for the Board to meet key members from the brands as well as the broader employee base. At the Board's strategy meeting in New York in October 2022, a 'speed dating' session was held giving time for all of our US brands to spend time with each of the Directors and members of the Next 15 senior management team.

How we engage across Next 15

- Regular meetings across multiple Group functions to address matters such as talent management, business disruption, data, EDI, productisation, cyber security and financial controls
- In London, the Next 15 team and all of the UK brands have now moved to new offices at 60 Great Portland Street and in New York all brands have moved into 666 3rd Avenue For the first time, all London and New York based brands have office space in the same building allowing much more collaboration as well as support and guidance from each other and the Next 15 team.

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Section 172(1) statement

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

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

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

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

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

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

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

The Directors are conscious of the continued evolution of the governance landscape, and this coupled with the Company's ESG strategy means that taking into account the needs of different stakeholder groups remains an important matter to address.

In order to ensure the needs of all stakeholders are considered, the Directors follow a thorough decision-making process:

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

Engagement with our stakeholders is detailed on pages 28 and 29 as well as in the corporate governance statement on pages 70 to 78.

The principal long-term risks to the Group are set out on pages 56 to 67, together with the mitigating actions explained on those pages detailing how the Directors consider those risks and the resulting actions taken.

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

Acquisitions through the year

Matters discussed

The Board discussed a number of potential acquisition targets as either stand-alone acquisitions or bolt-ons to existing brands. The acquisition of Engine was the largest acquisition made by the Group to date.

Section 172 considerations

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

How the Board considered section 172

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

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

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

Outcomes

- The Company has made a number of acquisitions that add capabilities and services to existing brands
- The acquisition of Engine added significant growth consultancy services to the Group, accelerating its business transformation ambitions, adding significant scale and adding new capabilities in the counter cyclical public sector and creating an enhanced consumer cluster of UK businesses.
- The acquisition of M&C Saatchi was not successful but lessons were learnt from the process.

See also:

ESG report p33

Corporate governance p68

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Employee volunteering

We encourage our employees to embody our 'Make It Better' value by working as a team to give back and do some good.

FY23 team volunteering opportunities included:

- preparing meals with Food For All, an entirely volunteer-run food relief charity who provide thousands of free meals every day to community groups and local authorities, as well as on the streets for people without accommodation;
- supporting Crisis at Christmas' new warehouse by preparing the space for incoming donations. They open their doors to people who are homeless, offering much needed warmth, healthcare, food and company;
- helping Alford House, a place that promotes the wellbeing, training and recreation of the young people of Lambeth, to clear their very overgrown car park, which at the time could only be partially used;
- cleaning up the area surrounding our Bermondsey Street offices by clearing several large areas of litter and sorting it into the appropriate bins; and
- engaging with and distributing food, drinks and other useful items to some of London's most vulnerable people as part of an opportunity called 'Walk in the Footsteps of the Homeless' run by Soup Kitchen London.

Consolidation of properties

Matters discussed

In light of the changes to working patterns and following the acquisition of Engine, the Board approved the consolidation of the London properties to 60 Great Portland Street and the New York properties to 666 3rd Avenue.

Section 172 considerations

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

How the Board considered section 172

Following the pandemic, remote working has changed the way in which employees work and want to work. As a business, we have been very aware that remote working has advantages and disadvantages, but that a combination of remote working and working in the office seems to be a solution that works for employees and the Company. Since the pandemic, the Group has been consolidating its offices. Taking into account the impact on the environment of excess properties, commuting time of staff, the needs and wants of employees in terms of flexible working, the costs savings that can be made by having fewer offices, analysis was undertaken to understand the cost and impact of moving all London brands into 60 Great Portland Street and the New York brands into 666 Third Avenue.

Outcomes

- All London brands now share space at 60 Great Portland Street and all New York brands at 666 Third Avenue
- Other properties have been sublet or surrendered where possible.
- Offices work in a flexible, hot desk style way enabling smaller offices.
- Weekly commuting hours have been reduced.
- Brands have better access to Head Office support staff and are able to collaborate with other brands in the Group more easily
- We have reduced our environmental footprint associated with our UK properties and provide opportunities for employees to come together.

Information security awareness

Matters discussed

Cyber security and protection of our data and information is a principal risk which the Company faces. During the year, the Board and the Audit Committee has had regular updates and input into the actions the Company is taking to have sufficient security protection in place and can take action when needed.

Section 172 considerations

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

How the Board considered section 172

At each Board meeting, the Directors receive a cyber security report which details the action being taken in this regard as well as any breaches or issues that may have arisen since the last report. This also includes an update on the developments outside of the Company in terms of information security threats and attacks. The Board helps guide management to take appropriate action to protect the Company, its employees, its suppliers and clients as well as shareholders in respect of the security of the information it holds.

Outcomes

- Regular awareness campaigns and training is in place to educate employees to protect the business from cyber attacks.
- Management have established an 'Information Governance Board' to ensure the Company is continually developing its strategy on information and cyber security and taking appropriate actions where needed.
- The Audit Committee has an update at every meeting on cyber security related issues, including understanding any threats or breaches the Company has had.

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Innovating together

"The value of an idea lies in the using of it."

Thomas Edison

Practical, pragmatic Innovation is in Next 15's DNA. Our biggest brand, Mach 49, helps some of the world's largest companies creating new ventures. Transform have built a reputation helping government innovate to tackle some of society's most challenging problems. And our creative businesses constantly innovate to find ever more effective ways to connect clients with the audiences that matter to them.

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WHY ESG IS IMPORTANT TO NEXT 15

Last year, we reported on our Environmental, Social and Governance ('ESG') performance for the first time. Highlights included our decision to work towards B Corp status, engaging environmental specialists to capture our carbon data, establishing an internal Ethics Group, and undertaking Equity, Diversity, and Inclusion ('EDI') audits.

This year we continued that journey, exploring the best options for the B Corp certification process. We're one of the largest organisations ever to pursue the B Corp certification process. We've concluded with B Lab (the body that certifies B Corporations) that the best way forward is for our brands to seek B Corp certification individually. With all the work that we have already done for Next 15, we will be able to greatly reduce the preparatory work for each of our businesses. We also believe that this direction aligns with our autonomous and decentralized business model. A number of brands will have the opportunity to start the certification process immediately following on from elvis's certification last year.

We also completed our first materiality assessment and strengthened our governance by establishing the ESG Committee to the Board. In addition to helping us define what sustainable growth looks like in practice, the ESG Committee will approve our emerging ESG strategy, and both assist and challenge the Board to consider how applying an ESG lens to our business model can benefit all stakeholders.

We continued our efforts to expand our diversity of thought, create a more resilient business, and drive better business outcomes through our hiring practices and policies, and we seek to consciously include those that have been underrepresented in the past. We have established a Board Diversity Policy which can be found on the Company's website. We have set the groundwork for our EDI Council and established its Steering Committee, and we look forward to listening to their insights and responding to their recommendations.

Holding ourselves accountable to the commitments we make is a critical part of how we build trust with our stakeholders. We will continue to report on our performance and improve our reporting in line with our own expectations, and those of our stakeholders.

Dianna Jones
Chair, ESG Committee

Dianna Jones
Chair, ESG Committee
24 April 2023

Progress highlights from FY23

- Established the ESG Committee.
- elvis secured B Corp certification.
- Refined the role of the EDI Council.
- Completed a materiality assessment to establish the most material ESG topics to Next 15.
- Rolled out the Next 15 Academy online learning platform.
- Extended our Scope 3 reporting.
- Attained ISO 14001 certification at our Head Office.

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Our ESG priorities

The road to becoming a B Corp

At Next 15, our goal is to use our business as a force for good by delivering sustainable growth for our clients. Last year we announced our intention to gain B Corp certification. We chose B Corp for several reasons, primarily its focus on action and its rigorous and holistic approach to ESG topics.

Our journey towards B Corp certification has taken a significant step forward with our decision to pursue certification through our brands.

The B Corp framework – including Customers, Environment, Workers (together 'People'), Community and Governance – provides the structure for this section of the report (see page 36).

Defining growth for Next 15

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

Our strategy is to deliver sustainable growth for our customers, placing diversity, community, wellbeing and the low-carbon transition at the heart of our work. Our ESG team and Committee will be working with external advisers and representatives from our brands during FY24, to help define what sustainable growth looks like in practice. More information on the ESG Committee is included in the ESG governance section on page 54. We remain committed to building ESG considerations into every area of our work with customers: through Customer Insight, Customer Engagement, Customer Delivery and Business Transformation.

Defining our ESG priorities

As committed in last year's report, we hired One Stone Advisors, an external sustainability consultancy to conduct a formal materiality assessment. This process enabled us to consult stakeholders on our key ESG focus areas, identify the risks and opportunities most relevant to our business, and ensure a strong foundation for our ESG strategy (due to be completed in FY24).

The materiality assessment process followed three key steps:

1. we developed an inventory of 150 topics that might be relevant to Next 15 over the next five to ten years, informed by desktop research into the common and emerging ESG risks and opportunities in our sector, as well as leadership across all sectors;
2. we worked with a diverse group of internal stakeholders from Next 15 and its brands to reduce this list to 14 of the most relevant ESG topics. The Group then mapped the topics onto a draft materiality matrix, using a 'double materiality' approach that considered both the impact of the topic on Next 15 and the impact of Next 15's activities on stakeholders; and
3. we carried out in-depth interviews with 13 stakeholders – representing senior leadership, employees, brands, customers and suppliers – to challenge our thinking and refine the placement of these topics on the matrix.

Our stakeholder interviews raised several notable points, namely:

- that stakeholders agreed Next 15's most significant impacts are through our client work, and that these topics therefore require the greatest focus in our ESG strategy;
- that 'impacts of company acquisitions' should be added to our list of material topics at this stage, with one stakeholder describing this as Next 15's 'superpower'; and
- that stakeholders were keen to emphasise the strong interlinkage between EDI and the ability to attract and retain talent.

The Next 15 materiality matrix (see page 35) shows the ESG topics we consider to be important to the Group. Those at the top right of the matrix will be particularly critical for our business over the next five to ten years. Full definitions of the topics can be found on our website at www.next15.com.

This materiality assessment has been reviewed and approved by the Next 15 Board. It will be refreshed on a regular basis as our business and the external context change.

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Next 15 materiality matrix

Social topics

1 Attracting and retaining engaged talent

2 Equity, Diversity and Inclusion

3 Data privacy and cyber security

4 Employment practices and remuneration

5 Employee health, safety and wellbeing

6 Responsible procurement

7 Communities

Environmental topics

8 Climate crisis

9 Circular economy and waste

Customer topics

10 Impacts of client selection and growth

11 Responsible marketing and behaviour change

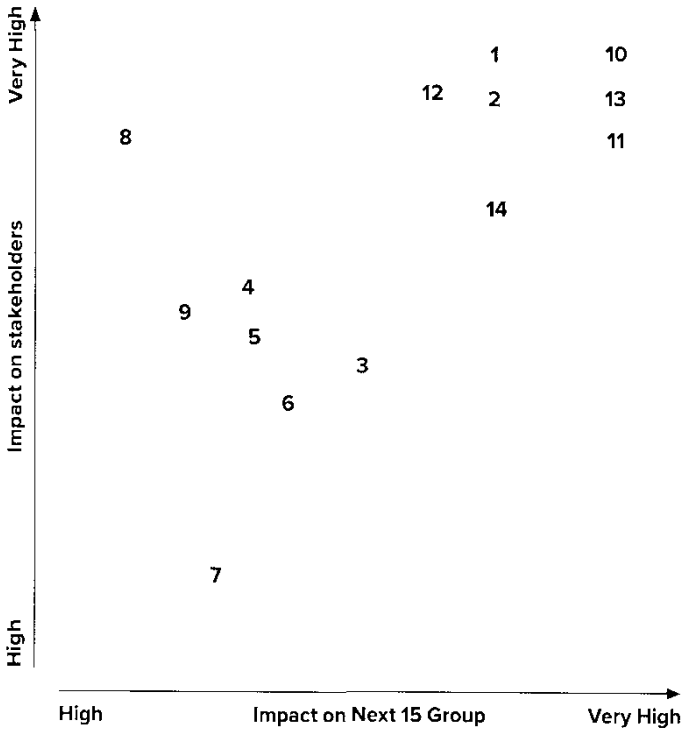
12 Social and environmental innovation

Governance topics

13 Impacts of company acquisitions

14 Robust governance

Materiality of ESG topics



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The Next 15 ESG strategic priorities

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

Customers

Support clients to improve their social and environmental impact

Work with clients who share our values

Place sustainable growth at the heart of our client conversations

People

Put diversity and wellbeing at the heart of our work

Create a work environment where diversity is valued at every level

Champion diversity through our client work

Environment

Play our part in the low-carbon transition

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

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

Community

Support our local and global community

Support causes that are aligned with our values

Drive sustainability throughout our supply chain

Governance

Run our business as a force for good

Work towards B Corp certification for our brands

Acquire brands who can drive sustainable growth

Ensure Next 15 is a great place to work

Foster a culture of sustainability across the business

Champion transparency

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Impact area: Customers

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

Working with clients who share our values

We want to work with clients who share our values and who are committed to making a positive impact on the world. Unless it is to help them materially change the course of their business to have a more positive impact or to improve the impact they are having, we do not work with clients in the tobacco, pornography, weapons and ammunition, or fossil fuel extraction sectors.

However, determining if a project or potential new client is values-aligned isn't always straightforward. Creating a positive impact is often more complex than simply avoiding contentious sectors. There is also a strong case for helping companies in those sectors to transition their operations in a more sustainable direction.

In December 2020, we established the Next 15 Ethics Group to support our brands to make values-based choices about which clients and projects to pursue. Made up of senior leaders from Next 15 and our brands, the Ethics Group's role is to:

- act as a sounding board and an active participant in ethical debates;
- ask challenging questions;
- add knowledge and/or experience of a particular sector and its impact; and
- on occasion, provide a clear decision where there is a disagreement between stakeholders.

Anyone within our brands can ask the Ethics Group for guidance and they will receive a response within 48 hours. The number of consultations has fallen during FY23. One of the reasons for this is because brands have created their own screening mechanisms. We are exploring how we can evolve the Group's role to help complement the brand screening process and share the thinking behind difficult decisions.

Sustainable growth at the heart of client conversations

As a business, we are increasingly asked by clients to apply our skills to help them solve strategic challenges. Our consulting capability enables our clients to transform their existing businesses or create entirely new ones to grasp emerging opportunities. Our executional capabilities, such as marketing, provide us with an opportunity to inspire sustainable lifestyles.

We acknowledge that our greatest climate impact will largely come from the carbon emissions resulting from the growth of our clients. The marketing and consultancy sectors are beginning to understand the size of their footprint. For example, the marketing sector has made progress on measuring impact from production, media buying and 'advertised emissions' – and the same principle applies to Next 15's other services that help clients grow. The tension between the role of marketing in driving growth for clients and the reality of finite planetary resources is something that the industry is only just beginning to explore.

Next 15 brand and newly certified B Corp, elvis, has been working with Purpose Disruptors, an industry group dedicated to catalysing the advertising industry's climate transition, since 2018. elvis' Managing Director, Caroline Davison is a contributing author to their 2021 and 2022 Advertised Emissions reports. Advertised emissions are the greenhouse gas ('GHG') emissions that result from the uplift in sales generated by advertising. In the UK alone these emissions are estimated to add an extra 32% to the annual carbon footprint of every person[1].

In FY23, we began working with our environmental consultant, Green Element, and the film production team at Next 15 brand, House 337, to help us better understand production associated emissions. We also started the process of rolling out industry sustainability training for our producers, project managers and creatives and including the AdGreen Levy[2] to our production estimates.

We are keen to expand these conversations across the Group, progress this work with our clients and collaborate with our peers in the industry, to understand how we can develop a unified approach. This will include continuing to work towards implementing an effective carbon calculator tool to help us better understand production associated emissions and how these can be effectively reduced without compromising the work.

While we would like to be able to assess the impact of all our client work, we are mindful that the breadth and diversity of the Group's growth consultancy work may make this challenging in the short term.

1 Advertised Emissions, The Carbon Emissions Generated by UK Advertising, Purpose Disruptors, 2022

2 The AdGreen Levy is a recommended 0.25% of the cost to produce an advertising asset – that's just £2.50 per £1,000 spent and is capped at £2,500 per production. The levy is paid to those producing work for the advertiser in the UK, and then passed onto AdGreen to enable them to continue supporting the UK advertising industry in reducing emissions from productions. The more advertisers who contribute, the lower AdGreen can make the levy percentage. The AdGreen Levy offers free resources, training, and carbon calculation tools, to enable the advertising production community to measure and reduce their carbon footprint

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Social and environmental impact
The following case studies illustrate how we have helped clients to make a positive impact:

Outcast – Bloomberg Philanthropies – Countdown to COP27

Designed to turbocharge climate progress from public, private, and civil society actors around the world, Bloomberg L.P. and Bloomberg Philanthropies unveiled dozens of climate actions through investments, partnerships, and capacity-building and educational efforts during the 45-day Countdown to COP27 in November 2022.

The Bloomberg Countdown to COP27 was a series of initiatives and commitments aimed at delivering on UN Secretary-General António Guterres' call for urgent, collective climate action leading up to the UN Climate Change Conference in Sharm El-Sheikh, Egypt. The Countdown enhanced awareness of key climate change challenges addressed by the COP27 Presidency.

Next 15 brand, Outcast, partnered with Bloomberg Philanthropies to drive awareness of the Countdown to COP27 campaign through organic and paid social media content, Google search ads, and community management. Advertising reached current audiences passionate about Bloomberg Philanthropies work, and new ones worldwide with an interest in environmental activism and government innovation. It also helped to reach new partners in the non-profit space. Ad formats featured a dynamic range of content from image and text, video, and interactive polls. Each format was specifically placed and optimised to enhance either reach or engagement.

To further increase awareness and engagement, Outcast managed community engagements with partners and notable figures in environmental activism leading up to and during COP27. This ranged from US Special Presidential Envoy for Climate, John Kerry, Goldman Sachs, UN Secretary-General António Guterres, French diplomats, and more.

Overall, Countdown to COP27 digital activation efforts reached over 46m people, surpassing goals set based on COP26 digital activations results.

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Transform – Helping the UK achieve Carbon Net Zero

Next 15 brand, Transform, built a Net Zero System Tool ('NZST') to give the UK Government the capability to systematically assess possible impacts of policy choices on net zero. This allows decision-makers to understand the relative impacts of different policy decisions.

Getting to net zero is challenging. It's easy to understand the principles of releasing less carbon and taking carbon out of the atmosphere, but the activities to achieve this have their own carbon footprint and can impact on other areas. Transform started by considering some of the questions being asked, such as, 'How do we encourage the installation of insulation?' and 'What is the impact of reducing demand for meat?'

A challenge of this complexity requires systems thinking to make sense of it all. In HM Government's own words, "Systems principles should be at the heart of the Government's approach to delivering net zero; helping ensure the development of policy which is robust and effective; maximising mutually beneficial interactions, accounting for dependencies, and mitigating conflicting interests."

The solution was to build a tool that visualises data from multiple areas in one place, to show interdependencies and trade-offs. It contains data including housing, industry, agriculture, transport and energy sources making it relevant to many government departments and multiple users within each department.

The project required many skillsets at Transform: Solution and Data Architect, Lead Data Engineer, Visual Analyst, Data Scientist, User Researcher, Creative Designer and DevOps Engineer working with multiple stakeholders in several departments.

There were frequent test and improve cycles with user feedback being used in future sprints throughout the development. The next stage is to add more data sources and develop more models predicting outcomes of policies to get to net zero.

"The visualisation is fantastic!"

Sir Patrick Vallance,
Chief Scientific Adviser to UK Government

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Savanta – Reframing Race

Next 15 brand, Savanta, worked with Voice4Change, a charity that advocates for minoritised ethnic groups in policy-making, to identify ways to reframe current narratives on race and racism. Voice4Change wanted to gather robust evidence to guide them on which messages would be most effective in shifting public views on racism, and to garner support for structural changes to national policies and institutions.

The approach to reframing narratives on race has been informed by strategic communications theory, using messages that were designed to invoke values that are shared by race equality advocates and their target audiences. Voice4Change designed 36 messages, carefully worded to reflect life-affirming values such as dignity, opportunity and safety.

Savanta's research design was based on the work conducted by the Frameworks Institute and Joseph Rowntree Foundation on reframing poverty – recognised as a cornerstone study in strategic communications. This involved an experimental design ('AB test') to identify the impact of seeing a message compared to a control group, in order to identify whether the message had been effective in prompting a different view on key outcome measures. A complex regression analysis design further identified whether exposure to a message predicted a likely shift in views amongst different groups in the population. The analysis was enabled by a robust sample of 20,000 interviews across England and Scotland.

The first published report can be found on ReframingRace.org, and a second, more detailed report, will follow this year.

Voice4Change have described this project as delivering 'ground-breaking data'. The results of this project will be directly applied to the messages that are used in their race equality campaigning work. It will also inform an engagement programme with an active network of advocates who are working to address racism in society at a national and local community level.

"As well as all of the sampling robustness and quantitative and qualitative analysis that one would expect from a reputable agency, the team helped to refine the messages being tested and to ensure the survey for the study delivered the insights that we were seeking. Their advisory input and experience of our particular type of study was invaluable."

Dr Sanjiv Lingayah,
Director, Reframing Race

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Impact area: People

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

At Next 15, we put our people first. Our philosophy is that everyone performs at their best when they feel trusted, included, and heard.

Since last year, we have added data and cyber protection and, as a result, we have five clear priorities:

1. Equity, Diversity and Inclusion
2. Attracting and retaining engaged talent
3. Employment practices and remuneration
4. Employee health, safety and wellbeing
5. Data privacy and cyber security

Equity, Diversity and Inclusion ('EDI')

Creating an environment where everyone feels included and confident to be themselves in the workplace is one of our most important goals. It is also a critical component of our plan to attract and retain talent. This is a long-term journey that gained momentum in 2020 when we appointed our first female Chair to the Board. We now have a majority share of female Non-Executives on the Board, and are continuing our focus on visible and non-visible diversity at the Board level, and throughout the Group. Further information is included in the corporate governance statement on page 77.

Our EDI framework consists of five pillars: Leadership, Inclusion, Equality, Openness, and Belonging. We have comprehensive EDI policies across the Group and training is available on the Next 15 Academy. In December 2022, the Board approved and adopted a new Board Diversity Policy.

Diversity metrics

Our people dashboard provides a snapshot of key metrics. In FY23, we extended the data reported to include high level gender pay gap and ethnicity pay gap. This data allows us to create stronger strategic people plans, highlights areas of risk and assists in developing behaviours for best practice. The dashboard is evolving as more data becomes available to include elements such as age and turnover by length of service. This is part of our wider data project and will continue to evolve and improve as systems allow. This includes rolling out our EDI maturity model, which will provide key performance indicators ('KPIs') to identify the level of EDI maturity of each brand. Through the EDI Council, we will be able to tailor support and resources to help brands show progress against the model.

Strategic framework

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

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

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Impact area: People continued

Equity, Diversity and Inclusion ('EDI') continued

The Equity, Diversity and Inclusion ('EDI') Council

Due to the growth of the Next 15 Group, in FY24, we will reset the role of the EDI Council. Overseen by the EDI Steering Committee, the Council is a strategic advisory group for Next 15 that will provide guidance, make recommendations, and advocate for EDI across the Group. It will consist of at least one representative from each brand (approximately 30 people).

Council members will champion and support all EDI activities and serve as the link between the Council and their brand, communicating updates and encouraging involvement and support of EDI initiatives.

The Council will be led by a steering committee of up to seven employees, including a senior leader from Next 15. Subcommittees will focus on specific deliverables, such as training, impact measurement, and employee resource groups ('ERGs').

Attracting and retaining engaged talent

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

We have long believed that a diverse and inclusive workforce is not just a social good, but a commercial advantage when it comes to attracting and retaining the best people. Fair practices in hiring and talent development, as well as maintaining safe, inclusive and supportive company cultures, are key to the Group's success.

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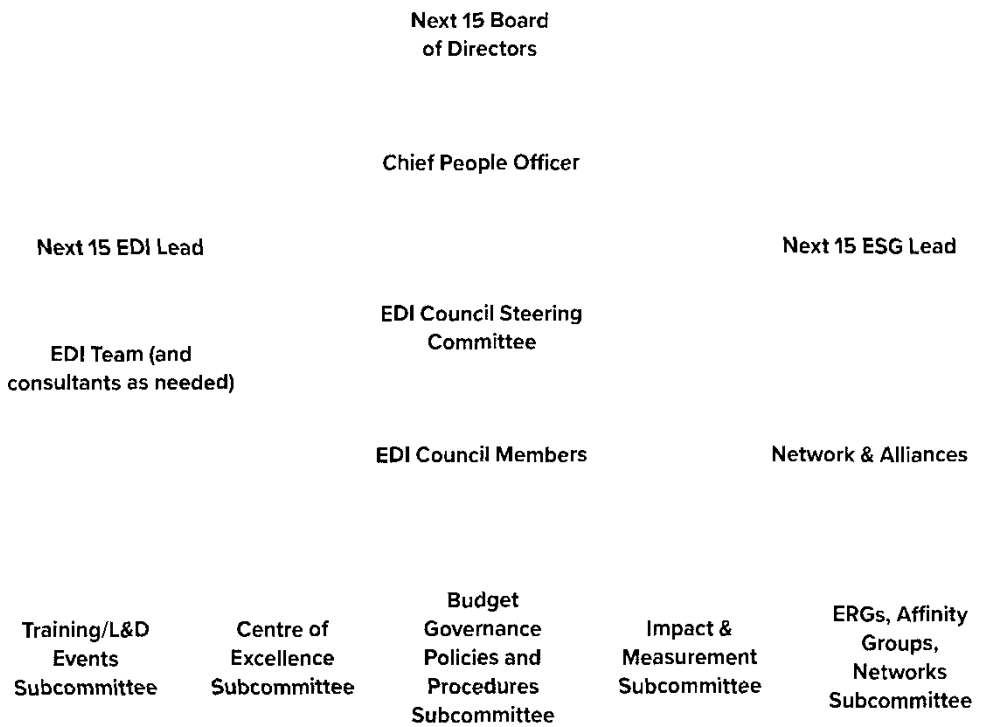

Attracting and retaining engaged talent continued

The scale of the environmental crisis and growing awareness of societal inequality is something our people care deeply about. Without demonstrable action, there is a risk that we will struggle to retain and recruit talent, as well as retain and win innovative, values-aligned clients.

Staff retention:

77.0%

Inclusive hiring

All Next 15 brands continue to focus on improving their inclusive hiring practices. Many are using software that neutralises job descriptions and adverts by removing any terminology that may be off-putting to prospective applicants. New applicant tracking systems are encouraged that promote blind screening to anonymise candidates. We are also using the diversity across the Group to promote role models and ambassadors for visible and non-visible characteristics. This approach forms part of our retention strategy, where we are working hard to ensure that all new joiners feel like they belong.

Succession planning

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. Our acquisitions this year have deepened our leadership talent pool and we continue to build our resilience across the business.

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Impact area: People continued

Employment practices and remuneration
We believe that people perform at their best when they have the freedom to manage their workloads in the way that works best for them. The pandemic changed the way we worked and made flexible working the new normal for many people. This sea change in the way we work has had significant benefits for everyone: our business and our employees.

The use of remote working has meant that we've been able to hire people from different communities and backgrounds now that location is less of an issue, and hours can be flexed around other commitments such as childcare. The hybrid working model, combined with the consolidation of our offices, has delivered a flexible, yet collaborative environment that is benefiting employees and the Group.

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

We pay above minimum wage in all jurisdictions and, where applicable, living wage for an individual. In jurisdictions without an established living wage, we pay above minimum wage.

Training and development
Next 15 understands that what employees want from a job is changing and that a failure to evolve may result in a loss of key talent or a lack of experienced talent in our leadership pipeline. We are therefore committed to developing our staff and helping individuals identify their path, within brands or within the wider Group if so desired.

This year, we rolled out the Next 15 Academy, a learning management system, across the Group. It allows every brand to customise their learning space. Brands will benefit from the shared content created across the Group, which is integral in building an accessible learning culture for the entire organisation.

In FY23, we used the Academy to roll out core policies on modern slavery, whistleblowing, anti-bribery and corruption, and IT, in addition to a series of family leave policies. The platform is also used to deliver our environmental and EDI training. While engagement with the Academy was as high as 70% in some brands, in FY24 we will focus on building learning environments for our people by using the platform and adding more curated and targeted content.

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Employee engagement

We are extremely proud of the talent within the Group. Knowing what our people think and feel is key to our growth. Our brands 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.

In FY23, we rolled out our first Group-wide employee net promoter score survey ('eNPS'). The eNPS is based on the question, 'how likely are you to recommend your brand as a great place to work?' The results are linked to our incentives programme for senior leaders. This year, our eNPS was 39 on a scale of -100 to 100. The employee survey, which will be repeated annually, replaces the EDI survey but uses questions from it, such as 'do you feel a sense of belonging?' to maintain continuity.

Employee net promoter score ('eNPS'):

39 on a scale of -100 to 100

Employee health, safety and wellbeing

Health, safety and wellbeing are vitally important for everyone. We work to provide access to the best expert resources and advice around mental health, stress and financial issues through our Employee Assistance Programme. We also provide access to fully funded or tax-efficient health schemes in each of our markets.

The pandemic years were difficult for many and some of our employees are still dealing with health challenges. In FY24, we will be providing financial support to help people impacted by illness, either directly or through the need to care for a loved one. We will continue to support our employees on a practical, day-to-day level. We will continue to provide new training for line managers through the Next 15 Academy on mental health and wellbeing awareness.

While the move to flexible working has been welcomed across the Group, this has presented its own challenges in how people, especially early career stage employees, communicate and collaborate. We will be addressing this as part of our training for line managers in FY24.

Our consolidation into hub offices has helped to bring brands and teams together. In FY23, our brands teamed up to organise events in our hub buildings in New York and London around Black History Month and holidays, such as the festive markets, where employees showcased and sold their handcrafted items.

Data privacy and cyber security

Ensuring the confidentiality, integrity and security of our data through robust data privacy and cyber security measures is essential for protecting our assets, maintaining the trust of our stakeholders, and upholding our commitment to responsible data management practices. More information on our approach can be found on page 106.

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Impact area: Environment

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

Climate action

Our materiality assessment revealed that climate change is a key priority for our stakeholders. By the end of FY24, we plan to formally commit to setting science based targets via the Science Based Targets initiative ('SBTi').

We began measuring our Scope 1 and 2 emissions (including electricity and gas) and elements of our Scope 3 emissions (including water, waste, commuting and business travel) in February 2021. This year, we have extended our Scope 3 boundary and included EMEA and APAC alongside the UK and North America.

We set an FY23 target to reduce emissions by 12.6% per FTE from our FY20 baseline and have achieved a 14% decrease partly as a result of our post-Covid-19 hybrid working model. Our focus over the coming year will be to support our brands to set science-aligned carbon reduction targets and deliver against them.

While reducing our carbon emissions is our priority, we also budget for offsetting our residual emissions. We are developing a longer term offsetting strategy, where we invest any funds in early-stage carbon removal technologies. We are in the process of identifying a provider that is aligned with our values to support our efforts.

Understanding the scale of our emissions

As a business, our emissions come from our direct business operations (offices, homeworking, and business travel) and indirect emissions such as purchased goods and services, production, media, and data processing.

Aligned with our ambition to set robust carbon reduction targets in line with the SBTi reduction trajectory, in FY23 we expanded our carbon reporting to include all our brands in EMEA and APAC, alongside the UK and North America. We also extended our Scope 3 reporting to include emissions associated with purchased goods including IT equipment, furniture, building works, and purchased services including off-site data centres and capital goods. Purchased goods and services account for the largest proportion of the footprint each year at 83%.

Included within current reporting boundary

Since 1 February 2021

Scope 1

Company facilities including purchased gas

Company owned vehicles

Scope 2

Purchased electricity

Scope 3

Energy transmission and distribution

Waste

Water

Business travel

Commuting

Working from home

Since 1 February 2022

Scope 3

Purchased goods and services

Not currently measured

Scope 3

Production

Media planning and buying

Emissions resulting from the growth of our clients

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Understanding the scale of our emissions continued

We calculated data with the expanded scope for FY22 and FY23. In an effort to align data for all reporting years, we have taken an average from these years and applied this to FY20 and FY21.

For ease of comparison, we have used an average based on FY22 and FY23 data to estimate the emissions for the expanded scope of reporting for FY20-FY22.

- Since the baseline year of FY20, emissions associated with measured activities as a whole have increased by 56% but reduced by 14% when normalised per full-time employee.
- Business travel has increased compared to FY22 but decreased by 35% compared to pre-pandemic levels in FY20.
- As part of the extension of our carbon footprinting work, in FY23, we gathered emissions data from our operations in EMEA and APAC.
- We continue to explore reporting an expanded scope of emissions data, including production and media.

Targets

With the inclusion of our new reporting areas under Scope 3, we have reset our baseline to reflect this. Our targets will follow the same methodology, aiming for medium and long-term reduction targets from our baseline. On our path to net zero by 2050, by FY30 we will aim to reduce our tCO_2e per FTE emissions by 34%. This target will be reviewed annually. Given our tCO_2 per FTE in FY23 was 10.4t, we are confident we will meet our target in FY24 which is 10.1t.

Tonnes of CO_2 per FTE for FY23 (tCO_2e/FTE):

10.4t

Tonnes of CO_2 per FTE target for FY24 (tCO_2e/FTE):

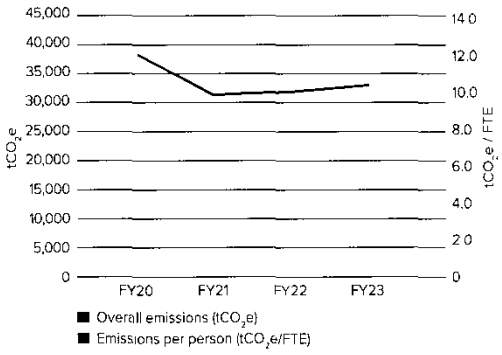
10.1t

Changing the way we work

Fuelled by the shift to increased home working, the consolidation of our offices in the UK and US began in 2021. By the end of FY22, we had reduced the number of offices from 47 to 41. This year, we have 39 offices. 57% of our staff are allocated to our two largest offices (London and New York Head Offices).

In FY22, we asked our employees to complete a commuter survey to help us better understand our work from home emissions. The insight from that helped us to refine our understanding of our Scope 3 emissions.

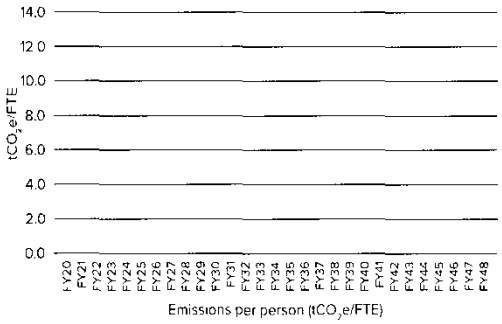
Overall and normalised emissions per year



Overall and normalised emissions per year

	Overall emissions (tCO_2e)	Emissions per person (tCO_2e/FTE)
FY20	26,411	12.1
FY21	22,882	10.0
FY22	28,316	10.1
FY23	**41,287**	**10.4**

Emission reduction targets (tCO_2e/FTE)



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Impact area: Environment continued

Changing the way we work continued

The pandemic dramatically reduced our business travel from 1.8tCO_2e/FTE in FY20 to 1.2tCO_2e/FTE in FY23. We found new ways to work and do business and while the end of travel restrictions has increased our travel related footprint in FY23, we have not seen a return to pre-pandemic levels. We attribute this to changing working patterns and the policy of encouraging our employees to avoid all but essential business journeys. This position is grounded in our carbon reduction commitments, but we also see benefits for productivity, employee empowerment and wellbeing associated with the approach.

We speak to our clients about the need to reduce our emissions by agreeing to travel less often. Finding the balance between meeting client expectations of face-to-face meetings and keeping business travel to a minimum will be an ongoing challenge. We will continue to support our people and brands in measuring, understanding and minimising any travel associated emissions where possible. This approach will be formalised in our Travel and Expenses Policy which will be rolled out in FY24.

- Emissions per person in FY23 is 10.4tCO_2e/FTE tonnes/FTE of which 1.2tCO_2e/FTE is business travel.

Our Environment Policy sets out our environmental commitments and applies to home and office-based working. We provide guidance on saving energy and resources when working at home.

All employees are required to complete 'Sustainability at Next 15' (which includes our Environment Policy) via the Next 15 Academy as a mandatory training module.

We offer our employees 'help-to-buy' electric vehicles through a leasing arrangement with the Octopus Green Car Scheme. To date, we have 21 cars on the road, saving 23.53 tonnes of carbon emissions per annum according to their calculator.

Carbon disclosure

In FY23, we went through the CDP process for the first time. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. We scored a C for our disclosure on climate change. This is a solid start, but one we intend to improve upon.

At the end of FY24, we will also be required to produce a Task Force on Climate-related Disclosures ('TCFD') report. TCFD is a guiding framework that establishes common principles for how companies and other organisations should provide information on the risks and opportunities associated with climate change. Preparations for that disclosure are underway.

Environmental management

Following the successful implementation of an Environmental Management System ('EMS') certified to ISO 14001 at our London Head Office in October 2022, we are continuing a phased implementation rollout to include other office locations across the Group. Work has already begun at our UK offices in Glasgow, Manchester, Marlow, Richmond and at our 3rd Avenue office in New York, USA. We are working on this project in collaboration with our environmental consultant, Green Element and an EMS lead at each location.

Implementation of the EMS helps us to better understand and manage our environmental impacts. It also involves active communication and engagement with the business, stakeholders and setting objectives at each location in order to reduce our impact. Our carbon footprinting consultant, Green Element has led induction programmes at each location to ensure that those responsible for environmental management are aware of the information required and processes to be followed.

Water and waste

The materiality exercise we conducted in FY23 confirmed that the circular economy and waste was our second most material environmental issue.

We measure waste and water consumption in our buildings and include these as part of our emissions reporting. Based on total office space, we have actual data on water usage for 74% of Next 15's offices. On waste, we have data for 85% of Next 15's offices. We have included water and waste emissions in our Scope 3 total emissions on page 47. Our aim is to move to complete data in the coming years.

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Water and waste continued

The consolidation of our office space, combined with home and hybrid working, has reduced the volume of water used by 40% since FY20, though waste generated increased by 33%. Waste has increased due to our growth and increased accuracy of reporting at our new London Head Office. We want to understand what more can be done to manage these impacts. To that end, as part of our quantitative data collection and EMS implementation process, we speak to office managers about opportunities to improve energy, waste, and water efficiency.

Most Next 15 offices implement a range of measures to reduce waste, including:

- office furniture reuse (~95% reused during the refurbishment of our London Head Office);
- encouraging employees to refrain from printing unless essential;
- defaulting printers to double-sided, black and white;
- facility-wide recycling collection points for all standard materials and waste streams; and
- additional recycling schemes provided, for example, printer cartridges, coffee pods, and batteries.

We use a range of measures to use water efficiently, including:

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

Green 15

We know from our employee surveys and other engagements that our employees care about environmental issues. In September 2022, we set up Green 15, the first Next 15 global green team. The members are drawn from Next 15 and our brands across the UK, EMEA, US and APAC.

Designed to be a unifying, collaborative force for all environmental concerns that supports the Group's environmental targets, Green 15 has three key aims:

- to leverage internal communications, learning academies, newsletters, events and more to help positively engage, influence and drive awareness around our environmental responsibilities;
- to help effectively implement ISO 14001 certified EMS across our office locations; and
- to develop toolkits for both communication and initiatives that can be easily adopted, tailored and rolled out within an office location, brand or region.

The Green 15 team has delivered several employee engagement initiatives designed to start and/or deepen the conversation around environmental impact. In FY23, these have included:

- Clothes Swap Shop in our London HQ (September).
- Charity festive market in London (November).
- Veganuary campaign, including the creation of the Scrumptiously Green! global cookbook and the Plantega live food event in New York (January).

The Green 15 team will develop a calendar of global and national events that can be used for internal engagement campaigns. We are also investigating volunteering opportunities with an environmental theme.

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Impact area: Environment continued

Streamlined Energy and Carbon Reporting ('SECR')
Next 15 has reported Scope 1 and 2 (and associated Scope 3) GHG emissions in accordance with the requirements of SECR. This includes emissions for the 12 months to 31 January 2023.

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

Scope and subject matter
The report includes sources of environmental impacts under the operational control of the Next 15 Group in the UK. This includes four UK entities in FY23:

- Next 15 Group Limited;
- Savanta Group Limited;
- Engine Partners UK LLP; and
- Engine People UK Limited.

In accordance with the UK Government's Environmental Reporting Guidelines, these companies meet the mandatory reporting requirements and the figures disclosed below relate only to these Companies. However, the emissions reporting and targets in the previous page cover the entire Next 15 Group.

Our SECR disclosure has increased in scope compared to FY22 to also include Engine which was acquired during FY23. This has resulted in an overall increase in the energy figures reported due to a more energy intensive building being included. We will focus on reducing the emissions from energy through efficiency and continued procurement of a 100% renewable electricity tariff.

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); and
- Scope 3: business travel in employee owned or hired vehicles.

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

Energy efficiency action
Changes to the way we work have reduced our energy demand. During the reporting period, we have continued to focus on ensuring our offices are using a low baseload of energy during periods of low occupation. In FY23, we conducted an energy audit of our London Head Office. Three of our offices, including our Head Office, have now moved to renewable electricity supply. One has transitioned to green gas. Using market-based reporting this has reduced emissions by $312tCO_2e$ in FY23. We are planning to transition three additional offices to renewable energy in FY24.

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Streamlined Energy and Carbon Reporting ('SECR')

Next 15 SECR FY23 mandatory reporting, as follows:

Energy consumption used (kWh)	UK FY22	UK FY23
Electricity (kWh)	58,502	**904,424**
Gas (kWh)	20,901	**260,350**
Transport fuel (kWh)	—	**—**
Other energy sources (kWh)	—	**—**
Total	79,403	**1,164,774**

Emissions (tCO_2e*)	UK FY22	UK FY23
Scope 1		
Emissions from combustion of gas	3.8	**47.5**
Emissions from combustion of fuel for transport purposes	—	**—**
Scope 2		
Emissions from purchased electricity – location-based**	12.4	**174.9**
Scope 1 and 2		
Total Scope 1 and 2 emissions (location-based method)	16.2	**222.4**
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)	5.3	**69.8**
Total location-based tCO_2e	21.5	**292.2**

Intensity ratios	UK FY22	UK FY23
Number of full-time employees within financial year ('FTE')	300	**1,073**
Intensity ratio: total gross emissions tCO_2e/FTE *(location-based)*	0.07	**0.27**

Certification

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

* tCO_2e is tonnes of carbon dioxide equivalent gases

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

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Impact area: Community

We aim to support our local and global community

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

This section on Community includes both the communities in which we operate, and the suppliers and distributors within our supply chain.

Community engagement
Next 15 promotes positive action within our communities. We know many of our employees have charities that are close to their hearts, so we provide match funding and promote causes local to hub offices. Brands also give time or money to local, national and international causes that are aligned to their values. In FY23, we set a KPI to measure the percentage of net revenue donated to charity during the last fiscal year.

% of net revenue donated to charity during the last fiscal year:

0.04%

Case Study – House 337: Women's Aid, He's Coming Home campaign

1.6m women in the UK are living with domestic abuse. Every four days a woman is murdered by their partner. In 2022, with the World Cup on the horizon, Next 15 brand, House 337, developed a pro bono campaign for the UK charity, Women's Aid to help raise awareness of the fact that, during big sporting events, domestic abuse rises by up to 38%.

The campaign's objective was simple: get people talking about the issue and drive people to the Women's Aid website to find out how they could help. As the country came together to show their support for England, House 337 hijacked the most ubiquitous and powerful phrase, transforming it from a beloved chant to a chilling warning and powerfully showing the darker side of football. All by simply changing one word: HE'S coming home.

The TV and billboard campaign launched on 25 November, just after the second group game for England, delivering a timely message to people making their way home. For a tiny charity with no budget, the campaign achieved the impossible. It cut through the Black Friday frenzy and went viral. It was watched 23m times on TikTok alone. It was shared by celebrities but also by meme accounts, TikTokers and people who wouldn't usually share adverts. It generated a combined reach of 222m.

It infiltrated culture via WhatsApp groups, around the dinner table and down the pub. Every major news outlet picked it up. It got the attention of political figures, The Home Office, national police authorities, policy makers, and local councils.

Not only did it create action and generate conversation, but it got the vital message out there to those who might require Women's Aid services. There was a 78.3% increase in direct traffic from organic social to the Women's Aid website, with a 44.28% increase in traffic to the donate page, and a 17.1% increase in traffic to the information and support page, as the public sought ways to offer their support.

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Volunteering

Volunteering is a win-win. The individuals and organisations we work with benefit from the time and expertise of Next 15 volunteers, while our employees report a boost to their wellbeing brought about by their contribution.

In August 2021, Next 15 began its partnership with onHand, a London-based tech for good organisation that matches volunteers with community projects. In FY23, we committed to extending our volunteering with onHand in the UK, which we have done. Next 15 UK employees completed 674 missions during the year, supporting organisations including Pancreatic Cancer UK, The Youth Group and Wandsworth Foodbank. Feedback from volunteers has been overwhelmingly positive.

In FY23, we also started our first trial of onHand volunteering in the US in FY23. This is currently still in the pilot phase with the Next 15 US Central Team and we hope to enrol all US brands on the platform by FY24.

Ethical procurement

We rely on our suppliers for the products and services we need to keep our business running, and work hard to develop long-term, collaborative relationships with organisations that share our values and commitment to ethical business practice. We believe in treating our suppliers fairly, for example by ensuring that we pay promptly. It is our policy to pay all suppliers within 30 days.

We are committed to acting ethically and with integrity in all business dealings and relationships. This includes implementing effective systems and controls to ensure that practices which are at odds with our values and culture, such as corruption, bribery and modern slavery, are not taking place anywhere in our businesses or supply chain.

Last year, we began auditing our suppliers. From February 2022, we asked all material global suppliers (as measured by spend) to review and agree to our Supplier Code of Conduct terms. They were then asked to complete our Supplier Assessment Form which includes questions concerning ESG standards, legal and regulatory compliance, cyber security, and data privacy.

Gathering this information is a time-consuming process, but we have made good progress, having now reached 30%. We continue to engage suppliers across the Group to collate ESG and other data. We have used feedback from suppliers and the wider Group to improve the processes and systems we are using and these will be rolled out as standard for all new suppliers to Next 15.

Once we have the results of the supplier assessment, we will engage with any suppliers not fully aligned with our ethical, social and/or environmental values and we will work with them on a programme of improvement, requiring defined progress in an agreed timeframe. There have already been occasions where failure to complete the assessment has led to us stopping working with high-risk suppliers.

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Impact area: Governance

We aim to run our business as a force for good

Robust governance
Robust governance is critical to the long-term success of the Group. In this section, you'll find our approach to ESG governance. The corporate governance report is on pages 70 to 78. The Chair's corporate governance statement, which sets out how the Directors have engaged with the Group's shareholders, employees and wider workforce, customers, suppliers and wider communities, and the environment, is available at www.next15.com.

Transparency and disclosure
Transparency and disclosure are the cornerstones of robust ESG governance. We want our shareholders to have confidence in the decisions we make about running our business. We also want to be a role model for change by going beyond disclosures required by law.

Last year, we reported our ESG activities in our Annual Report for the first time. One of our commitments was to set KPIs and targets for our priority ESG topics. Our first step was to work with sustainability consultants, One Stone Advisors, on an in-depth materiality assessment (see page 35). The second step was setting up the ESG Committee.

The ESG Committee
Established in September 2022, the ESG Committee is chaired by Next 15 Non-Executive Director, Dianna Jones. Its purpose is to assist the Board in fulfilling its oversight responsibilities of all ESG matters.

Specifically, the Committee will ensure that the Company has a guiding vision and long-term commitments, KPIs and targets. It will report to the Board on current and emerging topics and oversee all ESG-related policies, procedures, practices and performance. It will meet at least twice a year but will provide ad-hoc guidance to the Group ESG team and brands on request.

The Committee met for the first time in January 2023 where it formally approved the KPIs for FY23. Its priority for the coming year will be the approval of the ESG strategy so that future KPIs and associated targets are set in that context.

B Corp certification
In keeping with our decentralised philosophy we are giving our brands the opportunity to certify as a B Corp, if they believe it is the right thing to do for the business.

Next 15 brand, elvis, took the first step on this journey and became a B Corp in 2022. elvis and Group teams worked together at the submission stage, checking and verifying data. Our Group ESG team will support any Next 15 brand that wants to become a certified B Corp.

ESG Committee Governance
Committee members

Dianna Jones, Chair

Paul Butler | **Robyn Perriss** | **Tim Dyson** | **Jonathan Peachey** | **Peter Harris**

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"As a Committee, we will work closely with the Board and the ESG teams on the ground, offering challenge, diverse perspectives and support as they strive to create values-based sustainable growth for their stakeholders."

Dianna Jones,
Chair of the ESG Committee

Policy updates and whistleblowing
As part of our rolling review of core policies, in FY23 we updated our Anti-bribery and Corruption Policy to include detailed guidance for an employee should they receive a gift or hospitality offer. In July, we used our new online learning management system, Next 15 Academy, to send every employee an invitation to review the revised policy and complete a short training module on the topic. At the same time, we promoted Safecall Hotline, our new whistleblowing service. Safecall Hotline is an independent and confidential service accessible by phone or secure, anonymous portal. We will monitor and report on the use of the service in future reports.

Acquisition and onboarding
Next 15 is an active acquirer of entrepreneur-led businesses. We seek to acquire brands who can contribute to sustainable growth and share our values. As our materiality assessment revealed, this is something that also matters to our stakeholders.

During the early stages of acquisition, the target company's ESG approach is considered and flagged to the Board. ESG is a mandatory element of Next 15's integration and onboarding process. All brands are required to adopt policies, practices and training that will help the Group attain and maintain ESG certifications and standards.

Risk
During FY23, we made progress towards our goal to make ESG a formal part of our corporate risk assessment process. For instance, ESG risk and opportunity were core topics discussed during our conversations with 13 key stakeholders, carried out as an integral part of our materiality assessment. Climate impact is now included on the corporate risk register and will be further explored as part of the TCFD reporting in FY24. More information on how we manage our risks follows on pages 56 to 67.

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How we manage our risks

Next 15 continue to be exposed to a variety of risks that can have financial, operational and regulatory impact on our business performance, reputation and prosperity. We recognise the need for informed risk-taking in order to deliver resilient business growth. Effective risk management drives better commercial decisions, protects our assets, reputation and brands and is therefore critical to supporting the delivery of the Group's strategic objectives.

Governance

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

Oversight of the effectiveness of our enterprise risk management approach lies with our Board of Directors. The Board is responsible for reviewing, monitoring and providing guidance on our overall approach to risk, but also on our legal and regulatory compliance, quality of our internal processes and industry best practice. The Board has oversight of our operations to ensure that internal controls are established and are working effectively. The Audit Committee supports the Board on risk and assurance including 'risk deep dives' and receives independent reports from third line assurance activities including external and internal audit.

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

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

Risk appetite

Consideration of risk is set against the backdrop of the Group's 'risk appetite' which the Board considered and approved during the year. Our risk appetite is the level of risk that we are willing to accept in the pursuit of a specific strategy or objective and is set based on the Group's values, strategy and ability to absorb risk. Our approach to risk appetite continues to evolve and mature in order to manage and monitor our risk exposure more effectively. Following review by management and the Audit Committee, risk appetite is now defined for each principal risk area. Our determination of risk appetite allows us to have better visibility of where we need to invest resources to reduce risk (where we are risk-averse), or drive opportunity (where we have more open tolerances for risk).

As part of the top-down risk process we reviewed the risk appetite for each of our principal risks considering changes in the past year, both within the Group and due to external events.

Approach to risk management

We take an integrated view of risk management. In practice, this means that Group senior management own the design of the overall approach to risk, but our assessments are produced at functional Head Office, or brand level, depending where risks are identified and mitigating actions are embedded. This combined approach supports effective operations in a continuously changing business environment.

Evolving risk management

As our business continues to grow and we expand our portfolio of brands, we want to ensure that our risk approach evolves at the same pace and continues to be fit for purpose. We are in the process of communicating a Group-level risk framework ('Framework') with updated policy and practice documents to drive consistency and minimum standards across functions and brands. This provides relevant support to our brands to increase awareness and maturity of their understanding of risk management.

Top-down risk process

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

As part of our top-down risk process, the Group Executive Team assessed and prioritised our principal risks (see page 59). During this process no new principal risks were identified. Our emerging risk register captures risks that are likely to have near-future impact on our operations.

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Approach to risk management continued

Bottom-up risk process

A bottom-up risk process drives the overall mapping of local brand level and Group risks. As part of the annual budgeting process, the Group Executive Team asked brand management independently to review the key risks to their business; these were then discussed in face-to-face meetings. This process did not identify any new brand level risks which had evolved to be Group-level principal risks in the past year but did inform our review of changes in risk year on year. We concluded that the existing Group-level risks remained appropriate and capture the material brand level risks.

Emerging risks

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

This year our emerging risks are:

- climate impact;
- ability to scale professionally whilst maintaining entrepreneurial culture; and
- the impact of Artificial Intelligence ('AI') on ways of working and our business models.

Climate change is already affecting every layer of society, and as an emerging risk, is something that we monitor closely. We are continuing to explore these trends in order that we incorporate and address any relevant risks and opportunities in business strategy. In our FY24 Annual Report, we will include a section that reports the TCFD requirements. The TCFD report is intended to clarify to investors how physical and transition climate risks and opportunities are governed, assessed, managed, measured and reported by the Company. It will also show how carbon risk assessment and management is linked to core corporate business strategy and risk management.

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

The speed at which AI is improving and the timeframe during which we expect to evolve our business models to incorporate this technology has shortened. We continue to assess where there are opportunities and risks of using these technologies within the Group.

Risk and strategy

Our principal risks are detailed on pages 59 to 67. Our strategy is included on page 16.

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BOARD, AUDIT COMMITTEE AND RISK MANAGEMENT

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

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

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

What we evaluate
- **Likelihood and impact:** a consistently applied 5x5 scoring scale
- **Gross risk:** our risk score before we apply mitigating controls
- **Mitigating activities:** activities we undertake to reduce our risk
- **Net risk:** our risk score following introducing control activities
- **Risk appetite:** defined to reflect our openness to risk and our tolerance thresholds for such risk
- **Risk ownership:** each principal risk has an executive owner

Our risks
We have identified 14 principal risks across four broad categories:
- Four strategic risks
- Three operational risks
- Four financial, regulatory and compliance risks
- Three risks concerning people and our culture

Top-down design

Bottom-up process

Brand-level (bottom-up) risk process
A bottom-up risk process drives the overall mapping of local and Group risks. Our review of the brand level risks with brand management helps inform whether we have captured all of the material risks impacting the Group.

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

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

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Strategic risk continued			
Reputation and brand There is a risk that an issue arises which attracts press or social media attention and damages the reputation of Next 15 or an individual brand in the eyes of our stakeholders.	Reputational risk is a considerable worry for most businesses, but for a business like ours built on trusted relationships it can be particularly damaging if we do not meet the expectations of our shareholders, clients and employees Negative media or social media coverage either at a Next 15 level or individual brand level could have a number of adverse consequences including: • directly impact our share price; • influence existing and future clients from doing business with us; • curtail our ability to build our acquisition portfolio; and • inhibit our ability to recruit and retain talent.	Because reputational risk can arise from various root causes, including project failure, working with clients who have their own reputational issues, poor financial performance and failure to live our own values internally, it can be difficult to control. However, managing the risk to our reputation is at the heart of our overall approach to risk and how we manage all the other risks set out here. Our main tools for managing reputational risk include: • strengthening our corporate governance position and actively engaging with shareholders; • developing standardised policies and procedures that help our staff be responsible for day-to-day management of risks that could impact our reputation; • the Ethics Group which provides some protection against taking on client projects which could damage our reputation through their core business activities and the EDI Council, which advocates for EDI across the Group; • taking a centralised approach to data privacy and cyber and IT security controls; and • ensuring whistleblowing mechanisms are accessible to our employees to report any form of misconduct in the workplace.	↗

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Failure to innovate and evolve offering to customers and to attract acquisition targets There is a risk that Next 15 may fail to innovate and evolve its product and service offering resulting in the business offering being less attractive or relevant to existing and new clients. In addition, a failure to support a culture of innovation may result in reduced appeal to acquisition targets, which in turn may impact our ability to scale our business.	As our business continues to grow rapidly, there is a risk that we do not prioritise and provide sufficient investment into the evolution of our service and product offering. This may stem from the fact that we are delivering significant volumes of work that address today's issues for our clients, and we do not have sufficient time and resources to dedicate to growing future service lines. Additionally, we may not provide sufficient attention to the pace of disruption and technological change in our industry. This risk may lead to a reduced ability to fulfil our strategy and business plan, inhibiting our ability to grow our market share. Additionally, if we are not perceived as innovation leaders in the field, we may suffer loss of client confidence and potential inability to continue to scale our business	*Managing this risk is critical to the overall success of our business and we do so through:* • horizon-scanning so that we understand the likely future impact of new technologies, behaviours and regulations on our clients, people and brands; • continuous conversations with our clients to understand their emerging pain points; • fostering a culture of innovation through our Group and brands that aligns to our long-term strategy; • robust challenge by the Board of our management team, and • close monitoring and response to existing and emerging gaps in our personnel that may impact the ability of bringing in new ideas and skills.	↑
Reliance on key clients There is a risk that individual brands may become over-reliant on a small number of key clients, leading to a potential loss of revenue, shareholder value and talent, should they fail to retain that relationship.	An unexpected loss of a major client can have a significant impact on individual brands' and, potentially, overall Group revenue and profitability. The impact of this will depend on the particular brand involved and the nature of the client. The loss of a major client may create significant pressure if not replaced by new accounts or an increase in business from existing clients.	At Next 15, we work to diversify both our customers and suppliers, as well as put into place a risk management system that will help foresee future disruptions and prepare for them. A key feature of our risk management of this risk focuses on proactive steps, including: • ensuring that our brands have good business development capabilities; • monitoring customer concentration risk; • keeping in regular contact with our key clients to ensure satisfaction regarding the quality of product and service offering, and • supporting our brands in the scaling and growth of their businesses to ensure a diverse client portfolio	↑

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Operational risk			
Cyber and information security There is a risk that we fail to maintain the confidentiality, integrity and availability of information and key systems.	A cyber-attack or data security breach could lead to a loss of customer, colleague or Group confidential data, business disruption, reputational damage and significant fines. The external threat vector and risk environment is challenging with increased levels of sophisticated cyber-crime, complex regulatory requirements and our use of several third parties. A failure to comply with the General Data Protection Regulation ('GDPR'), which came into force in May 2018, could result in significant penalties and could have adverse impact on customer confidence in the Group.	Next 15 has established an Information Governance Board which has oversight of the cyber security and data privacy policies, programmes and operations throughout the Group. It also ensures we maintain our cyber security certifications including ISO 27001 and Cyber Essentials Plus. We have recruited an in-house Data Protection Officer, who is responsible for providing data privacy subject matter expertise and is accountable for the Group's data privacy programme. We continue to ensure that information security policies, procedures and controls are in place, including encryption, network security, access controls and data protection. This is supported by comprehensive risk and vulnerability management programmes. Independent assurance is provided through cyber maturity assessments aligned to the National Institute of Standards and Technology ('NIST') cyber security framework to drive continuous improvement.	↗
Rate of professionalisation of Next 15 There is a risk that our financial growth outpaces our ability to manage the risks we face and our requirement to deliver good governance.	Our pace of growth over the last few years has created a potential new risk of a mismatch between our financial scale and our ability to manage the risk we face. When seen at a brand level, individual risks can look manageable. But when aggregated to Group level they often require a joined-up response. For example, data privacy risks grow as we add more brands to the Group and we add new products and services. Data breaches and potential fines will be assessed at the Group materiality level rather than by reference to the brand causing the problem. A further example is that existing management approaches can become ineffective as the Group scales and need to be replaced by new structures that are consistent with our values whilst retaining control.	In making sure that our processes, systems and resource keep pace with our rapidly growing scale, we have a number of approaches in place to ensure we identify and manage risk: • our overall risk management process highlights areas where gaps are likely to emerge between target risk and current net risk; • we regularly review Next 15 Head Office team's role, its span of control, and how it should be structured to deliver the Group's goals. A transformation roadmap sets out a series of strategic projects that aim to improve efficiency and reduce risks; • a design process for each project focuses on addressing where risks will be at our current scale of growth as well as addressing current issues; • we continue to standardise our approach to acquisitions and integrations, and have appointed a Director of Integration, • steering groups monitor project delivery and success in achieving their goals, and • we consult widely with our brands on new initiatives through a series of Group-wide forums.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Business continuity There is a risk of disruption to the efficient functioning of our business. These threats include any incidents or disasters that negatively impact our organisation.	We recognise the risk of disruption to business operations across the Group level and to our brands, as well as the impact of a cyber attack or critical incident that impacts a crucial contractor or supplier. Any period of sustained business interruption may directly or indirectly result in: • loss of confidence in our business by our clients; • reduced productivity of our employees in instances where critical operational infrastructure is impacted; • damage to our Group and or brand reputation; • regulatory fines; and • financial impact, potentially leading to revenue losses.	At Next 15 we have an understandable reliance on our IT systems and people. We are in the process of evolving our overall Business Continuity Framework which reflects the distributed nature of the Group with its independent and autonomous brands. This is designed to be underpinned by brand and Group-level Business Continuity Plans ('BCPs') and a network of Incident Response Teams ('IRT'). Management of any critical incident is owned by the Next 15 IRT, in conjunction with Brand IRTs where required. The Business Continuity Framework and associated policy mandate regularly review and test with governance through the Business Continuity Board. As part of rolling out this framework we are expecting to strengthen our coverage of wider crisis scenarios and general disciplines regarding maintenance of our business continuity plans. From a systems perspective, all of our systems are optimised for high availability ensuring resilience should business continuity be invoked. To aid operational management and reduce risk as far as possible we use Software as a Service ('SaaS') tools to carry out our daily work. These are cloud hosted services, rather than on-premise deployments, that we can access easily and securely via a browser from any location. We have confidence in the SaaS providers we rely on and that their business continuity plans are robust. Our reliance on physically located on-premise software is low and continues to be reduced.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risks and uncertainties continued

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

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
People and culture risks			
Attraction and retention There is a risk that we fail to attract, retain and develop talent and capabilities required to deliver our growth ambitions.	Our people are key to our success. We operate in very competitive markets and acknowledge that the skills that our people possess are attractive to other employers. There is the risk that not having the right people and skills could impact negatively on our ability to serve our customers and grow our business. It is important that we maintain high levels of employee engagement to ensure that we are able to retain and attract the best talent. Weak employee engagement, organisational alignment and inadequate incentivisation may lead to poor performance and instability. The impact of external economic instability is adding to the level of attraction and retention risk Given the level of ongoing business transformation and change, high employee turnover or the failure to attract the right skills, may result in programmes and projects not being successful.	We are mindful that we operate in a highly competitive talent market. As a result, our focus is on continuing to provide high levels of support and consideration to our team members' wellbeing and ongoing development needs. As part of our approach to risk management: • we have a programme of learning and development for our people, which includes management and leadership training and the Next 15 Academy; • we offer competitive compensation and benefits packages and are provided guidelines for salary increases and STIP metrics; • we carry out regular performance reviews and appraisals of our people; • there are regular staff events and wellbeing initiatives; • we undertake an annual employee engagement survey from which we produce an action plan to address the issues identified; and • senior leadership monitor and have oversight of all significant change programmes.	→
Success on planning There is a risk that being unprepared for unplanned departures and overreliance on key individuals creates risk to the stability and growth of our business.	A number of individuals are key to the management and performance across Next 15 and the execution of the Group's overall strategy. When key individuals leave or retire there is a risk that knowledge, client relationships or competitive advantage are lost. The impact of succession risk not being managed may result in higher turnover of senior management and could significantly impede the Group's financial plans, product development, project completion, marketing and other plans resulting in loss of market share and reputational damage. Relationships with investors can also be damaged, as can our share price. The cumulative effect of poor or inadequate succession planning means it is vital that planning is comprehensive and holistic	Succession plans and retention strategies are in place for key people at a brand and Group level. We have a talent identification process through active networking forums There is ongoing monitoring of the effectiveness and skill set of the Board of Directors. This enables effective succession to supplement the Board's skill set as well as helping to maintain a strong and diverse set of independent Directors.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Equity, Diversity and Inclusion There is a risk that Next 15 does not continue to scale because we fail to attract and retain a diverse workforce, limiting our ability to progress and innovate.	Embedding EDI forms an integral part of our Group values. The impacts of this risk not being managed effectively include: • failing to attract or retain talent; • our culture does not successfully evolve as the business grows; • deterring customers: If you don't have a good reputation for EDI, there is a risk that clients may switch to a competitor that does; • reputational damage if Next 15 does not uphold or live out the values we have committed to; and • being less attractive to shareholders.	We are committed to further progress in this area with oversight of the EDI programme by the Group Chief People Officer with KPIs within the monthly management account and regular reporting to the Board. We are committed to raising awareness, providing training and encouraging diversity amongst the workforce through a diversity network initiative. Every effort is made to consider the needs of the diverse workforce at the design and planning stage, rather than wait for a worker to be employed and then having to make changes. Linking occupational safety and health into any workplace equality actions, including equality plans and non-discrimination policies (US).	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

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Board of Directors and Company Secretary

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4 5 6

7 8 9

Committee membership

- **A** Audit Committee
- **N** Nomination Committee
- **R** Remuneration Committee
- **E** ESG Committee
- * Chair of Committee

THE BOARD IS RESPONSIBLE FOR THE STRATEGIC DIRECTION, INVESTMENT DECISIONS AND EFFECTIVE CONTROL OF THE GROUP.

1. Penny Ladkin-Brand N* R

Chair

Appointed July 2017 (6 years)

Penny is Non-Executive Chair, Chair of the Nomination Committee and a member of the Remuneration Committee. Penny joined Next 15 as a Non-Executive Director and Chair of the Audit Committee. In April 2020 she was appointed as Senior Independent Director and from February 2021 became Chair of the Board. Penny was a member of the Audit Committee during the year, but resigned from the Committee with effect from 1 February 2023.

Skills and experience

Penny is also Chief Financial Officer at Future plc, a global platform for specialist media, having been reappointed into the role in November 2021 following a year as Chief Strategy Officer. She was previously Chief Financial Officer at Future from August to June 2020 during which time the group's market capitalisation increased from £25m to £1.2b 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.

2. Tim Dyson

Chief Executive Officer

Appointed August 1988 (35 years)

Tim joined the Group in 1984 straight from Loughborough University and became CEO in 1992.

Skills and experience

As one of the early pioneers of tech PR, he has worked on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM and Intel. Tim moved from London to set up the Group's first US business in 1995 in Seattle and is now based in California. Tim oversaw the flotation of the Company on the London Stock Exchange and has managed a string of successful acquisitions by the Group, including The Outcast Agency, M Booth, Activate and The Blueshirt Group in the US, as well as Morar (now Savanta), elvis, Velocity, Planning-inc, SMG, Engine, Mach49 and Publitek in the UK. Tim has also driven the evolution of the Group from a marcom business into a growth consultancy grounded in data and technology. Outside Next 15, Tim has served on the advisory boards of a number of emerging technology companies. Tim was named an Emerging Power Player by PR Week US and subsequently in PR Week's Power Book. Tim was also recognised on the Holmes Report's In2's Innovator 25, which recognises individuals who have contributed ideas that set the bar for the industry.

3. Peter Harris

Chief Financial Officer

Appointed March 2014 (9 years)

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

Skills and experience

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

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From July 2013 until December 2018, he was a Non-Executive Director of Communisis plc and Chair 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.

4. Jonathan Peachey
Chief Operating Officer
Appointed April 2022 (1 year)

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

Skills and experience

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

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

5. Helen Hunter
A N R*

Non-Executive Director, Senior Independent Director
Appointed June 2019 (4 years)

As a Non-Executive Director of Next 15, Helen chairs the Remuneration Committee and is a member of the Nomination and Audit Committees. From 1 February 2023, Helen was appointed as Senior Independent Director.

Skills and experience

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

6. Robyn Perriss
A* E N

Non-Executive Director
Appointed November 2020 (3 years)

As a Non-Executive Director of Next 15, Robyn chairs the Audit Committee and is a member of the Nomination and ESG Committees.

Skills and experience

Robyn has extensive experience in both the technology and media industries, together with core skills in finance, having served as Finance Director at Rightmove plc (a FTSE 100 business), the UK's largest property portal, until June 2020. Robyn previously held senior roles at Rightmove, including as Financial Controller and Company Secretary. Before joining Rightmove, Robyn was Group Financial Controller at Auto Trader, another media sector disruptor. Robyn is currently a Non-Executive Director and Chair of the Audit Committee at Softcat plc, a leading provider of IT infrastructure services and solutions. She is also a Non-Executive Director and Chair of the Audit Committee at Dr Martens plc, an iconic British consumer brand and a Non-Executive Director of the nutrition brand Huel. Robyn qualified as a Chartered Accountant in South Africa with KPMG and worked in both audit and transaction services.

7. Dianna Jones
E* N R

Non-Executive Director
Appointed April 2022 (1 year)

As a Non-Executive Director of Next 15, Dianna chairs the ESG Committee and is a member of the Nomination and Remuneration Committees.

Skills and experience

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

8. Paul Butler
A E N

Non-Executive Director
Appointed June 2022 (1 year)

Paul joined Next 15 as a Non-Executive Director and is a member of the Audit, Nomination and ESG Committees. Paul is also Next 15's Non-Executive Director responsible for workforce engagement.

Skills and experience

Paul is an expert in business development, strategy, and operations, with more than 20 years of experience in the media, entertainment, and consulting industries. He is currently President & Chief Transformation Officer at New America, a US-based think tank founded in 1999. Before this, he was Chief Operating Officer at sparks & honey, the Omnicom-owned cultural intelligence consultancy.

9. Mark Sanford
General Counsel and Company Secretary
Appointed February 2021 (2 years)

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.

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Introduction

A STRONG CORPORATE GOVERNANCE FRAMEWORK IS CRUCIAL TO ACHIEVING LONG-TERM SUCCESS.

Penny Ladkin-Brand
Chair

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 2023.

The Directors recognise that shareholders look to the Board to deliver growth and long-term shareholder value and I recognise that an efficient, effective and dynamic governance framework is crucial to achieving this. By focusing on the long term we will protect other stakeholders such as employees, customers, suppliers and the wider community, and will also demonstrate that we care about, and plan to mitigate, our impact on the environment.

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.

The Board is committed to ensuring that it is diverse and dynamic, and regularly reviews its composition to ensure it retains a balance of skills, experience and diversity to determine how the strategy and business should evolve.

During the year, we added Jonathan Peachey as an Executive Director and Dianna Jones and Paul Butler as Non-Executive Directors. These appointments reflect the continued growth of the Group and adds complementary experience in consultancy and transformation, particularly in the US market. Biographies of the Directors are set out on page 68.

As Chair I am responsible for leading the Board and for its governance of the Group. I work with the Board to ensure continual improvements to the Group's governance in order to promote its continued long-term success.

On behalf of the Board and shareholders, I would like to thank all our employees for their contributions to our growth and success. We welcome feedback from our shareholders at all times and I encourage all to participate in our AGM.

Penny Ladkin-Brand
Chair
24 April 2023

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Corporate governance statement

Statement of compliance

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

Company purpose

The Company's purpose is to strive constantly to *make our people and our customers the best versions* of themselves they can possibly be. This purpose drives everything we do including our annual strategy creation process, our ESG strategy and the way we manage our brands.

Governance framework

Below is a summary of the Group's governance structure.

Shareholders

The Board

Responsible for providing leadership, including setting the strategic direction, Group's purpose and values, and promoting its long-term success. A full schedule of matters requiring Board approval is available at next15.com.

Committees

To ensure that it maintains an appropriate level of oversight, the Board has established committees to support it. The terms of reference for the Audit, Remuneration, Nomination and ESG Committees are available at next15.com.

Nomination Committee evaluates Board composition and ensures that there is a formal, rigorous and transparent procedure for appointment to the Board and senior management

Audit Committee oversees external and internal audits, the Group's financial reporting and disclosure. It also oversees the Group's system of internal controls and the risk management framework.

Remuneration Committee is responsible for determining executive remuneration policies and practices, taking account of pay practices and policies across the Group's workforce

ESG Committee oversees all ESG-related policies, procedures, practices and performance, and assists and challenges the Board on current and emerging topics.

Executive Leadership Team

oversees day-to-day operations and implements the direction of the Group's strategy as set by the Board

Brand CEOs

Ethics Group

The Organisation

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Corporate governance statement continued

Board roles and division of responsibilities

The Board sets the strategy of the Group ensuring the long-term success for customers, investors and wider stakeholders. The key responsibilities of how the executive and non-executive roles are directed are as follows:

Board member	Responsibilities
Chair	• To lead the Board in the determination of its strategy and in achieving its objectives • To set the Board agenda • To promote a culture of openness and debate, encouraging effective contribution from all Non-Executive Directors • To promote good governance • To lead the Board evaluation process with the assistance of the Company Secretary • To ensure compliance with all corporate governance requirements with explanations for any non-compliance • To ensure that Directors receive accurate, timely and clear information
Chief Executive Officer	• Develops strategies to be proposed to the Board alongside the Group's Executive Leadership Team • Leads the Group on a day-to-day basis and within the authorities delegated by the Board • Together with the CFO and COO, represents the Group to external stakeholders • Ensures the Board as a whole has a clear understanding of the views of the Company's shareholders • Is accountable for the financial and operational performance of the Group • Has responsibility for implementing the agreed strategy and policies of the Board
Senior Independent Director	• Acts as a sounding board for the Chair • Is available to act as an intermediary between the shareholders and the Board • Meets with the Non-Executive Directors annually to appraise the Chair's performance
Non-Executive Directors	• Bring an external perspective to support and challenge the performance of management • Assist in developing the Company's strategy and offer specialist advice based on their skills and experience • Monitor the integrity and effectiveness of the Group's financial reporting, internal controls and risk management systems
Company Secretary	• Ensures the Board operates in accordance with the corporate governance framework and that there are good information flows between the Board and its Committees • Responsible for assisting the Board in all governance related matters • Provides support to the Board and its committees, ensuring that it has the resources required to operate effectively and organises training and induction programmes • Maintains the books and records of the Group, and prepares minutes of Board meetings

Board overview

as at 31 January 2023

Non-Executives' tenure

■ 0–3 years	2
■ 3–6 years	2
■ 6+ years	1

Balance of the Board

■ Non-Executive	5
■ Executive	3

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Board composition
The Board currently consists of three Executive Directors and five Non-Executive Directors. Biographies of the Board members can be found on pages 68 and 69.

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 Group 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 Directors have complementary skills and experience in terms of sectors, geography and diversity.

Conflicts of interest and external appointments
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. All potential conflicts authorised by the Board are recorded in a register, which is maintained by the Company Secretary. Directors have a continuing duty to update the Board with any changes to their conflicts of interest.

Directors' skills matrix

Skill area	Non-Executive					Executive		
Strategy	●	●	●	●	●	●	●	●
Financial performance	●	●	●			●	●	
Risk and compliance oversight	●	●	●	●		●	●	
Executive management	●	●	●	●		●	●	●
Board experience	●	●	●			●	●	●
Commercial experience	●	●	●	●	●	●	●	●
M&A/business development	●	●	●			●	●	●
International experience	●	●				●	●	●
Strong City relationships	●	●	●			●		
Capital markets	●	●				●		
Marketing/Sales	●	●						
HR/People	●							
Executive remuneration	●	●	●	●	●	●		
Technology	●	●	●	●		●	●	
CIO	●					●		
Business transformation	●	●	●			●	●	
Financial	●	●				●		
Strong network	●	●	●			●	●	●
Digital	●	●	●	●	●	●	●	●
Data	●	●	●			●		
ESG	●	●				●		

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Corporate governance statement continued

How the Board spends its time

Category	Percentage
Financial matters	30%
Strategic	31%
Operations	5%
Governance	27%
Other	7%

Conflicts of interest and external appointments continued

Each Director keeps the Board informed of any significant external commitments or appointments and these are monitored to ensure that each Director has sufficient time to meet their responsibilities to the Company. The Directors' significant commitments are set out in their biographies on pages 68 to 69.

Board activities

The Board is responsible for providing leadership, including setting the strategic direction, Group's purpose and values, and promoting its long-term success.

Its responsibilities are discharged through an annual timetable of meetings, of which three were held virtually and three in person, with an additional two-day strategy meeting. Details of attendance at the scheduled meetings can be found on page 76. Additional ad hoc meetings took place throughout the year to manage matters arising outside the formal schedule of meetings.

The Chair, with support from the Company Secretary, sets each agenda primarily focused on strategy and purpose, finance, performance and operations, governance, people and accountability, and ensures that the Group's key stakeholders are considered throughout its discussions.

Board packs are distributed electronically before the meeting, and following the meeting, minutes are recorded and action items followed up. Each Director has access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors of the Company. Each Director also has access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advising the Board on all governance matters.

Meeting timeline

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Board of Directors		●			●	●		●	●			●
Audit Committee		●			●			●			●	
Remuneration Committee	●	●									●	
ESG Committee*												●
Nomination Committee									●		●	

* The ESG Committee was established in September 2022

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The Board's responsibilities and processes

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

Key area	Matters considered
Financial matters	• Reviewed the Annual Report and Accounts as a whole including the clarity of the disclosures and that the narrative in the front section, reflected the performance as detailed in the Group financial statements, as recommended by the Audit Committee. • Review the half-year accounts, including the material judgements and estimates as recommended by the Audit Committee • Reviewed the half-year and full-year results announcements and trading statements. • Reviewed the Group FY23 budget and budget forecasts. • *Reviewed the Group's application of the Treasury policy and banking relationships.* • Considered the Group's performance and outlook, including that of individual brands.
Strategic matters	• Reviewed opportunities to expand by acquisition, in particular in relation to the proposed acquisition of M&C Saatchi Plc and compliance with The Takeover Code. • *Reviewed and approved acquisition proposals* • Worked with management to formulate and approve new and updated strategic priorities for the Group.
Operations	• Post-integration monitoring of acquisitions. • Reviewed the Group's risk management and internal controls. • Reviewed and monitored ESG proposals and initiatives.
Governance	• Monitoring QCA code compliance and updates. • Monitoring the regulatory environment and any changes relevant to the Group • Board and committee evaluations and outcomes. • Succession planning. • Review and approve the schedule of matters reserved for the Board. • Review and approve updated Group policies • Review and approve the appointment of two further Non-Executive Directors and one Executive Director to the Board
Other matters	• Monitor and review the people dashboard in support of diversity and equity targets. • Monitoring the cyber security dashboard.

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Corporate governance statement continued

Board & Committee meeting attendance at scheduled meetings during the year

Director	Board (6)	Audit (4)	Remuneration (3)	Nomination (2)	ESG (1)
Penny Ladkin-Brand	●●●●●●	●●●●	●●●	●●	
Helen Hunter	●●●●●●	●●●●	●●●	●●	
Robyn Perriss	●●●●●●	●●●●		●●	●
Dianna Jones*	●●●●●		●	●●	●
Paul Butler**	●●●●●	●●		●●	●
Tim Dyson	●●●●●●				
Peter Harris	●●●●●●				
Jonathan Peachey***	●●●●●				

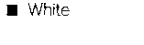
* Dianna Jones appointed 6 April 2022
** Paul Butler appointed 23 June 2022
*** Jonathan Peachey appointed 6 April 2022.

● Attended Board
● Attended Committee

Board Representation

by gender

by ethnicity



Director reappointment

Appointments to the Board are the responsibility of the Board as a whole.

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

The Company's Articles of Association provide that 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. Peter Harris and Robyn Perriss will offer themselves for re-election by the shareholders at the forthcoming AGM.

Paul Butler, having been appointed since the last AGM, will stand for election for the first time at the AGM in July 2023.

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

Biographical details of each Director standing for election and re-election can be found on pages 68 to 69.

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Board performance evaluation

The performance of the Board is key to successfully leading the Company to follow its strategic direction. Regular monitoring and review is an important factor to facilitate and improve the effectiveness of the Board and its committees. It is also a valuable feedback mechanism for improving effectiveness and maximising strengths, and highlighting areas for further development.

The Board is mindful of the Financial Reporting Council's ('FRC') recommendation that smaller companies are encouraged to consider having externally facilitated Board evaluations every three years. Having completed an external evaluation in 2021, this year, a rigorous internal evaluation was led by the Chair and undertaken by a questionnaire being sent to all Directors and a 1-2-1 follow up meeting with each Director and the Company Secretary.

The outcome from the Board evaluation concluded that overall the Board works well and effectively together, and new Directors are making valuable contributions. Some suggestions for improvement are disclosed below.

Board papers

- The Chair and Company Secretary hold regular meetings to discuss Board material and agenda items. Board packs are distributed electronically before the meeting. Ensuring Board materials are of an appropriate length is under review and it is planned to introduce a revised standardised template to contain a summary of the contents of any paper and to inform the Director what is expected of them on that issue.

Succession planning

- The Board continues to develop its succession planning framework to include the identification, mentorship and development of future candidates.

NED only meetings

- In order for the Board members to continue to build a rapport, share views and consider issues impacting the Company, it is planned that the Company Secretary schedule meetings where the Non-Executive Directors meet either by themselves or together with just the CEO with the aim of building better Board dynamics, more focused challenge and decision-making.

Equity, Diversity and Inclusion

The Board's Diversity Policy which is available on our website, www.next15.com, reinforces our belief that a diverse workforce is not just a social good, but a commercial advantage. For a Group where the 'who' comes before the 'what' it is crucial that we are drawing from the widest possible pool of talent. Next 15 is committed to supporting and setting a standard for our brands as they embrace diversity and we are committed to setting an example through our plc practices.

The Policy supports the principles of the FTSE Women Leaders and Parker Reviews on gender and ethnic diversity and, in reviewing Board composition, the Nomination Committee will consider a range of experiences, backgrounds, and characteristics that are visible and non-visible, including but not limited to: gender, gender identity, sexual preference, race, ethnicity, national origin, age, physical and cognitive ability, experience, industry and sector expertise, skill set, and geographical location. This is in order to enable it to discharge its duties and responsibilities effectively, and model diversity, equity and inclusion for the Group.

As at 31 January 2023 we met all diversity targets as women represented 50% of the Board (target of 40%), two ethnically diverse Directors as detailed on page 76 (target of one Director) and two Non-Executive Directors were retained in the USA (target one Non-Executive Director in the USA).

A truly diverse Board embraces the differences in our business, our society and our skill set and these differences will be a major consideration in determining the right composition of the Board. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board requires to be effective.

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.

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Culture continued
The Board monitors the culture of the Group through periodic updates on people, culture, inclusivity and talent provided by the Group Chief People Officer through monitoring exercises such as staff surveys and feedback from Paul Butler as the Board's workforce engagement representative.

Stakeholder engagement
Our people
Our employees and workers are considered one of the Company's principal stakeholders. The ESG report on pages 33 to 55 details the importance the Company places on its people and the steps taken to support, evolve and motivate employees. The Stakeholder re-engagement report on page 28 details how we engage with our employees. Our newest Non-Executive Director, Paul Butler, has been appointed as the Board's workforce engagement representative.

The Group's approach to EDI is set out on pages 41 to 42, and on our website at www.next15.com. Our approach to Board diversity is set out on page 77.

Our shareholders
The Board as a whole accepts its responsibility for engaging with shareholders and is kept fully informed about information in the marketplace.

Engagement with our shareholders is detailed on page 29.

Chairs of each Committee attend the AGM to address any shareholders' questions. Proxy votes are disclosed at the meeting on each shareholder resolution and are subsequently published on the Group's website at www.next15.com by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy.

In the event of a significant proportion of votes ever being received against a particular resolution, the Board would take steps to understand shareholder concerns and consider what action they might want to take in response. Shareholders are also encouraged to submit questions to the Board throughout the year via the Company Secretary to cosec@next15.com. More information concerning the arrangements for the AGM can be found on page 107.

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

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

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 67. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27.

The Directors' responsibilities statement in respect of the financial statements is set out on page 108.

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Nomination Committee report

THE COMMITTEE RECOMMENDED A BOARD DIVERSITY POLICY TO SET OBJECTIVES FOR DIVERSITY OF THE BOARD.

Penny Ladkin-Brand
Chair of the Nomination Committee

Role of the Committee
The Company re-established a Nomination Committee ('Committee') in 2021 and the Committee's roles and responsibilities are governed by its terms of reference which are reviewed annually by the Committee and the Board. The principal role of the Committee is:

- to ensure that there is a formal, rigorous and transparent procedure of appointments to the Board including setting criteria, identifying candidates and making recommendations to the Board;
- to ensure a succession plan is in place for the Board and senior executives which includes the identification and development of future candidates;
- to review the structure, size and composition of the Board (including skills, knowledge, experience, independence and diversity) and its committees; and
- to ensure there is a suitable Board evaluation process in place.

Committee membership
The Committee comprises all five of the Non-Executive Directors.

Activity during the year
The Committee held two meetings during the year. The Committee reviewed the current composition of the Board in terms of the number of Executive and Non-Executive Directors and the skills, experience and diversity of the Directors. In April 2022 the Board appointed Dianna Jones as a new Non-Executive Director and Jonathan Peachey as a new Executive Director.

The appointment of Dianna as a US-based Non-Executive Director was partly to add a US-based Director to reflect the geographic base of the Group's businesses and clients. To complement this appointment, a further US-based Non-Executive Director, Paul Butler, was appointed in June 2022.

Following the above appointments, the Board comprises five Non-Executive Directors and three Executive Directors. The Committee considers that the Board has the right mix of skills, experience independence and diversity and all Directors demonstrated ongoing commitment to the roles and have the necessary time to commit to the Company.

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

During the year, the Board reviewed and recommended a Board Diversity Policy which is available on the Company's website. This sets out the Board's commitment to diversity and inclusion and sets measurable objectives for achieving a suitable diverse Board.

Penny Ladkin-Brand
Chair of the Nomination Committee
24 April 2023

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Audit Committee report

THE COMMITTEE CONTINUES TO FULFIL A VITAL ROLE IN THE GROUP'S GOVERNANCE FRAMEWORK.

Robyn Perriss
Chair of the Audit Committee

As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 31 January 2023.

The Committee continues to fulfil a vital role in the Group's governance framework, providing independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, the Internal Audit function and the relationship with Deloitte LLP, the External Auditor. This report outlines how the Committee has discharged its responsibilities during the year, the key issues it has considered during FY23 and also areas of focus over the next financial year. Key areas of focus are detailed on page 85.

As the Group continues to mature its risk management processes and entity level control environment it has begun formalising it's approach in relation to how the brands are managed within a framework. This sets out what key processes, controls and systems are mandated centrally as well as areas where there may be more brand autonomy and optionality, providing minimum data and standards are met. The Committee is very mindful of the decentralised nature of the Group and has spent time during the year discussing the framework to ensure that it creates sufficient clarity around robust process and control expectations at a brand level together with appropriate Group oversight; whilst continuing to preserve the Group's entrepreneurial culture.

During March 2022, the Group acquired Engine UK for consideration of £67.3m. This is the largest acquisition to date by the Group and material to the Group's results in FY23 and the year-end balance sheet position. During the year, the Committee spent time reviewing the acquisition accounting and disclosures, including the identification of intangibles under IFRS 3 as well as receiving regular integration progress updates from management.

Focus areas for FY24

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

- ongoing monitoring of the integration status and financial control environment of recently acquired brands including a post-acquisition review of Engine, acquired in March 2022;
- continued focus on cyber and IT security;
- continued focus on data privacy;
- continued focus on appropriate revenue recognition and working capital management;
- continued focus on risk maturity and entity level control management; including monitoring the roll out of the framework;
- a fraud risk assessment with a focus on key financial and operational anti-fraud controls at both a Group and brand level;
- monitoring of tax processes and controls and reviewing our tax strategy; mindful that the UK component of the Group has now met the thresholds for the Senior Accounting Officer regime;
- a review of the onboarding and controls around third-party supplier management; and
- the first year of mandatory TCFD reporting requirements.

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

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Focus areas for FY24 continued

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

During the year the Company received a letter from the FRC in relation to the Group's Annual Report and Accounts for the year ended 31 January 2022. The FRC is authorised periodically to review and investigate the annual accounts, strategic reports and directors' reports of public and large private companies for compliance with relevant reporting requirements.The Committee had oversight of the responses provided by management to the FRC's enquiries. Management responded to the FRC, undertaking to restate two areas in the FY22 Annual Report and Accounts which are detailed in the FY22 restatements section of the Significant Accounting Policies of the Consolidated Financial Statements on page 129. The review conducted by the FRC focused entirely on the Group's FY22 Annual Report and Accounts and did not provide any assurance that the FY22 Annual Report and Accounts are correct in all material respects: the FRC's role is not to verify information but rather to consider compliance with reporting requirements. The Committee welcomes the comments received by the FRC, has incorporated matters raised into the Annual Report and Accounts where appropriate and is supportive of the FRC's goal of increasing transparency in corporate reporting.

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

Robyn Perriss
Chair of the Audit Committee
24 April 2023

Membership and attendance

The current members of the Committee are the Chair of the Committee and three 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 has previous experience as Chief Financial Officer of a FTSE 100 business and is a qualified accountant and thus the Board considers her financial experience to be recent and relevant to discharge the duty to the Committee and its stakeholders. This is kept under continuous review and any changes to the composition of the Committee are a matter for the Nomination Committee to finalise.

The Committee met formally four times during the year and each meeting had full attendance. Biographies of the members of the Committee are shown on pages 68 and 69 and a summary of members' attendance can be found on page 76.

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

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.

The chart below depicts how the Committee spent its time in FY23. The Committee is satisfied that this was the correct focus to serve the broad needs and risk profile of the business during the year. Looking forward, the Committee is mindful of the increased scale and complexity of the Group and will continue to focus on both core financial reporting controls and broader operational risks and related controls as highlighted by the range of internal audit reviews proposed in FY24 as set out on page 83.

How the Committee spends its time

Category	Percentage
Financial reporting	25%
Operations	15%
Internal Audit	24%
External Audit	24%
Governance	12%

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Audit Committee report continued

Key activities during the year

Key area	Activity during the year
Financial reporting	• Considered the Group's accounting policies and practices, application of accounting standards and significant judgements and estimates, adjusting items, tax matters, goodwill impairment, earn-out liabilities, and accounting for new acquisitions. • Reviewed the Annual Report and Accounts as a whole including the clarity of the disclosures and that the narrative in the front section reflected the performance as detailed in the Group financial statements • Reviewed the Going Concern Statement included in the Annual Report and Accounts; 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. • Considered upcoming legislative developments relating to tax and their potential impact on the Group. • Reviewed the half-year accounts, including the material judgements and estimates. • Reviewed the half-year and full-year results announcements and trading statements. • Considered the litigation matter detailed in note 17, concluding that it is a contingent liability and therefore included the required disclosure as set out in note 17. • Considered the significant financial judgements in relation to the FY23 Annual Report and Accounts as detailed in note 1 on pages 140 and 141.
Operations	• Received updates at each meeting on the ongoing work to enhance the Group's IT, privacy and cyber security infrastructure and capabilities. • Received regular updates on the Framework, an internal control framework that sets out key processes, systems and controls that are mandated centrally, together with areas that the brands have more autonomy in relation to, providing minimum data and standards are met • Monitored the post-acquisition integration status of brands acquired.

Key area	Activity during the year
Internal audit	• Approved the annual Internal Audit plan, including its alignment to the principal risks, emerging areas of risk, coverage across the Group and continuing review of the Group's processes and controls. • Received a detailed update on the work of the Internal Audit function at each meeting and reviewed and discussed the findings of Internal Audit reviews undertaken during the year and monitored progress of agreed remediation actions • Monitored the remit and resourcing of the Group's Internal Audit function. • Assisted the Board in its assessment of the Group's risk environment, internal controls and risk management processes. • Kept under review the effectiveness of the Group's internal controls and risk management.
External audit	• Reviewed the External Auditor's independence, objectivity, and the effectiveness of the external audit process. • Received an update from the External Auditor on the planned approach and scope for the full-year audit. • Reviewed the External Auditor's report on the full-year audit. • Considered External Auditor fees and terms of engagement • Reviewed the Group's policy relating to the provision on non-audit services by the External Auditor.
Governance	• Discussed the impact of upcoming changes to accounting standards and legal, tax and regulatory requirements. • Received updates on whistleblowing, anti-bribery and corruption policies and reviewed the gifts and hospitality register. • Carried out a review of the Committee's terms of reference. As part of the broader Board evaluation exercise reviewed the Committee's effectiveness, refer to page 84 • Monitored the proposed BEIS governance reforms.

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Risk and internal control

The Group's system of internal control, along with its design and operating effectiveness, is subject to review by the Committee. The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Committee supports the Board in reviewing systems of risk management and the effectiveness of internal controls. The Executive Directors have overall accountability for the control and management of the risks the Company faces. More information on how we manage risk can be found on pages 56 to 67.

Internal audit

The Group operates a co-sourced internal audit model, with BDO LLP acting as the outsourced Head of Internal Audit, supported by a dedicated Next 15 Internal Audit team. The independent and objective Internal Audit function supports the Board in assessing and identifying risks with the Audit Committee to produce an annual plan to test the relevant controls put in place to mitigate those risks. Through testing the operating effectiveness of controls, Internal Audit report to the Audit Committee and assist management in improving the effectiveness of governance, risk management and internal controls. Internal Audit focuses on controls and related activities (including policies, procedures and systems) which are in place to ensure:

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

Internal Audit may perform advisory services relating to governance, risk management and control as appropriate for Next 15. It may also evaluate within the independence requirements, specific operations at the request of the Board, Audit Committee, or management as appropriate. To provide for the independence of the function, the function is run by the Head of Internal Audit, who reports to the Audit Committee. The Audit Committee provides final approval of the department's Charter and annual Internal Audit plan. The Head of Internal Audit is responsible for providing the Audit Committee with a self-assessment on internal audit activity, its consistency with the Audit Charter and performance relative to its plan at least every two years. The last self-assessment was undertaken in FY23.

The Internal Audit plan for FY23 covered a broad range of core financial and operational processes and controls, including projects and reviews focused on the following specific risk areas:

- *Revenue recognition:* this is an area of risk for the industry generally and a key area of focus for Next 15. In FY23, using the Archetype brand as a proof of concept, Internal Audit together with a BDO IFRS 15 specialist and management, jointly initiated a project to document the end-to-end revenue lifecycle management, identifying key risks and controls together with accompanying process mapping. This facilitated the classification of types of revenue and contracts into standard categories allowing the IFRS 15 technical specialist to test a sample of contracts across the categories and validate that the accounting treatment was appropriate.
- *Mach49 controls assessment:* The review was undertaken in the year following deferral of the initial controls assessment audit as Mach49 were restructuring on becoming part of the Next 15 Group.
- *Shared Services Team ('SST'):* The review focused on the quality and standardisation of processes and controls being performed by the SST based in India, which is important given the SST has evolved and grown significantly over the past few years with over 17 brands now utilising some form of SST support for their accounts payable, accounts receivable and management accounts function.
- *Corporate credit cards and expenses review:* This was considered important given the decentralised nature of the brands and the potential risk of fraud or cash leakage in this area.

The Internal Audit plan for FY24 was developed using a combination of the annually refreshed corporate risk register, the sector experience of team members within the core team and wider outsourced capabilities, and in discussion with other key stakeholders such as External Audit and management and approved by the Audit Committee. Some areas remained on the plan from the prior year, as they are inherent risks within our business, other areas were included to reflect the increased scale of our business and changes to the wider economic and regulatory risk landscape. During FY24 specific reviews are planned in the following areas:

- *Fraud risk assessment:* a deep dive audit to evaluate the adequacy of anti-fraud controls across the Group. This will help us assess our fraud maturity in advance of the Group meeting the proposed BEIS reforms regulatory thresholds.

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Internal audit continued

- *Earn-out review:* given the materiality of earn outs and contingent consideration payable, the review will take the form of a walk-through of key processes and controls and a re-performance of calculations on a sample basis.
- *US central function review:* a deep dive audit to review the key controls operating centrally across the US brands.
- *Post-acquisition integration reviews:* including Engine acquired in March 2022.
- *Compliance review:* focusing on compliance with anti-bribery and corruption policies and the Foreign Corrupt Practices Act in the US.
- *Ongoing assurance and support:* including areas such as revenue recognition, cyber and IT security and data privacy as aligned to the Group principal risks and approved by the Committee.

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

External audit

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

Whilst not subject to the UK Competition and Markets Authority Order 2014, the Committee continues to review the External Auditor's appointment, ensuring the Company's best interests are considered and ensuring compliance with reforms of the audit market. The next mandatory rotation of the Deloitte lead audit partner is February 2025 and the Committee will keep under review whether it is appropriate to conduct a tender process prior to this.

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 5 to the financial statements. This work is not considered to affect the independence or objectivity of the External Auditor. The Audit Committee has confirmed no services were provided outside of the updated policy.

External audit effectiveness

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

As part of the FY23 year end process the Committee reviewed the effectiveness of the External Auditor. The evaluation was led by the Committee Chair and involved issuing tailored evaluation questionnaires which were completed by the Committee and selected members of the Group finance team and the Internal Auditor, supplemented by to roundtable sessions held with members of the UK and US brand finance teams.

The questionnaire responses, corroborated by the Committee's discussions with the brand finance teams and with management, provided useful feedback to the Committee and indicated that overall the External Auditor areas of audit focus and challenge continued to be appropriate and that their performance remained effective.

The Committee has made a recommendation to the Board to reappoint Deloitte LLP as the Company's auditor for the 2024 financial year. Accordingly, a resolution proposing their reappointment will be proposed at the AGM in July 2023.

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Key areas of focus

Key area	Explanation	How it was addressed
Changes in estimates relating to acquisition-related liabilities	The Group has material acquisition related liabilities, with some payments dependent on performance up to four years from 31 January 2023. The estimates are sensitive to changes in revenue growth rates and profitability assumptions, as well as the discount rate used During FY23 earnout liabilities increased by a net £26.6m in the year, primarily driven by a changes in estimate in relation to the Mach49 business. This change in estimate was driven by revised assumptions for the Mach49 business, principally reflecting a significant new contract win in 2022 with a global technology and digital business, with revenues over the initial life of the contract anticipated to be in excess of US$400m. This contract has significantly increased the estimated earnout liability, which management has subsequently agreed to cap at US$300m. There is little judgement in relation to the future revenue in relation to this contract given this is a contractual amount, however there is significant judgement in relation to the future costs associated with the delivery of the contract and the resultant profitability and margin. If incorrect assumptions are used, this could result in a material adjustment to the value of the Mach49 earn out liability within future financial years.	The Committee considered the acquisition related liabilities recognised at the half-year and year-end split by brand and how they had changed over the last 6 or 12 months, and the key assumptions made together with related sensitivity analysis At the year end, the External Auditor's testing and validation of key assumptions was also discussed and following due consideration the Committee concluded it was satisfied with management's assumptions and judgements.
Presentation of alternative performance measures	The identification of adjusting items and the presentation of Alternative Performance Measures ('APMs') is a judgement in terms of which costs or credits are not associated with the underlying trading of the Group or otherwise impact the comparability of the Group's results year on year. The Group's adjusting items include the amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, charge for one-off employee incentive schemes, employment-related acquisition costs, property related impairment, and restructuring costs. Whilst APMs are still referred to in the Financial Review within the front of the Annual Report and Accounts to explain the Group's results in line with how the Board reviewed underlying trading performance, the detailed financial APMs are disclosed within the glossary of the Annual Report and Accounts. Within there each is explained and reconciled to statutory numbers.	For both the full and half-year results the Committee considered the adjusting items, including explanations of why they were either not related to the underlying performance of the business or impacted the comparability of the Group's results year on year. The Committee also reviewed the FRC's guidance, considered adjusting items used by the Group's peers and the External Auditor's assessment of the adjusting items. The Committee reviewed the narrative for the adjusting items within the glossary to the Annual Report and Accounts 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 and Accounts.
Revenue recognition	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. Revenue recognised over time is based on the proportion of the level of service performed. An element of estimation and judgement is involved in relation to year end cut off and open percentage of completion revenue projects at year-end with the brands needing to estimate how complete the project work is and therefore how much revenue to recognise at the year-end.	During the year at the request of the Committee, Internal Audit together with Group management, jointly initiated a project to document the end-to-end revenue lifecycle management, identifying key risks and controls together with accompanying process mapping using the Archetype brand as a proof of concept. This facilitated the classification of types of revenue and contracts into standard categories allowing an independent IFRS 15 technical specialist to test a sample of contracts across the categories and validate that the accounting treatment was appropriate with the findings shared with the Committee Deloitte were able to use the updated revenue definitions in the current year as part of their design of year end audit procedures, to pinpoint the significant risk to cut-off of open percentage of completion revenue projects spanning the year-end. Based on detailed reports and discussions with management and the external auditor, including the findings of their year end audit procedures, the Committee was satisfied that the recognition of revenue under IFRS 15 was appropriate

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WE CONTINUE TO APPLY THE REMUNERATION FRAMEWORK TO MAKE SURE THERE IS A STRONG LINK BETWEEN REMUNERATION OUTCOMES AND OUR BUSINESS STRATEGY.

Helen Hunter
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 January 2023. The report explains the work of the Remuneration Committee (the 'Committee') during the year, the basis for the remuneration paid to Directors for FY23, and how we intend to apply our remuneration framework for FY24.

Against a challenging market backdrop, the Group has delivered a strong performance for the year. The Group's adjusted operating profit increased by 44% to £114.2m as a result of organic growth of 20.7% and the acquisition of Engine. The Group's adjusted diluted earnings per share increased by 35% to 80.4p. These results are due to the passion and client and customer focus of Next 15 people across our brands. It is the strong leadership of our excellent Executive Team which fosters this culture.

The Committee is satisfied that our current remuneration framework is appropriate and supports the Group's strategy in both the short and long term. We continue to apply the framework robustly, with variable remuneration tied to the achievement of stretching performance goals, and to make sure there is a strong link between remuneration outcomes and our business strategy. I am therefore pleased to share that we are incorporating an ESG target into the Executive Directors' bonus targets, for the first time, for FY24.

Performance and pay outcomes for FY23

As set out in last year's Directors Remuneration Report, the bonus opportunity for Executive Directors was increased to 100% of salary. For the FY23 Bonus, the operating profit and operating profit margin targets were all achieved. The cash conversion ratio was just below the threshold and the organic growth delivered of 20.7% is slightly below the top of the target range of 21%. Therefore 78.5% of the maximum bonus opportunity was achieved.

In respect of share awards under the Group's Long-Term Incentive Plan ('LTIP'), the FY21 award (granted in July 2020), is the first full award vesting under the new three-year performance share awards. Strong performance means that the performance conditions have been met in full. The Committee noted the expectation from some investors for Remuneration Committees to consider whether a post-vesting scale-back should be made to take account of the impact of Covid-19 on the Company's share price at the time the grant was made, and in the period since, and whether this may have given rise to an inappropriate 'windfall gain'. In carrying out its assessment, the Committee reviewed the share price at grant of £3.79, noting the share price had recovered significantly from the Covid-19-related low of £2.46 (from March 2020) when the grant was made on 30 July 2020. Whilst the share price performance since grant has been exceptional, the Committee considers that this is due to the excellent Company performance rather than being due to a Covid-19 'bounce back', as demonstrated by the record highs in the share price which are well in excess of pre-pandemic levels. The Committee is satisfied there are no windfall gains for the FY21 award vesting.

We have several cycles of legacy LTIP awards still in place, with the final 20% of the FY19 award vesting and being released in April 2023, along with the release of a further 20% that vested based on the performance in FY22. The fourth tranche of the FY20 award (20%) will vest based on FY23 performance, but is not released until April 2024.

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Performance and pay outcomes for FY23 continued
These tranches of the FY19 and FY20 awards under the legacy LTIP, measured performance metrics against EPS (70%), revenue growth (15%) and operating profit margin (15%) for each award. Performance under all the metrics was very strong over the relevant periods, and therefore the awards under all these tranches have vested 99.1%.

Full details of performance against targets for both the bonus and LTIP is set out on page 99.

Looking forward – how we intend to operate our remuneration framework in FY24 and beyond
We have reviewed the remuneration framework against our current strategy and the most recent guidance from investor representative bodies and are satisfied that the current structure of remuneration remains appropriate for FY24.

We are a Company strongly driven by purpose and values and are starting to incorporate appropriate ESG measures into our business strategy. The Group has now defined and set out its ESG Policy and key targets which can be found in this Annual Report on pages 33 to 55. During the year, we undertook a review of remuneration strategy with a particular focus on ESG matters.

Last year, salary increases for the CEO and CFO were 3% which was slightly below the average workforce increase but overall remuneration packages were above or equal to benchmark for the Executive Directors. This year, the CEO, CFO and COO have agreed there will be no increase in their base salary to allow the Company to provide larger increases for lower paid workers in light of current cost of living issues.

For the year commencing 1 February 2023, we are incorporating an ESG metric and target into the Executive Directors' bonus targets and intend to review the appropriateness of incorporating ESG metrics into LTIPs during the year for possible implementation for the 2024 LTIP.

The annual bonus opportunity will be 100% of salary, payable in cash. Our annual bonus plan will remain based on a mix of operating profit, cash conversion ratio, organic revenue growth and operating profit margin, but with an additional metric of Employee Net Promoter Score. This reflects the move to include ESG targets into incentives and the fact that the Group is a people-based business. Stretching targets have been set which will be disclosed retrospectively in next year's report. Our FY24 LTIP awards will be based on the same mix of EPS, organic revenue growth and operating profit margin. This suite of measures mirrors our financial KPIs and provides a rounded assessment of our performance over FY24 for the bonus and longer term to the period to FY26 for the LTIP. LTIP award levels for the Executive Directors will be 150% of their base salary, and the Committee has set stretching targets for each performance metric which are detailed on page 104.

Broader employee pay and review of arrangements
When looking at salary increases this year, the Company redistributed the pot available to ensure those employees on less than £50,000 received a larger percentage increase to give some assistance to the cost of living issues.

During FY23 we continued with our guidance across the Group to be equitable with pay and benefits to ensure every employee is paid the living wage, benefits such as healthcare and pension were 'equitable or optional' and there was more rigour applied to increases in salary and bonus calculations. Our policy throughout the Group has been to operate devolved bonus and equity incentive arrangements linked to growth of the business units and we believe that this approach continues to serve us well. However, we have provided more practical guidance around brand average salary increases, internal salary benchmarking and metrics for STIP plans to drive growth and the right short-term behaviours in addition to the driving towards greater pay transparency and equity.

Board appointments and Committee members
As disclosed in last year's report, Jonathan Peachey, Chief Operating Officer was appointed to the Board on 6 April 2022. Jonathan's remuneration was set in line with the policy for the other Executive Directors.

In addition, Dianna Jones and Paul Butler joined the Board as Non-Executive Directors in April 2022 and June 2022 respectively. Again, their annual fees are in line with the other Non-Executive Directors.

I chair the Committee and the other two Committee members are Penny Ladkin-Brand and Dianna Jones. The Committee therefore comprises only independent Non-Executive Directors. Dianna joined the Committee and Robyn Perriss stepped down from the Committee on 23 June 2022.

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Closing remarks

I would like to thank our executive management for their continued vision and leadership as we build a flourishing growth consultancy.

I hope this report is clear and demonstrates the robust application of our remuneration framework. Although we are an AIM listed company with no requirement for a shareholder vote on Directors' pay, in the spirit of full accountability, this remuneration report will be subject to an advisory shareholder vote at the 2023 AGM.

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

Helen Hunter
Chair of the Remuneration Committee
24 April 2023

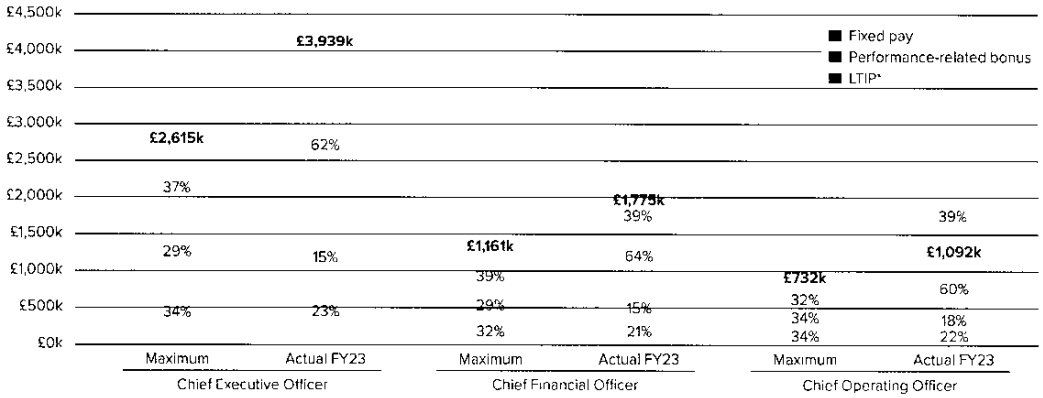
At a glance

How we performed in FY23

FY23 performance-related bonus

Adjusted performance measure	Target range	Performance	Weighting	Outcome
Operating profit after lease liability interest	£95m–£102m	£114.2m	30%	30%
Organic revenue growth	16%–21%	20.7%	30%	28.5%
Cash conversion ratio	80%–90%	79.7%	20%	0%
Operating profit margin	18%–20%	20.2%	20%	20%
Total			**100%**	**78.5%**

Maximum vs actual pay for FY23



* Maximum LTIP value is based on share price at grant date. Actual LTIP value is based on average Q4 FY23 share price.

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LTIP tranches vesting in relation to FY23 performance

Tranche five of the FY19 LTIP award and tranche four of the FY20 LTIP award are eligible to vest in FY24 based on performance in FY23. The full FY21 LTIP award is eligible to vest in FY24, based on performance over the three-year performance period ending FY23.

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

FY19 and FY20 LTIP Awards

Adjusted performance measure	Weighting	Target range	Performance	FY19 tranche 5 vesting	FY20 tranche 4 vesting
Earnings per share	70%	5%–15%	34.7%	70%	70%
KPIs					
Organic revenue growth	15%	16%–21%	20.7%	14.1%	14.1%
Operating profit margin	15%	18%–20%	20.2%	15%	15%
Total	**100%**			**99.1%**	**99.1%**

FY21 LTIP Award

Adjusted performance measure	Weighting	Target range	Performance	Vesting
Earnings per share (absolute growth)	70%	10%–20%	131%	70%
KPIs				
Organic revenue growth (average growth)	15%	0%–5%	14.5%	15%
Operating profit margin (average growth)	15%	16%–18%	20.2%	15%
Total	**100%**			**100%**

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Directors' remuneration report continued

How we will apply our remuneration framework for FY24

Element	Time horizon FY24	FY25	FY26	Application of remuneration framework for FY24
Salary				Tim Dyson, Chief Executive: US$933,392 (0% increase since FY23). Peter Harris, Chief Financial Officer: £339,900 (0% increase since FY23). Jonathan Peachey, Chief Operating Officer: £300,000 (0% increase since FY23). Average increases across the workforce for FY24 are 4.5%.
Pension and benefits				Directors are entitled to receive employer contributions of up to 10% of base salary to a Group pension plan.
Annual bonus				Maximum opportunity is 100% of salary, payable in cash. Performance metrics for FY24 of operating profit, organic revenue growth, cash conversion ratio, operating profit margin and Employee Net Promoter Score.
Long-term incentives				Long-term incentive grant of 150% of salary. Performance will be measured over a single three-year period and will be based two-thirds on EPS, 16.7% on organic net revenue growth and 16.7% on adjusted operating profit margin. A two-year holding period will apply to the vested award.
Shareholding requirement				Executive Directors must build and maintain a holding of shares in the Company of 200% of salary. 50% of the net of tax number shares vesting under the incentive arrangements must be retained until guideline is met.

Remuneration framework

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

In setting our remuneration framework the Committee considers:

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

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Executive Director remuneration framework

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

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Directors' remuneration report continued

Executive Director remuneration framework continued

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

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Executive Director remuneration framework continued

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

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Directors' remuneration report continued

Executive Director remuneration framework continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures	Malus and clawback
Shareholding guidelines	Executive Directors are expected to build and maintain a holding of shares in the Company of 200% of base salary.	Increases alignment between Executive Directors and shareholders and shows a clear commitment by all Executive Directors to creating value for shareholders in the longer term.	Minimum shareholding guidelines to be satisfied within five years of appointment 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.

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

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

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

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

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

Non-Executive Directors' letters of appointment

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

	Date of current letter of appointment	Notice period
Non-Executive Directors		
Penny Ladkin-Brand	1 February 2021	3 months
Helen Hunter	26 June 2019	3 months
Robyn Perriss	10 November 2020	3 months
Dianna Jones	25 March 2022	3 months
Paul Butler	23 June 2022	3 months

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Directors' remuneration report continued

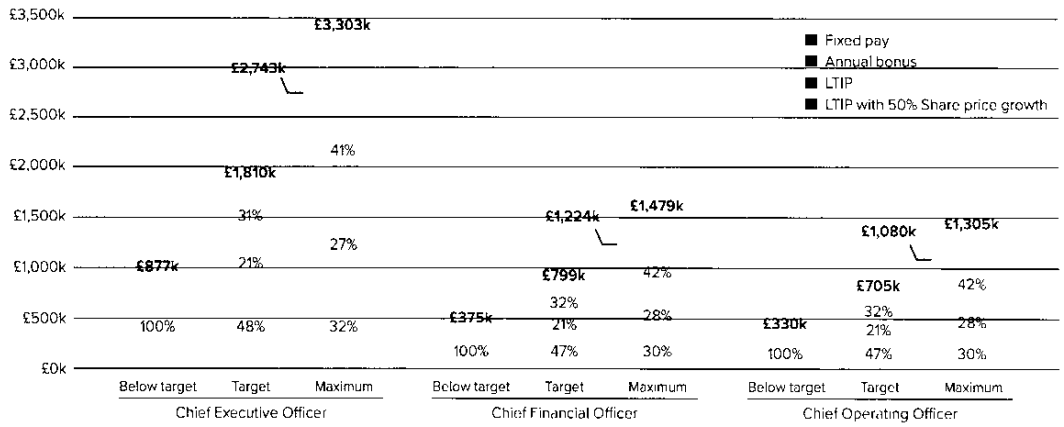
Illustrative performance scenarios

The charts to the right illustrate, under three different performance scenarios, the total value of the remuneration package receivable by the Executive Directors for FY24. The assumptions used have been set out below.

Minimum: Comprises fixed pay only using the salary for FY24, the value of benefits in FY23 and a 10% company pension contribution. Tim Dyson also receives a pension benefit under a US 401(k) plan.

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

Maximum: Comprises fixed pay and assumes that the maximum annual bonus is paid (100% of salary) and the FY24 LTIP grant (150% of salary) vests in full. The maximum scenario includes an additional element to represent 50% share price growth on the LTIP award from the date of grant to vesting.



Composition of the Committee and advice received

The Committee usually comprises three Non-Executive Directors: Helen Hunter the Committee Chair, Penny Ladkin-Brand and Dianna Jones. The Company's Executive Directors attend the Committee meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed. No Director is involved in deciding their 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 £32,352 (FY22: £26,985). The Committee is satisfied that the advice it received from Korn Ferry is objective and independent.

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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 four meetings during the year and details of attendance can be found in the corporate *governance statement on page 76*.

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;
- reviewing and setting appropriate stretching performance targets for the FY24 LTIP awards;
- considering the remuneration arrangements of brand senior management;
- reviewing the extent to which performance conditions have been met for both the annual and long-term incentive plans, and agreeing the cash and equity payments arising including the processes and communication to Executive *Directors and senior executives*;
- reviewing the design, policies and targets of the Group's equity incentive plans including their impact on dilution and headroom;
- closely reviewing changes to laws, regulations and guidelines or recommendations regarding remuneration, including in relation to tax; and
- continuing to review the Group's approach to gender pay, diversity and *inclusion policies*.

Key activities of the Committee for the year ahead

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

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

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Directors' remuneration report continued

Directors' remuneration for the 12-month period to 31 January 2023

	Salary and fees 2023 £'000	Performance-related bonus 2023 £'000	LTIP awards £'000[1]	Pension contributions 2023 £'000	Other benefits 2023 £'000	**Total 2023 £'000**	Total fixed pay 2023 £'000	Total variable pay 2023 £'000	Total 2022 £'000[2]
Executive Directors									
Tim Dyson	758	598	2,453	85	45	**3,939**	888	3,051	1,747
Peter Harris	338	267	1,135	34	1	**1,775**	373	1,402	838
Jonathan Peachey[3]	247	194	651	—	—	**1,092**	247	845	—
Non-Executive Directors									
Penny Ladkin-Brand	150	—	—	—	—	**150**	150	—	150
Helen Hunter	60	—	—	—	—	**60**	60	—	58
Robyn Perriss	60	—	—	—	—	**60**	60	—	58
Dianna Jones[3]	55	—	—	—	—	**55**	55	—	—
Paul Butler[4]	41	—	—	—	—	**41**	41	—	—

1 The LTIP totals are the aggregate of tranches 5 and 4 of the FY19 and FY20 LTIP awards respectively, plus the FY21 LTIP award (which covered a single three-year period) which all vest in relation to performance periods ending FY23. All three of these awards have been valued using a share price of 1,029p, being the average share price over the last quarter of the financial year.

2 These figures have been restated to reflect the actual value of the LTIPs on vesting in relation to FY22 using a share price of 1,090p.

3 Dianna Jones and Jonathan Peachey joined the Board on 6 April 2022. Remuneration is shown for the period of year following appointment. For Jonathan Peachey, the LTIP value is however the full value of the award vesting which was granted to him in his role before he was appointed to the Board.

4 Paul Butler joined the Board on 23 June 2022. Remuneration is shown for the period of year following appointment.

Performance-related bonus

The annual bonus opportunity for FY23 was 100% of salary for all Executive Directors. Jonathan Peachey joined the Board on 6 April 2022 and his bonus opportunity is pro-rated for the period of the year from appointment. Performance was based on four weighted performance metrics. The formulaic outcome based on performance against targets resulted in a bonus pay-out of 78.5% of maximum as set out in the table below.

Performance metric	Weighting (% of max)	Target range	Actual performance	Pay-out for element (% of element)
Adjusted operating profit after lease liability interest	30%	£95m–£102m	£114.2m	30%
Cash conversion ratio	20%	80%–90%	79.7%	0%
Organic revenue growth	30%	16%–21%	20.7%	28.5%
Operating profit margin	20%	18%–20%	20.2%	20%
Total bonus (% of max)				**78.5%**

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Performance-related bonus continued

The bonuses for the year ended 31 January 2023 were £597,547 (US$732,712) for Tim Dyson, £266,821 for Peter Harris and £193,533 for Jonathan Peachey payable entirely in cash.

Long-Term Incentive Plan

Awards vesting by reference to performance periods ending 31 January 2023

The historic awards granted to the Executive Directors which vested by reference to performance periods ending on 31 January 2023 are summarised below:

FY19 LTIP grant (granted 10 April 2018)

Executive Director	Number of performance shares in tranche 5	Percentage of award vesting	Number of shares vesting from tranche 5	Gain on vesting £'000
Tim Dyson	26,821	99.1%	26,580	273
Peter Harris	13,578	99.1%	13,456	138

Performance shares under tranche 5 of the FY19 award will vest and be released in April 2023 together with the shares that vested under tranche 4. Together this is a total of 53,401 shares for Tim Dyson and 27,033 shares for Peter Harris.

FY20 LTIP grant (granted 28 April 2019)

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	25,644	99.1%	25,413	261
Peter Harris	11,769	99.1%	11,663	120

Performance shares which vest in tranche 4 of the FY20 award will be released in April 2024.

FY21 LTIP grant (granted 30 July 2020)

The FY21 LTIP grant was the first award under the new LTIP structure which comprised a three-year performance and vesting period.

Executive Director	Number of performance shares in award	Percentage of award vesting	Gain on vesting £'000
Tim Dyson	186,423	100%	1,918
Peter Harris	85,174	100%	876
Jonathan Peachey	63,274	100%	651

The performance shares under the FY21 LTIP award will vest in April 2023. As described within my introductory letter, the Remuneration Committee has reviewed the share price at which this award was granted (379p) relative to the performance of the Company immediately before and since, in the light of Covid-19-related factors.

Value of gain on vesting has been calculated using a share price of 1,029p, *being the average share price over the last quarter of the period.*

Awards granted during FY23

The FY23 awards were granted to Executive Directors on 1 June 2022. The awards cover a three-year period with performance measured over the period from 1 February 2022 to 31 January 2025. The performance criteria for the award is based two-thirds on adjusted EPS performance and 16.7% on organic net revenue growth and 16.7% on adjusted operating profit margin. Subject to performance against these conditions, the award will be released following the end of FY25.

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Directors' remuneration report continued

Awards granted during FY23 continued

Executive Director	**Tim Dyson**	**Peter Harris**	**Jonathan Peachey**
Number of performance shares	94,365	46,367	40,924
Vesting criteria (for all Executive Directors)			
Up to 66.67% of maximum award	*Target*	*Proportion of award vesting*	
Absolute increase in adjusted diluted earnings per share over the three-year performance period at a constant tax rate	Less than 30%	0%	
	30%	16.67%	
	Between 30% and 60%	16.67%–66.67% (straight-line basis)	
	60% or more	66.67% total award	
Up to 33.33% of maximum award			
Average annual organic net revenue growth over the three-year performance period	Less than 8%	0%	
	8%	4.2%	
	Between 8% and 15%	4.2%–16.67% (straight-line basis)	
	15% or more	16.67%	
Average annual adjusted operating profit (after lease liability interest) margin	Less than 18%	0%	
	18%	4.2%	
	Between 18% and 20%	4.2%–16.67% (straight-line basis)	
	20% or more	16.67%	

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Directors' interests in share plans for the year to 31 January 2023

As at 31 January 2023 the following Directors held performance share awards over Ordinary Shares of 2.5p each under the 2015 LTIP and 2016 Share Award Agreements, as detailed below:

Executive Director	Number of performance shares at 1 February 2022	Shares lapsing during the period	Shares released during the period	Shares granted during the period	**Number of performance shares at 31 January 2023**	Grant date	End of performance period	Total gain on release[5] £'000
Tim Dyson	32,519	—	32,519	—	**—**	02.05.2017	31.01.2022[1]	354
	53,615	—	—	—	**53,615**	10.04.2018	31.01.2023[2]	—
	103,319	—	52,032	—	**51,287**	26.04.2019	31.01.2024[3]	567
	186,423	—	—	—	**186,423**	30.07.2020	31.01.2023[4]	—
	81,557	—	—	—	**81,557**	06.05.2021	31.01.2024	—
	37,688	—	—	—	**37,688**	28.06.2021	31.01.2024	—
	—	—	—	94,365	**94,365**	01.06.2022	31.01.2025	—
Total					**504,935**			
Peter Harris	15,073	—	15,073	—	**—**	02.05.2017	31.01.2022[1]	164
	27,141	—	—	—	**27,141**	10.04.2018	31.01.2023[2]	—
	47,419	—	23,880	—	**23,539**	26.04.2019	31.01.2024[3]	260
	85,174	—	—	—	**85,174**	30.07.2020	31.01.2023[4]	—
	41,065	—	—	—	**41,065**	06.05.2021	31.01.2024	—
	19,097	—	—	—	**19,097**	28.06.2021	31.01.2024	—
	—	—	—	46,367	**46,367**	01.06.2022	31.01.2025	—
Total					**242,383**			
Jonathan Peachey	29,567	—	29,567	—	**—**	26.04.2019	31.01.2022	322
	63,274	—	—	—	**63,274**	30.07.2020	31.01.2023	—
	47,399	—	—	—	**47,399**	06.05.2021	31.01.2024	—
	—	—	—	40,924	**40,924**	01.06.2022	31.01.2025	—
Total					**151,597**			

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

2 The first 60% of the total awarded performance shares were released to the Executive Directors in April 2021. The Executive Directors will become unconditionally legal and beneficially entitled to the remaining 40% on the date on which vesting is determined in relation to the performance period ending 31 January 2023 (expected April 2023). As set out in this report, tranche 5 of this award will vest at 99.1% on the vesting date.

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

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

5 These figures have been calculated using the share price on the date of release of 1,090p.

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Directors' remuneration report continued

Directors' interests in the shares of Next 15 Group plc

The interests of the Directors in the share capital of the Company at 31 January 2022 and 31 January 2023 are as follows:

	Ordinary Shares		LTIP performance shares	
	31 January 2022	**31 January 2023**	1 February 2022	**31 January 2023**
Executive Directors				
Tim Dyson	5,000,000[2]	**4,742,275**[2]	495,121	**504,935**
Peter Harris	386,128[2]	**405,604**[2]	234,969	**242,383**
Jonathan Peachey	—[1]	**14,783**[2]	140,240	**151,597**
Non-Executive Directors				
Penny Ladkin-Brand	85,118	**85,118**	—	**—**
Helen Hunter	—	**—**	—	**—**
Robyn Perriss	—	**—**	—	**—**
Dianna Jones	—	**—**	—	**—**
Paul Butler	—	**—**	—	**—**

1 Jonathan Peachey shareholding shown as at date of appointment on 6 April 2022.

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

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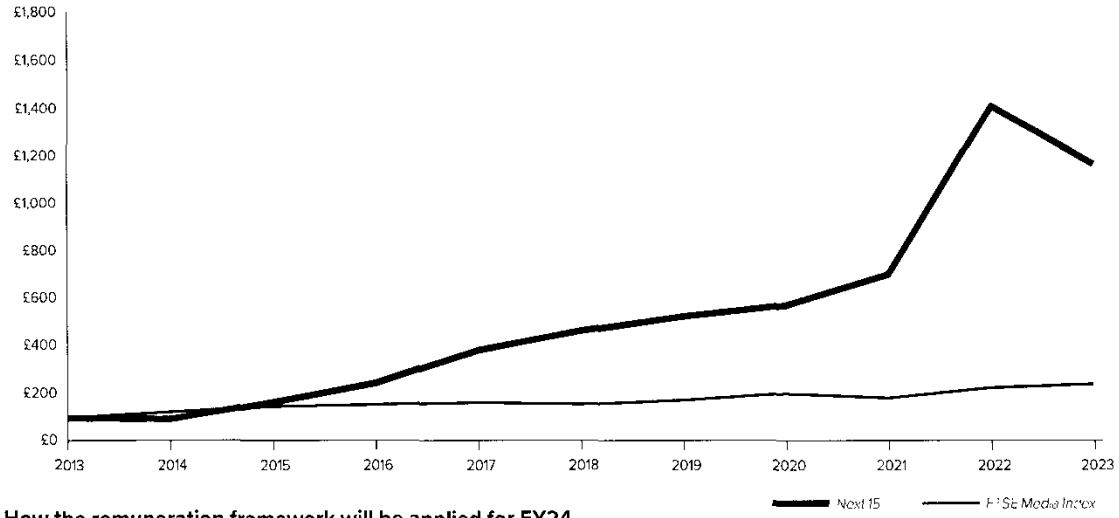
Total shareholder return

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 2023 of £100 invested in the Company on 31 January 2013 compared with £100 invested in the FTSE Media Index and demonstrates the sustained and significant total shareholder return that we have delivered to shareholders over this period.



How the remuneration framework will be applied for FY24

Salary

The CEO, CFO and COO will not receive a salary increase for FY24 as explained earlier in this report.

Executive Director	Salary with effect from 1 April 2022	**Salary with effect from 1 April 2023**	Increase
Tim Dyson	US$933,392	**US$933,392**	0%
Peter Harris	£339,900	**£339,900**	0%
Jonathan Peachey	£300,000	**£300,000**	0%

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Directors' remuneration report continued

How the remuneration framework will be applied for FY24 continued

Non-Executive Director fees

Following the review of NED remuneration fees against market benchmarks and taking into account the time commitment and scope of the NED roles the Non-Executive Chair fee and Non-Executive Director base fee will be increased by 5%.

Fee	Fee with effect from 1 April 2022	**Fee with effect from 1 April 2023**	Increase
Non-Executive Chair fee	£150,000	**£157,500**	5%
Non-Executive Director base fee	£53,000	**£55,650**	5%
Audit Committee Chair fee	£7,000	**£7,000**	—
Remuneration Committee Chair fee	£7,000	**£7,000**	—
Senior Independent Director fee	£7,000	**£7,000**	—

Pension and benefits

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

Benefits will operate in line with FY23, and policy.

Annual bonus

The annual bonus opportunity will be 100% of salary, payable in cash. Performance will be measured against adjusted operating profit (25% of total), cash conversion ratio (20% of total), organic revenue growth (25% of total), adjusted operating profit margin (20% of total) and Employer Net Promoter Score (10%). 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 2026. The awards will vest based on the achievement of the following performance conditions and targets over the three-year performance period:

Performance condition	Weighting (% of salary)	Threshold (25% vests)	Maximum (100% vests)
EPS growth over the performance period	100%	20%	40%
Average annual organic net revenue growth	25%	5%	12%
Average annual operating profit margin	25%	18%	21%

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.

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Report of the Directors

Statutory and other information

The Directors present their Annual Report together with the audited financial statements of Next 15 Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 January 2023.

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

• Key Performance Indicators	p20
• Stakeholder engagement	p28
• Section 172 statement	p30
• Employees and workers	p41
• Equity, Diversity and Inclusion	p41
• Employee engagement	p43
• Principal risks and uncertainties	p56
• Directors' interests in shares	p102

Principal activity	The principal activity of the Group during the year was that of a growth consultancy with specialist services spanning market research and data analytics to advertising, lead generation, shopper marketing, management consultancy and venture building.
Legal form	The Company is a public limited company listed on the AIM sub-market of the London Stock Exchange.
Group results and dividends	The Group's results for the period are set out in the Consolidated Income Statement on page 121. The Directors recommend a final dividend of 10.1p per Ordinary Share to be paid on 11 August 2023, which gives a total dividend of the period of 14.6p per Ordinary Share (2022: 12.0p).
Directors	Details of Directors who served during the year and biographies for Directors currently in office can be found on pages 68 to 69. 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 86 to 104. 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.
Reappointment	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. Information regarding the appointment of our Directors is included in our corporate governance report on pages 70 to 78
Corporate governance statement	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.
Share capital	At 31 March 2023 the issued share capital of the Company was £2,462,598.25 divided into 98,503,930 Ordinary Shares of 2.5p each. Details of our share capital and movements in our issued share capital are shown in note 20 to the financial statements on page 172.

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Report of the Directors continued

Directors' indemnity and insurance	In accordance with its Articles of Association the Company has entered into contractual indemnities with each of the Directors in respect of its liabilities incurred as a result of their office. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a Directors' and Officers' Liability Insurance policy throughout the period. Although the Directors' defence costs may be met, neither the Company's indemnity nor the insurance policy provides cover in the event that the Director is proved to have acted dishonestly or fraudulently.
Acquisitions	The following is a summary of Group acquisitions made in the year to 31 January 2023, more detailed disclosure of which can be found in note 26 to the financial statements. On 8 March 2022, Next 15 purchased the entire share capital of Engine Acquisition Limited and its subsidiaries. On 31 March 2022, Brandwidth Marketing Limited purchased the entire share capital of Cubaka Limited. On 31 May 2022, Activate Marketing Services LLC purchased the entire outstanding membership interests of Green Leads Holdings LLC.
Cyber security and data privacy	During the course of the year, we have made significant improvements to our information and cyber security posture, including establishing an Information Governance Board which has oversight of the cyber security and data privacy policies, programmes and operations throughout the Group. We have also appointed an in-house Data Protection Officer to have oversight of data privacy across the Group. We continue to ensure we have up-to-date policies, procedures and controls in place with regard to network security, access controls and data protection.
Likely future developments in the business of the Company	The Group's priorities for 2023/24 are disclosed in the Strategic Report on pages 1 to 67.

Research and Development ('R&D')	Our brands continue to invest in R&D to convert their intellectual property into products and to automate their work for clients. Innovations in development include: a high performance customer data platform, a highly automated market research platform and automated due diligence tools.
Health and safety	Health and safety policy is a matter for the Board, and they are aware of their responsibilities and are committed to keeping health and safety policy under review, a full evaluation is planned for the coming year. The implementation of the Group policy on health and safety sits with the Chief Financial Officer. The Group is dedicated to observing health and safety laws and government guidance in every country we operate in, and we prioritise the welfare of employees, visitors, customers and any other individual or group affected by our activities. Whilst we benefit from being a low-risk industry, in line with our values, the health and safety of our people is our primary concern.
Modern slavery statement	The Group does not tolerate modern slavery or human trafficking in our organisation or in our supply chain. We are committed across the Group to eliminate, as far as possible, the risk of modern slavery and human trafficking taking place. The Group's full policy on modern slavery can be found at www.next15.com.
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 (2022: £Nil).
Charitable donations	During the year ended 31 January 2023, the Group donated £223,428 to various charities (2022: £113,056).
Acquisition of shares	Acquisitions of shares by the Next Fifteen Employee Trust purchased during the period are as described in note 23 to the financial statements.
Financial instruments	Information on the Group's financial risk management objectives, policies and activities and on the Group's exposure to relevant risks in respect of financial instruments is set out in note 19 and in the Strategic Report on pages 1 to 67.

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External Auditor
Deloitte LLP has indicated its willingness to continue to act as External Auditor to the Company and a resolution for its reappointment, and to authorise the Board to fix their remuneration, will be proposed at the forthcoming AGM.

Disclosure of information to the External Auditor
Each of the persons who is a Director at the date of approval of this report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the Company's External Auditor is unaware; and
2. the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's External Auditor is aware of that information.

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

Annual General Meeting
The Annual General Meeting (the 'AGM') of Next 15 Group plc (the 'Company') will be held at 60 Great Portland Street, London W1W 6RT, on Thursday 6 July 2023 at 11.00a.m. We recommend that shareholders vote on all resolutions by completing an online proxy appointment form in advance of the meeting, appointing the chair of the meeting as your proxy. Shareholders can ask the Company Secretary questions using cosec@next15.com.

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

Significant shareholdings
As at 31 March 2023 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.

	2023	
	Total	%
Octopus Investments	**11,712,573**	**11.89**
Liontrust Asset Management	**11,109,518**	**11.28**
Aviva Investors	**8,694,107**	**8.83**
Slater Investments	**6,592,123**	**6.69**
abrdn	**5,725,102**	**5.81**
BlackRock	**5,386,803**	**5.47**
Tim Dyson	**4,742,275**	**4.81**

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 67. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27. In addition, note 19 to the financial statements includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors' responsibilities statement in respect of the financial statements is set out on page 108.

Approved by the Board on 24 April 2023 and signed on its behalf by:

DocuSigned by:
Mark Sanford
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Mark Sanford
Company Secretary
24 April 2023

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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 24 April 2023 and is signed on its behalf by:

DocuSigned by:
Peter Harris
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Peter Harris
Chief Financial Officer
24 April 2023

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Independent Auditor's report
to the members of Next 15 Group plc

Report on the audit of the financial statements

1. Opinion
In our opinion:

- the financial statements of Next 15 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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flow; and
- the related notes 1 to 30 and the Parent Company related notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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Independent Auditor's report continued
to the members of Next 15 Group plc

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue recognition: cut-off of project revenue; and • valuation of acquisition-related liabilities.	Within this report, key audit matters are identified as follows: (!) Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £4.5m which was determined on the basis of considering a number of different measures including adjusted profit before tax and revenue.	
Scoping	Our audit procedures provide coverage of 68% of the Group's revenue and 73% of adjusted profit before tax.	
Significant changes in our approach	There have been no significant changes in our approach from the prior year.	

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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 and consideration of the potential impact of the current macroeconomic environment;
- testing the clerical accuracy of those forecasts;
- assessing the linkage to business model and medium-term risks;
- assessing the availability of financing facilities including nature of facilities, repayment terms and covenants;
- calculating the amount of headroom in the forecasts and undertaking sensitivity analysis to determine what changes would be required to breach cash requirements or covenant compliance and assessing available mitigating activities should they be required; 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 12 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.

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Independent Auditor's report continued
to the members of Next 15 Group plc

5. Key audit matters continued
5.1. Revenue recognition: Cut-off of project revenue

Key audit matter description	The Group has recognised £720.5m of revenue for the year ended 31 January 2023 (2022: £470.1m). The amount of revenue to be recognised for projects where revenue is recognised over time and which span over the year end, requires a level of judgement and estimation. For each of these projects, management determine the proportion of the level of service performed at the year-end date. We have continued to identify the cut-off of revenue recognised for these projects as a key audit matter in the current period. Management is incentivised, both at the component level and at the Group level, according to revenue and profit growth targets. Due to the level of judgement involved, we have determined that there is potential for manipulation of this balance by management and this therefore represents a risk of fraudulent financial reporting. For further details, see page 85 of the Audit Committee report and note 1(e) to the financial statements which sets out management's accounting policy for revenue earned from project fees.

How the scope of our audit responded to the key audit matter	In order to address the key audit matter relating to revenue recognition, our audit work included:
	• obtaining an understanding of relevant controls over revenue recognition and forecasting of revenue both at the component and Group level;
	• for each component, selecting a statistical testing sample of projects that span across the year end and testing the revenue recognised, including:
	  • making enquiries of management and project teams to obtain an understanding of the specific judgements;
	  • testing the underlying calculations used to determine revenue for accuracy and completeness, including the estimated costs and time to complete, considering the costs and time incurred to date on that project and similar projects; and
	  • comparing the audit evidence obtained in respect of each sample against the project statement of work and available external correspondence to assess the timeframe for delivery of the service and any judgements made in respect of these.

Key observations	Based on our audit procedures performed, we concluded that the project revenue recognised in the period and the disclosures made in the financial statements are appropriate.

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5. Key audit matters continued

5.2. Valuation of acquisition-related liabilities

Key audit matter description

As at 31 January 2023, the Group had £204.7m of acquisition-related liabilities (2022: £178.1m) which consist mainly of contingent consideration payable based on a share of the post-acquisition profits of the businesses previously acquired. These liabilities are estimated upon acquisition and subsequently revised at the Group's financial year end.

The values of these liabilities remain highly judgemental until settled as they are based on forecast future performance of specific brands. As these liabilities are held at fair value, a change in the estimate of revenue growth or profitability of a brand could result in a material charge or release 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 £31.2m (2022: £110.7m) as set out in note 17.

We continue to identify a key audit matter in respect of the valuation of acquisition-related liabilities created by the acquisition of the Mach49 business of £183.7m (2022: £120.6m) and the associated level of estimation uncertainty. We have therefore pinpointed our identified risk to the most sensitive assumption underlying the valuation of acquisition-related liabilities, being the EBIT margin forecast.

There is a risk that these liabilities are inappropriately valued if they are based on inappropriate forecast and discount rate assumptions. Given the sensitivity, management has set out that this is a key source of estimation uncertainty in note 1 and included a sensitivity analysis in note 17 to the financial statements.

For further details, see page 85 of the Audit Committee report and see notes 1, 2 and 17 to the financial statements.

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Independent Auditor's report continued
to the members of Next 15 Group plc

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

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

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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	£4.50m (2022: £2.75m)	£4.05m (2022: £2.48m)
Basis for determining materiality	Materiality has been determined on a blended basis considering a number of different measures including adjusted profit before tax and revenue. This is consistent with the prior year.	Parent Company materiality is capped at 90% of Group materiality. Parent Company materiality represents 1.7% (2022: 1.5%) of net assets.
Rationale for the benchmark applied	Adjusted profit before income tax is a significant key performance indicator for the users of the Annual Report and financial statements. In addition, we incorporated revenue and net revenue as additional benchmarks as they reflect the growth of the Group. Materiality of £4.5m represents approximately 3.9% (2022: 3.4%) of adjusted profit before tax and 0.6% (2022: 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.

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Independent Auditor's report continued
to the members of Next 15 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% (2022: 68.5%) of Group materiality	68.5% (2022: 65.0%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. we considered the quality of the control environment and that it was not appropriate to rely on controls over a number of business processes; b. there is an effective corporate governance structure; c. low level of uncorrected misstatements; d. no prior period adjustments; and e. there is maturity within the executive management team, with little turnover.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.23m (2022: £0.14m), 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 17 components, 2 of which subject to a full-scope audit and 15 were subject to an audit of specified account balances. Our audit procedures provided coverage of 68% (2022: 70%) of the Group's consolidated revenue and 73% (2022: 83%) of the Group's adjusted profit before tax. The movement in coverage of adjusted profit before tax primarily reflects the change in mix of profit and loss-making components.

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7. An overview of the scope of our audit continued

7.1. Identification and scoping of components continued

Our audit work at the components, excluding the Parent Company, is executed at levels of materiality appropriate for such components, which in all instances are capped at 50% (2022: 50%) 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 £1,236,000 to £1,545,000 (2022: £720,000 to £1,270,000).

7.2. Our consideration of the control environment

The Group operates a range of IT systems which underpin the financial reporting process. For all components subject to either a full scope audit or audit of specified balances, we identified the relevant IT systems and obtained an understanding of the systems as part of our understanding and assessing of the control environment.

We also obtained an understanding of the relevant controls associated with the revenue process, the financial reporting process and the process for making certain accounting estimates. We identified some deficiencies in respect of those areas which meant we did not rely on these controls but instead changed the nature, timing and extent of the substantive audit procedures performed.

7.3. Our consideration of climate-related risks

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from increased occurrence of extreme weather events, regulations, government interventions, reporting obligations and inability to meet climate change targets. This is explained on page 57 in the Strategic Report, which forms part of the 'Other information', rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

The Group has not identified a material impact relating to climate change at this time. Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and assessing whether the effects of climate change on page 57 do not have a material effect on the financial statements. We also challenged the Directors' consideration of climate change in their assessment of going concern and associated disclosures.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

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

We have nothing to report in this regard.

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Independent Auditor's report continued
to the members of Next 15 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, the Directors 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; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- 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.

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

11.1 Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition: cut-off of project revenue, being the risk that management recognise the wrong amount of revenue to benefit them either in the current or future years. 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 the UK Companies Act, AIM Listing Rules and tax legislation.

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

11.2 Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; 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.

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Independent Auditor's report continued
to the members of Next 15 Group plc

Report on other legal and regulatory requirements

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

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

We have nothing to report in respect of these matters.

13.2 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 this matter.

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
24 April 2023

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Consolidated income statement

for the year ended 31 January 2023 and the year ended 31 January 2022

	Note	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Revenue	2	**720,500**	470,055
Direct costs		**(156,701)**	(107,952)
Net revenue		**563,799**	362,103
Staff costs	3	**(391,798)**	(258,945)
Depreciation	4,12,16	**(12,187)**	(9,442)
Amortisation	4,11	**(25,053)**	(19,317)
Other operating charges	4	**(67,554)**	(34,414)
Total operating charges		**(496,592)**	(322,118)
Operating profit		**67,207**	39,985
Finance expense	6	**(63,735)**	(121,384)
Finance income	7	**6,637**	1,049
Net finance expense		**(57,098)**	(120,335)
Share of profit from associate		**—**	211
Profit/(loss) before income tax		**10,109**	(80,139)
Income tax (expense)/credit	8	**(7,123)**	14,475
Profit/(loss) for the year		**2,986**	(65,664)
Attributable to:			
Owners of the Parent		**1,623**	(69,219)
Non-controlling interests		**1,363**	3,555
		2,986	(65,664)
Earnings/(loss) per share			
Basic (pence)	10	**1.7**	(74.9)
Diluted (pence)	10	**1.5**	(74.9)

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

All results relate to continuing operations.

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Consolidated statement of comprehensive income

for the year ended 31 January 2023 and the year ended 31 January 2022

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Profit/(loss) for the year	**2,986**	(65,664)
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on investments in equity instruments designated as fair value through other comprehensive income	**(448)**	7,466
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(1,323)**	(963)
Total other comprehensive (expense)/income for the year	**(1,771)**	6,503
Total comprehensive income/(expense) for the year	**1,215**	(59,161)
Total comprehensive income/(expense) attributable to:		
Owners of the Parent	**(148)**	(62,716)
Non-controlling interests	**1,363**	3,555
	1,215	(59,161)

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

All results relate to continuing operations.

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Consolidated balance sheet

as at 31 January 2023 and 31 January 2022

	Note	31 January 2023 £'000	31 January 2022 £'000
Assets			
Property, plant and equipment	12	**10,882**	7,506
Right-of-use assets	16	**28,675**	19,948
Intangible assets	11	**274,067**	183,050
Investments in financial assets		**590**	8,483
Deferred tax assets	18	**67,058**	46,350
Other receivables	13	**830**	821
Total non-current assets		**382,102**	266,158
Trade and other receivables	13	**164,175**	119,676
Cash and cash equivalents	19	**47,320**	58,216
Corporation tax asset		**829**	708
Total current assets		**212,324**	178,600
Total assets		**594,426**	444,758
Liabilities			
Loans and borrowings	19	**21,250**	22,478
Deferred tax liabilities	18	**14,152**	3,187
Lease liabilities	16	**29,482**	22,285
Other payables	14	**169**	401
Provisions	15	**14,150**	14,733
Contingent consideration	17	**151,237**	125,045
Additional contingent incentive	17	**3,829**	5,202
Share purchase obligation	17	**6,729**	9,717
Total non-current liabilities		**240,998**	203,048

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Consolidated balance sheet continued
as at 31 January 2023 and 31 January 2022

	Note	31 January 2023 £'000	31 January 2022 £'000
Trade and other payables	14	**160,006**	120,333
Lease liabilities	16	**12,286**	10,698
Provisions	15	**15,673**	7,778
Corporation tax liability		**8,159**	3,278
Deferred consideration	17	**—**	133
Additional contingent incentive	17	**2,480**	—
Contingent consideration	17	**38,169**	36,496
Share purchase obligation	17	**2,255**	1,535
Total current liabilities		**239,028**	180,251
Total liabilities		**480,026**	383,299
Total net assets		**114,400**	61,459
Equity			
Share capital	20	**2,462**	2,320
Share premium reserve		**166,174**	104,800
Share purchase reserve		**(2,673)**	(2,673)
Foreign currency translation reserve		**3,880**	5,203
Other reserves	24	**608**	608
Retained loss		**(56,503)**	(50,429)
Total equity attributable to owners of the Parent		**113,948**	59,829
Non-controlling interests		**452**	1,630
Total equity		**114,400**	61,459

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

These financial statements were approved and authorised by the Board on 24 April 2023.

DocuSigned by:
Peter Harris
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Peter Harris
Chief Financial Officer
Company number 01579589

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Consolidated statement of changes in equity

for the year ended 31 January 2023 and the year ended 31 January 2022

	Note	Share capital £'000	Share premium reserve £'000	Share purchase reserve £'000	Foreign currency translation reserve £'000	Other Reserves[1] £'000	Retained loss £'000	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 February 2022		2,320	104,800	(2,673)	5,203	608	(50,429)	59,829	1,630	61,459
Profit for the year		—	—	—	—	—	1,623	1,623	1,363	2,986
Other comprehensive (expense) for the year		—	—	—	(1,323)	—	(448)	(1,771)	—	(1,771)
Total comprehensive (expense)/ income for the year		—	—	—	(1,323)	—	1,175	(148)	1,363	1,215
Shares issued on satisfaction of vested performance shares	20	8	2,067	—	—	—	(3,053)	(978)	—	(978)
Shares issued on acquisitions	20	21	10,780	—	—	—	—	10,801	—	10,801
Shares issued on placing[2]	20	113	48,527	—	—	—	—	48,640	—	48,640
Movement in relation to share-based payments		—	—	—	—	—	6,711	6,711	—	6,711
Tax on share-based payments	8	—	—	—	—	—	1,898	1,898	—	1,898
Dividends to owners of the Parent	9	—	—	—	—	—	(12,679)	(12,679)	—	(12,679)
Movement due to ESOP share purchases		—	—	—	—	(3)	—	(3)	—	(3)
Movement due to ESOP share option exercises		—	—	—	—	3	—	3	—	3
Movement on reserves for non-controlling interests		—	—	—	—	—	(126)	(126)	126	—
Non-controlling dividend	9	—	—	—	—	—	—	—	(2,667)	(2,667)
At 31 January 2023		**2,462**	**166,174**	**(2,673)**	**3,880**	**608**	**(56,503)**	**113,948**	**452**	**114,400**

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

2 Shares issued on placing is shown net of £1.4m issue costs on issue of Ordinary Shares

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Consolidated statement of changes in equity continued

for the year ended 31 January 2023 and the year ended 31 January 2022

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

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

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

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Consolidated statement of cash flow

for the year ended 31 January 2023 and the year ended 31 January 2022

	Note	Year ended 31 January 2023 £'000	Year ended 31 January 2022 restated* £'000
Cash flows from operating activities			
Profit/(loss) for the year		**2,986**	(65,664)
Adjustments for:			
Depreciation	4,12	**4,433**	3,296
Right-of-use depreciation	4,16	**7,754**	6,146
Amortisation	4,11	**25,053**	19,317
Finance expense	6	**63,735**	121,384
Finance income	7	**(6,637)**	(1,049)
Share of profit from equity-accounted associate		**—**	(211)
Impairment of property, plant and equipment		**1,172**	1,378
Loss/(gain) on sale of property, plant and equipment	4	**68**	(189)
Loss/(gain) on exit of finance lease		**2,811**	(1,423)
Gains on investment activities		**—**	(455)
Income tax expense/(credit)	8	**7,123**	(14,475)
Employment linked acquisition provision charge		**11,971**	15,167
Settlement of employment linked acquisition payments	15	**(6,649)**	(4,101)
Share-based payment charge		**6,711**	9,463
Settlement of share-based payment in cash		**(971)**	—
Net cash inflow from operating activities before changes in working capital		**119,560**	88,584
Change in trade and other receivables		**(16,995)**	(26,842)
Change in trade and other payables		**(7,307)**	27,014
Movement in other liabilities		**(52)**	4
Change in working capital		**(24,354)**	176
Net cash generated from operations		**95,206**	88,760
Income taxes paid	8	**(20,301)**	(14,109)
Net cash inflow from operating activities		**74,905**	74,651

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Consolidated statement of cash flow continued

for the year ended 31 January 2023 and the year ended 31 January 2022

	Note	Year ended 31 January 2023 £'000	Year ended 31 January 2022 restated[1] £'000
Cash flows from investing activities			
Acquisition of subsidiaries trade and assets, net of cash acquired	26	**(70,268)**	(14,454)
Purchases of equity instruments designated at FVTOCI		**—**	(60)
Proceeds on disposal of investments in financial assets		**7,452**	—
Acquisition of property, plant and equipment	12	**(3,485)**	(3,107)
Proceeds on disposal of property, plant and equipment		**2**	20
Acquisition of intangible assets	11	**(3,491)**	(2,694)
Net movement in long-term cash deposits		**(13)**	(73)
Income from finance lease receivables		**2,228**	1,767
Interest received	7	**113**	69
Net cash outflow from investing activities		**(67,462)**	(18,532)
Net cash inflow from operating and investing activities		**7,443**	56,119
Cash flows from financing activities			
Payment of contingent and deferred consideration	17	**(34,656)**	(9,527)
Issue of share capital	20	**50,006**	—
Issue costs on issue of Ordinary Shares		**(1,365)**	—
Repayment of lease liabilities	16	**(16,510)**	(11,993)
Increase in bank borrowings and overdrafts		**100,281**	32,091
Repayment of bank borrowings and overdrafts		**(101,795)**	(22,518)
Interest paid	6	**(1,794)**	(424)
Dividend and profit share paid to non-controlling interest partners	9	**(2,667)**	(2,538)
Dividend paid to shareholders of the Parent	9	**(12,679)**	(9,832)
Net cash outflow from financing activities		**(21,179)**	(24,741)
Net (decrease)/increase in cash and cash equivalents		**(13,736)**	31,378
Cash and cash equivalents at beginning of the year		**58,216**	26,831
Exchange gain on cash held		**2,840**	7
Cash and cash equivalents at end of the year		**47,320**	58,216

1 Comparatives have been restated, as explained in the FY22 restatements section on page 129

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

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Notes to the accounts
for the year ended 31 January 2023

1 Accounting policies
Next 15 Group plc (the 'Company') is a public limited company incorporated and registered in England and Wales. The address of the registered office is given on page 210. The consolidated financial statements include the Company and its subsidiaries (together, the 'Group') and its interests in associates, as disclosed in note 27.

The significant 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 statement) 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.

FY22 Restatements
During the year, we received a letter from the Financial Reporting Council ('FRC') including questions on certain aspects of our consolidated financial statements for the year ended 31 January 2022. As a result of the matters raised, the Group has revisited the classification of certain payments within our consolidated statement of cash flow against IAS 7 and as a result have restated the consolidated statement of cash flow as required to reclassify certain acquisition related payments.

For the year ended 31 January 2022, cash payments amounting to £4.1m that were classified as cash flows from investing activities which related to employment linked post-acquisition payments have been reclassified as cash flows from operating activities before changes in working capital. In addition, the remaining cash payments of contingent consideration of £9.5m which were classified as cash flows from investing activities have been reclassified as cash flows from financing activities, as these payments are considered to settle a long-term liability that financed the acquisition.

B. New and amended standards adopted by the Group
The Group has adopted the following new accounting pronouncements which became effective this year:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments listed above did not have a material impact on the Group's results or financial position.

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Notes to the accounts continued
for the year ended 31 January 2023

1 Accounting policies continued

C. Basis of consolidation

The Group's financial statements consolidate the results of the Company and all of its subsidiary undertakings ('Group'), 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 accuisition-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.

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 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.

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1 Accounting policies continued

E. Revenue and other income

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

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

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.

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Notes to the accounts continued
for the year ended 31 January 2023

1 Accounting policies continued

E. Revenue and other income *continued*

Accrued and deferred income

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

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

Finance income

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

F. Intangible assets

Goodwill

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

Software

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

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

Trade names

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

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1 Accounting policies continued

F. Intangible assets *continued*

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.

G. Property, plant and equipment

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

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

H. Impairment

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

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

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

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Notes to the accounts continued
for the year ended 31 January 2023

1 Accounting policies continued

H. Impairment *continued*

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

I. Foreign currency

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

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

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

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

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

J. Operating segments

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

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.

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1 Accounting policies continued

K. Financial instruments *continued*

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 transaction cost and will subsequently be measured at amortised cost less allowances for impairment.

Cash and cash equivalents

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit loss ('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, as the Group considers these movements as re-measurements of long-term financing arrangements rather than movements arising from the operating activities of the Company. Payments of contingent consideration are considered as settling a long-term liability that financed the acquisition and therefore the cash payments are classified as cash flows from financing activities.

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.

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

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Notes to the accounts continued
for the year ended 31 January 2023

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, as the Group considers these movements as re-measurements of long-term financing arrangements rather than movements arising from the operating activities of the Company.

Additional contingent incentive
The Group has an additional contingent incentive scheme for the sellers of Activate Marketing Services LLC ('Activate'), which was put in place subsequent to the acquisition. The scheme follows on from the earnout payments for Activate that were in place on acquisition and effectively results in an increase to the original cap included within the acquisition agreement. Despite no service requirements included within the new scheme, this is treated as remuneration for the sellers of Activate who are current employees. A portion of the scheme is settled in cash which the Group has accounted for as a cash settled employee benefit under IAS 19, resulting in a recognition of the liability contingent on the future of the performance of Activate. The valuation of the liability is calculated based on the present value of the ultimate expected payment and any subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement within finance income/expense.

The remaining portion of the scheme is settled in equity and has been accounted for under IFRS 2.

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.

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1 Accounting policies continued

K. Financial instruments *continued*

Hedging activities continued

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

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

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

L. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material. Provisions are created for 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. At each reporting date, the Group revises its estimates of the number of equity instruments expected to vest and the cumulative expense is adjusted for failure to achieve non-market performance vesting conditions.

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

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Notes to the accounts continued
for the year ended 31 January 2023

1 Accounting policies continued

N. Share-based payments *continued*

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

O. Leased assets

The Group leases various assets, comprising mostly of properties and office equipment. The Group assesses whether a contract is or contains a lease, at inception of a contract, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (approximately less than £5,000), where the Group has elected to use the exemption. The total rentals payable under these leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

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

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.

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1 Accounting policies continued

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Q. Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

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Notes to the accounts continued
for the year ended 31 January 2023

1 Accounting policies continued

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. Further detail of the acquired intangibles is included in note 26. 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. Presentation of payments of earn-out liabilities

The classification of payments in relation to the Group's earn-out liabilities including contingent consideration and share purchase obligation within the consolidated statement of cash flow, requires judgement. The Group determines the settlement of both the initial estimate and subsequent remeasurement as a single settlement of a liability outstanding for several years that financed an acquisition. Therefore, the payment of contingent consideration and other earn-out liabilities are classified as cash flows from financing activities. For consistency, the Group also classifies the subsequent movement in the present value of the expected consideration, including changes in estimate of future contingent consideration payable and future share purchase obligations, to be recognised within finance expense/income.

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.

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1 Accounting policies continued

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

Key sources of estimation uncertainty continued

III. Contingent consideration, share purchase obligation and valuation of put options

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which, if incorrect, could result in a material adjustment to the value of these liabilities within the next financial year. Further details, including sensitivity analysis, are contained in note 17.

U. New standards and amendments not applied

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards which have been published but are only effective for accounting periods beginning on or after 1 February 2023 or later periods. These new pronouncements are listed below:

- Amendments to IFRS 17 'Insurance Contracts';
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current';
- Amendments to IAS 8 'Definition of Accounting Estimates'; and
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

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 those reportable segments the Group operates a number of separate businesses which generally offer complementary products and services to their customers.

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Notes to the accounts continued
for the year ended 31 January 2023

2 Segment information continued
Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, amortisation of acquired intangibles and other costs not associated with the performance of the business, details of which are included in the Glossary section on page 199. Total adjusted operating profit is reconciled to operating profit in note A2 to the Glossary, which in turn is reconciled to statutory profit before tax in the Consolidated Income Statement. Head Office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transformation £'000	Head Office £'000	Total £'000
Year ended 31 January 2023						
Revenue	**360,192**	**148,925**	**70,326**	**141,057**	**—**	**720,500**
Adjusted operating profit/(loss) after interest on lease liabilities	**55,432**	**30,191**	**11,049**	**43,855**	**(26,358)**	**114,169**
Year ended 31 January 2022						
Revenue	238,275	120,182	56,325	55,273	—	470,055
Adjusted operating profit/(loss) after interest on lease liabilities	40,434	28,501	9,023	15,221	(13,832)	79,347

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 January 2023						
Revenue	**311,071**	**14,110**	**371,972**	**23,347**	**—**	**720,500**
Adjusted operating profit/(loss) after interest on lease liabilities	**42,460**	**2,826**	**93,463**	**1,778**	**(26,358)**	**114,169**
Non-current assets[1]	**199,093**	**1,026**	**112,440**	**1,065**	**—**	**313,624**
Year ended 31 January 2022						
Revenue	189,586	11,375	249,687	19,407	—	470,055
Adjusted operating profit/(loss) after interest on lease liabilities	30,910	2,504	58,355	1,410	(13,832)	79,347
Non-current assets[1]	97,638	1,106	110,804	956	—	210,504

1 Total non-current assets excluding £0.6m of investments in financial assets (2022: £8.5m), £67.1m of deferred tax assets (2022: £46.4m) and £0.8m of other receivables (2022: £0.8m) has been presented

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3 Employee information

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

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Wages and salaries	**339,062**	213,850
Social security costs	**26,057**	15,619
Pension costs	**7,997**	4,848
Share-based payment charge (note 21)	**6,711**	5,565
Charge for other employee incentive scheme	**—**	3,896
Employment-related acquisition payments (note 15)	**11,971**	15,167
	391,798	258,945

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

	Year ended 31 January 2023	Year ended 31 January 2022
UK	**2,088**	1,174
Europe and Africa	**129**	109
US	**1,125**	907
Asia Pacific	**503**	425
Head Office	**134**	71
	3,979	2,686

Key management personnel are considered to be the Board of Directors as set out on pages 68 to 69.

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Notes to the accounts continued
for the year ended 31 January 2023

3 Employee information continued
Directors' remuneration consists of:

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Short-term employee benefits	**2,448**	1,629
Pension costs	**119**	107
Share-based payment charge	**1,661**	1,136
Non-Executive Directors' remuneration	**366**	266
	4,594	3,138

The highest paid Director received total emoluments of £1,486,000 (2022: £1,174,000).

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

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Depreciation of owned property, plant and equipment	**4,433**	3,296
Depreciation of right-of-use assets	**7,754**	6,146
Amortisation of intangible assets	**25,053**	19,317
Impairment of property, plant and equipment	**1,172**	1,378
Impairment of right-of-use assets	**5,752**	1,761
Gain/(loss) on sale and impairment of property, plant and equipment	**68**	(189)
Share-based payment charge	**6,711**	5,565
Charge for other employee incentive scheme	**—**	3,896
Employment-related acquisition payments	**11,971**	15,167
Short-term sublease income	**(7)**	(12)
Short-term lease expense	**862**	413
Low-value lease expense	**19**	17
UK furlough grant – adjusted (see glossary page 199)	**—**	1,396
Foreign exchange (gain)/loss	**(1,592)**	186

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5 Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and their associates:

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements	**650**	474
The auditing of financial statements of the subsidiaries pursuant to legislation	**4**	4
Non-audit services:		
Other assurance services	**7**	5
	661	483

6 Finance expense

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Financial liabilities at amortised cost		
Bank interest payable	**1,791**	398
Interest on lease liabilities (note 16)	**1,365**	1,043
Financial liabilities at fair value through profit and loss		
Unwinding of discount on share purchase obligation (note 17)	**1,425**	811
Change in estimate of future share purchase obligation (note 17)	**348**	3,898
Unwinding of discount on contingent and deferred consideration (note 17)	**21,460**	7,488
Change in estimate of future contingent consideration payable (note 17)	**37,343**	107,720
Other		
Other interest payable	**3**	26
Finance expense	**63,735**	121,384

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Notes to the accounts continued
for the year ended 31 January 2023

7 Finance income

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Financial assets at amortised cost		
Bank interest receivable	**103**	35
Finance lease interest receivable	**50**	65
Financial liabilities at fair value through profit and loss		
Change in estimate of future share purchase obligation (note 17)	**4,131**	—
Change in estimate of future contingent consideration (note 17)	**2,343**	915
Other		
Other interest receivable	**10**	34
Finance income	**6,637**	1,049

8 Taxation
The major components of income tax expense for the year ended 31 January 2023 and year ended 31 January 2022 are:

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Consolidated Income Statement		
Current income tax		
Current income tax expense	**25,457**	17,109
Adjustments in respect of current income tax in prior years	**(1,829)**	(312)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(15,778)**	(31,244)
Adjustments in respect of deferred tax for prior years	**(727)**	(28)
Income tax expense/(credit) reported in the Consolidated Income Statement	**7,123**	(14,475)
Consolidated Statement of Changes in Equity		
Tax credit relating to share-based payment	**(1,898)**	(2,757)
Income tax benefit reported in equity	**(1,898)**	(2,757)

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8 Taxation continued

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2022: 19%). The difference is explained below:

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Factors affecting the tax charge/(credit) for the year		
Profit/(loss) before income tax	**10,109**	(80,139)
Corporation tax expense at 19% (2022: 19%)	**1,921**	(15,226)
Effects of:		
Disallowed expenses	**5,482**	5,315
Non-taxable items in determining taxable profit	**(1,095)**	—
Recognition of previously unrecognised tax losses	**(355)**	(2)
Non-utilisation of tax losses	**121**	21
Higher rates of tax on overseas earnings	**4,004**	(4,117)
Deduction for overseas taxes	**(862)**	(126)
Adjustments in respect of prior years	**(2,093)**	(340)
	7,123	(14,475)

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2022: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Net corporation tax paid during the year totalled £20.3m (2022: £14.1m).

9 Dividend

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Dividends paid during the year		
Final dividend paid for prior year of 8.4p per Ordinary Share (2022: 7.0p)	**8,251**	6,491
Interim dividend paid of 4.5p per Ordinary Share (2022: 3.6p)	**4,428**	3,341
	12,679	9,832
Non-controlling interest dividend[1]	**2,667**	2,538

1 During the year, a profit share was paid to the holders of the non-controlling interest of Blueshirt of £336,059 (2022: £194,506), M Booth of £743,084 (2022: £489,732) and BCA of £1,586,210 (2022: £1,854,029).

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9 Dividend continued

The ESOP waived its right to dividends in the financial years ended 31 January 2023 and 2022.

A final dividend of 10.1p per share (2022: 8.4p) has been proposed, which is a total amount of £9,948,897 (2022: £7,796,136). This has not been accrued. This makes the total dividend for the year 14.6p per share (2022: 12.0p). The final dividend, if approved at the AGM on 6 July 2023, will be paid on 11 August 2023 to all shareholders on the Register of Members as at 7 July 2023. The ex-dividend date for the shares is 6 July 2023.

10 Earnings per share

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Profit/(loss) attributable to ordinary shareholders	**1,623**	(69,219)
	Number	Number
Weighted average number of Ordinary Shares	**97,635,507**	92,395,619
Dilutive LTIP & options shares	**2,279,528**	2,389,017
Dilutive growth deal shares[1]	**2,373,445**	916,215
Other potentially issuable shares	**3,392,207**	2,386,786
Diluted weighted average number of Ordinary Shares	**105,680,687**	98,087,637
Basic profit/(loss) per share	**1.7p**	(74.9)p
Diluted profit/(loss) per share[2]	**1.5p**	(74.9)p

1 This relates to the brand equity appreciation rights as discussed in note 1, section N

2 In the prior year, the weighted average shares used in the basic loss per share calculation has also been used for the reported diluted loss per share due to the anti-dilutive effect of the weighted average shares calculation for the reported diluted loss per share

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11 Intangible assets

	Software £'000	Trade names £'000	Customer relationships[3] £'000	Non-compete agreements £'000	Goodwill £'000	Total £'000
Cost						
At 31 January 2021	14,528	18,337	72,868	8,060	125,454	239,247
Additions	40	—	—	—	—	40
Capitalised internal development	2,614	—	—	—	—	2,614
Acquired through business combinations	810	1,795	15,830	913	14,994	34,342
Disposals	(11)	—	—	—	—	(11)
Exchange differences	15	226	562	72	1,107	1,982
At 31 January 2022	17,996	20,358	89,260	9,045	141,555	278,214
Additions	455	—	—	—	—	455
Capitalised internal development	3,036	—	—	—	—	3,036
Acquired through business combinations[1]	10	4,346	50,342	272	50,394	105,364
Disposals	(75)	—	—	—	—	(75)
Exchange differences	74	930	2,838	306	5,428	9,576
At 31 January 2023	**21,496**	**25,634**	**142,440**	**9,623**	**197,377**	**396,570**
Amortisation and impairment						
At 31 January 2021	9,662	7,326	43,074	4,638	10,770	75,470
Charge for the year	2,122	1,576	14,530	1,089	—	19,317
Disposals	(18)	—	—	—	—	(18)
Exchange differences	10	98	348	38	(99)	395
At 31 January 2022	11,776	9,000	57,952	5,765	10,671	95,164
Charge for the year[2]	2,135	2,116	19,764	1,038	—	25,053
Disposals	(71)	—	—	—	—	(71)
Exchange differences	72	381	1,606	146	152	2,357
At 31 January 2023	**13,912**	**11,497**	**79,322**	**6,949**	**10,823**	**122,503**
Net book value at 31 January 2023	**7,584**	**14,137**	**63,118**	**2,674**	**186,554**	**274,067**
Net book value at 31 January 2022	6,220	11,358	31,308	3,280	130,884	183,050

1 During the year, the Group acquired Engine Acquisition Limited, Cubaka and Green Leads 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 year includes acquired intangibles of £1,038,000 for non-compete agreements, £19,764,000 for customer relationships, £2,116,000 for trade names and £270,000 relating to software

3 Customer relationships includes individually significant balances with a carrying amount of £41,168,000, relating to identified customer relationships that was recognised on the acquisition of Engine Acquisition Limited, which are to be amortised until February 2030 and an amount of £5,934,000, relating to identified customer relationships that was recognised on the acquisition of Shopper Media Group Limited, which are to be amortised until March 2025

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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:

	2023 £'000	2022 £'000
Archetype	**8,268**	8,268
Outcast (US)	**13,471**	12,356
M Booth (US)	**22,888**	20,993
Blueshirt (US)	**5,570**	5,109
Savanta[1]	**13,657**	12,832
ODD[2]	**—**	4,950
Publitek	**9,889**	9,873
Twogether	**10,620**	10,620
Velocity	**5,653**	5,653
elvis	**2,179**	2,179
Activate (US)[3]	**7,704**	5,510
Brandwidth[4]	**3,041**	2,212
Planning-inc	**2,157**	2,157
CRE	**4,351**	4,351
Mach49 (US)	**9,783**	8,973
SMG	**8,766**	8,766
BCA (US)	**2,706**	2,482
House 337	**11,122**	—
MHP	**24,468**	—
Transform	**16,682**	—
Other[5]	**3,579**	3,600
	186,554	130,884

1 The goodwill in Savanta has increased in the year due to the acquisition of a number of small acquisitions (£567,000) and the remainder of the change is due to change in foreign exchange

2 The goodwill in ODD has been moved into House 337 following the merger during the year

3 The goodwill in Activate has increased in the year due to the acquisition of Green Leads (£1,696,000) and the remainder of the change is due to change in foreign exchange

4 The goodwill in Brandwidth has increased in the year due to the acquisition of Cubaka (£830,000)

5 Other goodwill represents goodwill on a number of CGUs, none of which is individually significant in comparison to the total carrying value of goodwill.

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11 Intangible assets continued

Impairment testing for cash-generating units containing goodwill *continued*

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 2023. 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 FY24 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 FY24 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% (2022: 2%), 1.5% (2022: 1.5%) and 1% (2022: 1%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 2% (2022: 2%), 1.5% (2022: 2%) and 3% (2022: 3%) respectively.

Sensitivity analysis

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations. The Group has performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY24 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.

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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 FY24 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% (2022: 11.9%), 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 and reference to market yields of long-term government bonds. This rate is already in the higher end of the spectrum amongst its peers, and the Board views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

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12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 January 2021	13,054	8,643	3,362	2	25,061
Exchange differences	196	45	12	—	253
Additions	475	2,341	290	—	3,106
Acquired through business combinations	—	51	105	—	156
Disposals	(602)	(1,343)	(1,391)	(2)	(3,338)
At 31 January 2022	13,123	9,737	2,378	—	25,238
Exchange differences	929	471	171	—	1,571
Additions	740	2,598	140	7	3,485
Acquired through business combinations	4,125	896	139	—	5,160
Disposals	(570)	(1,086)	(536)	—	(2,192)
At 31 January 2023	**18,347**	**12,616**	**2,292**	**7**	**33,262**
Accumulated depreciation					
At 31 January 2021	7,022	6,918	2,215	2	16,157
Exchange differences	139	25	16	—	180
Charge for the year	1,382	1,495	419	—	3,296
Impairment	1,378	—	—	—	1,378
Disposals	(750)	(1,338)	(1,189)	(2)	(3,279)
At 31 January 2022	9,171	7,100	1,461	—	17,732
Exchange differences	665	362	154	—	1,181
Charge for the year	1,788	2,328	315	2	4,433
Impairment	1,013	148	11	—	1,172
Disposals	(465)	(1,140)	(533)	—	(2,138)
At 31 January 2023	**12,172**	**8,798**	**1,408**	**2**	**22,380**
Net book value at 31 January 2023	**6,175**	**3,818**	**884**	**5**	**10,882**
Net book value at 31 January 2022	3,952	2,637	917	—	7,506

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Notes to the accounts continued
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13 Trade and other receivables

	2023 £'000	2022 £'000
Current		
Trade receivables	**132,675**	94,591
Less: provision for impairment of trade receivables	**(1,276)**	(591)
Trade receivables – net	**131,399**	94,000
Other receivables	**3,136**	2,405
Prepayments	**8,435**	5,385
Accrued income	**19,100**	14,112
Finance lease receivables	**2,105**	3,774
	164,175	119,676
Non-current		
Rent deposits	**830**	821

Trade receivables disclosed above are measured at amortised cost. There were no significant changes in the accrued income balances during the reporting period, other than the increase reflecting the significant growth in revenue year on year.

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less

As of 31 January 2023, trade receivables of £1,276,000 (2022: £591,000) were impaired. Movements in the provision were as follows:

	2023 £'000	2022 £'000
At start of year	**591**	476
Provision for receivables impairment	**1,075**	415
Receivables written off during the year as uncollectable	**(302)**	(233)
Unused amounts reversed	**(131)**	(76)
Foreign exchange movements	**43**	9
At end of year	**1,276**	591

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.

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13 Trade and other receivables continued

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

	2023 £'000	2022 £'000
Not past due	**94,978**	63,637
Up to 30 days	**20,761**	18,968
31 to 60 days	**10,059**	6,880
Greater than 61 days	**5,601**	4,515
At end of year	**131,399**	94,000

14 Trade and other payables

	2023 £'000	2022 £'000
Current		
Trade creditors	**28,485**	23,254
Other taxation and social security	**9,538**	8,421
Vacation accruals	**3,036**	1,930
Other creditors	**10,730**	10,925
Accruals	**45,160**	29,513
Deferred income	**63,057**	46,290
	160,006	120,333
Non-current		
Other creditors	**169**	401
	169	401

The Group considers that the carrying amount of trade and other payables approximates to their fair value with the exception of obligations under finance leases; refer to note 19.

There were no significant changes in the deferred income balances during the reporting period, other than the increase reflecting the change in revenue. All the brought forward deferred income balance was recognised as revenue in the current reporting period. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

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15 Provisions

	Property[1] £'000	Acquisition payments[2] £'000	Other[3] £'000	Total £'000
At 31 January 2021	695	11,595	506	12,796
Additions	4	15,167	—	15,171
On acquisition of subsidiary	—	—	—	—
Used during the year[4]	—	(5,454)	—	(5,454)
Exchange differences	(4)	2	—	(2)
At 31 January 2022	695	21,310	506	22,511
Additions	—	11,971	26	11,997
On acquisition of subsidiary	1,698	—	1,732	3,430
Used during the year[4]	(99)	(8,034)	—	(8,133)
Exchange differences	18	—	—	18
At 31 January 2023	**2,312**	**25,247**	**2,264**	**29,823**
Current	**76**	**15,597**	**—**	**15,673**
Non-current	**2,236**	**9,650**	**2,264**	**14,150**

1 Property provisions are primarily for dilapidations and include assumptions of a cost per square foot required to make good the property at the end of the lease.

2 Acquisition payments are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision. As the amount of consideration relating to these acquisitions are not capped, the maximum amount of the resulting outflow is not capped.

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

4 The amounts utilised during the year in relation to acquisition payments were settled £6.6m in cash and £1.4m in shares (2022: £4.1m in cash and £1.4m in shares).

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16 Leases

The movements in the year ended 31 January 2023 were as follows:

Right-of-use assets	Land and buildings £'000
Cost	
At 1 February 2021	45,602
Exchange differences	688
Additions	1,379
Acquired through business combinations	398
Disposals	(787)
At 31 January 2022	47,280
Exchange differences	3,386
Additions	1,163
Acquired through business combinations	19,881
Disposals	(3,278)
At 31 January 2023	**68,432**
Accumulated depreciation	
At 1 February 2021	19,594
Exchange differences	470
Charge for the year	6,146
Impairment	1,761
Disposals	(639)
At 31 January 2022	27,332
Exchange differences	2,185
Charge for the year	7,754
Impairment	5,752
Disposals	(3,266)
At 31 January 2023	**39,757**
Net book value at 31 January 2023	**28,675**
Net book value at 31 January 2022	19,948

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16 Leases continued

Lease liabilities:	Land and buildings £'000
At 1 February 2022	32,983
Exchange differences	2,702
On acquisition of subsidiary	23,216
Additions	1,123
Interest expense related to lease liabilities	1,365
Disposals	(3,111)
Repayment of lease liabilities	(16,510)
At 31 January 2023	**41,768**
Current	**12,286**
Non-current	**29,482**

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:

	2023 £'000	2022 £'000
Depreciation of right-of-use assets	**7,754**	6,146
Short-term lease expense	**862**	413
Low-value lease expense	**19**	17
Short-term sublease income	**(7)**	(12)
Charge to operating profit	**8,628**	6,564
Sublease finance income	**(50)**	(65)
Lease liability interest expense	**1,365**	1,043
Lease charge to profit before income tax	**9,943**	7,542

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16 Leases continued

The maturity of the lease liabilities is as follows:

	2023 £'000	2022 £'000
Amounts payable:		
Within one year	**13,282**	11,448
In two to five years	**29,969**	21,427
After five years	**986**	2,006
Total gross future liability	**44,237**	34,881
Effect of discounting	**(2,469)**	(1,898)
Lease liability at 31 January	**41,768**	32,983

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

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17 Other financial liabilities

	Deferred consideration £'000	Contingent consideration[1] £'000	Additional contingent incentive £'000	Share purchase obligation £'000	Total £'000
At 31 January 2021	1,262	45,894	—	6,508	53,664
Arising during the year[1]	—	9,073	3,888	—	12,961
Changes in estimates[2]	—	106,805	869	3,898	110,703
Exchange differences	—	3,795	170	35	4,000
Utilised[3]	(1,300)	(10,199)	—	—	(11,499)
Reclassification	133	(133)	—	—	—
Unwinding of discount	38	6,306	275	811	8,299
At 31 January 2022	133	161,541	5,202	11,252	178,128
Arising during the year[1]	—	1,779	—	—	1,779
Changes in estimates[2]	—	35,144	(144)	(3,783)	31,217
Exchange differences	—	13,302	467	136	13,905
Utilised[3]	(160)	(43,009)	—	(46)	(43,215)
Reclassification	—	—	—	—	—
Unwinding of discount	27	20,649	784	1,425	22,885
At 31 January 2023	**—**	**189,406**	**6,309**	**8,984**	**204,699**
Current	**—**	**38,169**	**2,480**	**2,255**	**42,904**
Non-current	**—**	**151,237**	**3,829**	**6,729**	**161,795**

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Engine, Cubaka and Green Leads, as well as a number of other acquisitions, none of which are material to the Group (2022: SMG and BCA). 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 £34.7m in cash and £8.5m in shares (2022: £9.5m in cash and £2.0m 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 FY24 budget with further consideration being given to current and forecast wider market conditions, together with current trading and recent significant contract wins. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earn-out period and discounted back to present value using a pre-tax discount rate.

During the year, earnout liabilities increased by a net £26.6m, primarily driven by changes in estimate of £33.8m relating to the Mach49 business. This change in estimate was driven both by revised assumptions for the underlying growth rate of the Mach49 business, but principally due to revised assumption of the profit margin relating to the significant contract win at the start of the year. The profit associated with this contract has significantly increased the estimated earnout liability, which management has agreed to cap at US$300m on an undiscounted basis.

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17 Other financial liabilities continued

Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. If the judgements around future revenue growth, profit margins and discount rates change, this could result in a material adjustment to the value of these liabilities within the next financial year. An increase in the liability would result in an increase in finance expense, while a decrease would result in a further gain.

Sensitivity analysis

At 31 January 2023, the weighted average revenue growth rate in estimating future financial performance was 25.1% and the weighted average profit margin was 36.1%. The discount rate applied to these obligations at 31 January 2023 ranged from 12.7% to 13.8%. For the most significant individual earn-out sensitive to changes to the inputs, a revenue growth rate of 26% and a profit margin of 37% was used. The discount rate applied to this most significant earn-out was 13.8%.

The following table shows the increase to the value of the combined liabilities due to earn-out agreement which would occur were there to be a reasonable possible increase in the next reporting period of up to 15% in the estimated future revenue growth rate, profit margin and the discount rate. A range of percentage point increases/decreases applied to the assumptions used by management have been shown below.

	5% change £'000	10% change £'000	15% change £'000
Increase in net revenue growth rate	**1,542**	**3,171**	**6,468**
Increase in profit margin	**7,675**	**13,136**	**20,568**
Increase in discount rate	**(16,115)**	**(29,897)**	**(41,782)**

There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing by one year on the earn-out agreements would have approximately a £855,000 impact on the liabilities.

When changing the estimated future revenue growth rate, profit margin and the discount rate by a reasonable possible increase in the next reporting period of up to 15% for the most sensitive individual earn-out, the value of the liability is impacted as follows:

	5% change £'000	10% change £'000	15% change £'000
Decrease in net revenue growth rate	**(7,185)**	**(24,629)**	**(30,920)**
Decrease in profit margin	**(16,599)**	**(42,030)**	**(60,792)**
Increase in discount rate	**(14,614)**	**(27,106)**	**(37,876)**

Litigation

During the year, a former minority shareholder and employee of the Group's largest US agency filed a legal claim against the other founding shareholders of the subsidiary and the Group amongst others, relating to their entitlement to a share in the business. The claim is in its early stages of legal proceedings. The Group strongly disputes these claims and is defending the claim. The Group has appointed legal advisors and having discussed the claim with them, determines a future outflow is not probable and therefore no provision has been made in relation to the claim.

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Notes to the accounts continued
for the year ended 31 January 2023

17 Other financial liabilities continued

Litigation *continued*

No specific amount has been claimed and at this stage the outcome of this claim is inherently uncertain. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires the disclosure of an estimate of the financial effect of any contingent liability, separate from the effect of any possible reimbursement. Whilst no specific estimate of potential gross outflow can be made given the stage of this claim, the claimant may seek a proportion of the earnout valuation of this agency, which is disclosed elsewhere in this note. Given the Group is only subject to certain claims, it is not clear what proportion of the earnout valuation this will represent, and how any such claim would be apportioned between the Group and other parties were it to result in a future outflow.

The Group cannot credibly estimate the timing or quantum of any outflow, but the Directors believe that any financial outflow against Next 15 will be primarily offset by reimbursement through an indemnity given at the time of the acquisition and therefore any overall financial impact for Next 15 would be immaterial.

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	Excess tax basis over book basis of intangible assets £'000	Other temporary differences £'000	Tax losses £'000	Total £'000
At 31 January 2021	(280)	207	1,488	123	(4,160)	8,042	6,446	219	12,085
Credit to income	85	22	1,319	24	1,098	28,036	528	160	31,272
Exchange differences	(2)	3	—	3		533	175	(3)	709
Acquisitions	(25)	—	—	—	(3,392)		—	—	(3,417)
Taken to equity	—	—	2,514	—	—		—	—	2,514
At 31 January 2022	(222)	232	5,321	150	(6,454)	36,611	7,149	376	43,163
Reclassification	11	—	—	—	—	—	18	—	29
Credit to income	(49)	(4)	1,927	91	2,460	12,782	(522)	(80)	16,505
Exchange differences	(25)	19	—	11	—	2,876	607	31	3,519
Acquisitions	528	—	—	—	(12,653)	—	357	77	(11,691)
Taken to equity	—	—	1,381	—	—	—	—	—	1,381
At 31 January 2023	**143**	**247**	**8,629**	**252**	**(16,647)**	**52,269**	**7,609**	**404**	**52,906**

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18 Deferred taxation continued

The Company offsets deferred tax assets and deferred tax liabilities in accordance with the requirements set forth in paragraph 74 of IAS 12. The Group maintains tax groups in both the United Kingdom and United States which result in the offsetting of deferred tax assets and deferred tax liabilities of multiple entities as described in paragraph 74(b)(ii) of IAS 12. After offsetting under IAS 12 deferred tax assets and liabilities are recognised in the Consolidated Balance Sheet as follows:

	2023 £'000	2022 £'000
Net deferred tax balance		
Deferred tax assets	**67,058**	46,350
Deferred tax liabilities	**(14,152)**	(3,187)
Net deferred tax asset	**52,906**	43,163

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. Deferred tax assets are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

The deferred tax asset for the excess tax basis over book basis of intangible assets is subject to significant volatility should managements estimates change around contingent consideration, an area of significant judgement (see note 17).

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £14m (2022: £0.4m).

Tax losses and tax credits for which no deferred tax asset was recognised:

	31 January 2023		31 January 2022	
As at 31 January	**Gross amount**	**Tax effected**	Gross amount	Tax effected
Tax losses expiring:				
Within 10 years	**52**	**13**	132	33
More than 10 years	**3**	**—**	2	—
Available indefinitely	**55,826**	**13,962**	2,070	411
Total	**55,881**	**13,975**	2,204	444
Tax credits expiring:				
Within 10 years	**n/a**	**501**	n/a	686
More than 10 years	**n/a**	**—**	n/a	—
Available indefinitely	**n/a**	**—**	n/a	—
Total	**n/a**	**501**	n/a	686

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Notes to the accounts continued
for the year ended 31 January 2023

18 Deferred taxation continued

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 £14.9m (2022: £10.4m). 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.

Finance No. 2 Bill 2021 increases the UK corporation tax rate from 19% to 25% effective 1 April 2023. The Bill was considered substantively enacted under on 24 May 2021 and subsequently received Royal Assent on 10 June 2021. In accordance with IAS 12 deferred tax for temporary differences that are forecast to unwind in the UK on or after 1 April 2023 have been re-measured and recognised at 25%.

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 2023, based on year-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	**2023 £'000**	2022 £'000
Group	+200	**(440)**	(455)

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19 Financial instruments continued

Liquidity risk

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

On 20 September 2021, the Group agreed a £60m revolving credit facility ('RCF') with HSBC and Bank of Ireland. The facility had a maturity date of September 2024 with an option to extend for a further two years. As part of the arrangement, the Group had a £40m accordion option to facilitate future acquisitions. At the start of this year, £20m of this accordion was committed and available within the RCF.

Subsequent to this and in relation to the Group's offer for M&C Saatchi, the Group entered into an agreement, amending and restating the existing facility agreement on 20 May 2022. The total amount available under the amended and restated facilities agreement was £150m, comprising of a £50m term facility and increasing the RCF to £100m. The facility has a maturity date of 20 May 2025 with an option to extend. Under the amended and restated facilities agreement, £57.5m was available on a certain funds basis to be used for the acquisition of M&C Saatchi. As a result of the offer to acquire M&C Saatchi lapsing, the £50m term facility was cancelled and the £7.5m of the RCF was no longer on certain funds.

The remaining £100m RCF facility is available for permitted acquisitions and working capital requirements, 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/or euro. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of US$7m (2022: US$7m) which is available for property rental guarantees and US-based working capital needs.

At 31 January 2023 the Group had an undrawn amount of £78,000,000 (2022: £37,440,663) on the RCF in the UK and US$3,220,634 (2022: US$3,779,363) available on the US$7m US facility (this allows for the letters of credit in place).

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2023 and 31 January 2022, based on contractual undiscounted payments:

	Within one year £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000	Total £'000
At 31 January 2023					
Financial liabilities	**159,822**	**103,166**	**187,144**	**986**	**451,118**
At 31 January 2022					
Financial liabilities	123,699	48,322	179,991	33,298	385,310

The financial liabilities disclosed in the table above include contingent consideration and share purchase obligations as well as the employment linked acquisition payment provisions. These are included within the cash flow forecasts reviewed by the Directors when assessing whether the Group has adequate resources to continue in operational existence, details of which are described in the Directors going concern statement on page 78. The majority of our financial liabilities and earnout obligations are valued based on the forecast performance of the brands, which is translated into cash generation prior to the payment of the earnout obligations. The Group's banking facilities along with the cash generated from the Group are expected to be sufficient to cover the earn-out obligations when they fall due.

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Notes to the accounts continued
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19 Financial instruments continued

Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe and the Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates; however, the Group has not held derivative financial instruments at the end of either period.

The following table demonstrates the sensitivity to reasonably possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax based on period-end balances, year average and year-end rates. If there was an equivalent strengthening against sterling there would be similar movement in the opposite direction.

	Weakening against sterling	**2023 £'000**	2022 £'000
US dollar	20%	**(6,372)**	479
Euro	20%	**(368)**	(391)
Australian dollar	20%	**315**	(238)
Indian rupee	20%	**(16)**	64

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	**2023 £'000**	2022 £'000
US dollar	20%	**13,134**	3,557
Euro	20%	**(679)**	(549)
Australian dollar	20%	**163**	(397)
Indian rupee	20%	**(180)**	(115)

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on an expected credit loss model driven by historical experience and factors specific to certain debtors, see note 13. The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies, although the Board recognises that in the current economic climate these indicators cannot be relied upon exclusively.

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19 Financial instruments continued

Maximum exposure to credit risk

	2023 £'000	2022 £'000
Total trade and other receivables	**155,740**	114,291
Cash and cash equivalents	**47,320**	58,216

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 2023 to 2027.

	2023 £'000	2022 £'000
Total loans and borrowings[1]	**21,250**	22,478
Less: cash and cash equivalents	**(47,320)**	(58,216)
Net cash excluding lease liabilities	**(26,070)**	(35,738)
Total equity	**114,400**	61,459
Total capital	**88,330**	25,721

1 Total loans and borrowings is made up of current obligations of £21.3m (2022: £22.5m) and non-current obligations of £Nil (2022: £Nil)

	2023 £'000	2022 £'000
Net cash excluding lease liabilities	**(26,070)**	(35,738)
Share purchase obligation	**8,984**	11,252
Contingent consideration	**189,406**	161,541
Additional contingent incentive	**6,309**	5,202
Deferred consideration	**—**	133
Net debt plus earn-out liabilities	**178,629**	142,390

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Notes to the accounts continued
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19 Financial instruments continued
Capital risk management *continued*
The movement in net debt/(cash) is as follows:

	At 1 February 2021 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	At 1 February 2022 £'000	Cash (inflows)/ outflows from operations £'000	Acquisitions and contingent consideration £'000	Foreign exchange, fair value and non-cash movements £'000	**At 1 February 2023 £'000**
Total loans and borrowings	12,810	6,073	3,500	95	22,478	(31,514)	30,000	286	**21,250**
Less: cash and cash equivalents	(26,831)	(56,020)	24,642	(7)	(58,216)	(60,471)	74,121	(2,754)	**(47,320)**
Net debt/(cash) excluding lease liabilities	(14,021)	(49,947)	28,142	88	(35,738)	(91,985)	104,121	(2,468)	**(26,070)**
Lease liabilities	42,769	(11,993)	683	1,524	32,983	(16,510)	23,216	2,079	**41,768**
Net debt/(cash) including lease liabilities	28,748	(61,940)	28,825	1,612	(2,755)	(108,495)	127,337	(389)	**15,698**

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 ratios are calculated on a quarterly basis using management accounts and on a yearly basis using the figures in this report. 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 and the Group has ensured compliance with all of its covenant obligations with significant headroom.

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 2023, with the exception of lease liabilities. The book value of obligations under finance leases is £41,768,000 (2022: £32,983,000) and the fair value is £44,237,000 (2022: £34,881,000). 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.

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:

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19 Financial instruments continued

Financial instruments – detailed disclosures *continued*

Financial instruments recognised in the balance sheet continued

At 31 January 2023	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					
Other receivables	—	—	—	830	830
	—	—	—	830	830
Current financial assets					
Cash and cash equivalents	—	—	—	47,320	47,320
Trade and other receivables	—	—	—	155,740	155,740
	—	—	—	203,060	203,060
Current financial liabilities					
Trade and other payables	—	—	87,411	—	87,411
Lease liabilities	—	—	12,286	—	12,286
Provisions	—	—	15,673	—	15,673
Contingent consideration[1]	38,169	—	—	—	38,169
Share purchase obligation[1]	2,255	—	—	—	2,255
Additional contingent incentive[1]	—	—	2,480	—	2,480
	40,424	—	117,850	—	158,274
Non-current financial liabilities					
Loans and borrowings	—	—	21,250	—	21,250
Lease liabilities	—	—	29,482	—	29,482
Provisions	—	—	11,886	—	11,886
Other payables	—	—	169	—	169
Contingent consideration[1]	151,237	—	—	—	151,237
Additional contingent incentive[1]	—	—	3,829	—	3,829
Share purchase obligation[1]	6,729	—	—	—	6,729
	157,966	—	66,616	—	224,582

1 See note 17

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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

The Group has no fair value Level 1 instruments (2022: 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. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data. Further detail on the significant unobservable inputs used in the fair value measurements are included in note 17. The additional contingent incentive balance relates to an incentive scheme accounted for as a cash-settled employee benefit under IAS 19.

At 31 January 2022	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial assets					
Investment in equity instruments	—	8,483	—	—	8,483
Other receivables	—	—	—	821	821
	—	8,483	—	821	9,304
Current financial assets					
Cash and cash equivalents	—	—	—	58,216	58,216
Trade and other receivables	—	—	—	114,291	114,291
	—	—	—	172,507	172,507
Current financial liabilities					
Trade and other payables	—	—	65,622	—	65,622
Lease liabilities	—	—	10,698	—	10,698
Provisions	—	—	7,778	—	7,778
Contingent consideration[1]	36,496	—	—	—	36,496
Share purchase obligation[1]	1,535	—	—	—	1,535
Deferred consideration[1]	—	—	133	—	133
	38,031	—	84,231	—	122,262

1 See note 17

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19 Financial instruments continued

Financial instruments – detailed disclosures *continued*

Financial instruments recognised in the balance sheet continued

At 31 January 2022	At fair value through profit or loss – mandatorily measured £'000	FVTOCI £'000	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
Non-current financial liabilities					
Loans and borrowings	—	—	22,478	—	22,478
Lease liabilities	—	—	22,285	—	22,285
Provisions	—	—	14,733	—	14,733
Other payables	—	—	401	—	401
Contingent consideration[1]	125,045	—	—	—	125,045
Additional contingent incentive[1]	—	—	5,202	—	5,202
Share purchase obligation[1]	9,717	—	—	—	9,717
	139,964	—	59,897	—	199,861

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 2023:

	Effective interest rate	**2023 £'000**	2022 £'000
Current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**—**	—
Non-current			
Variable rate bank loan	HSBC Bank base rate + 1.50%	**21,250**	22,478

The Group is able to draw down in both GBP and USD under the revolving credit facility ('RCF'). The fair value of the borrowings not denominated in GBP as at 31 January 2023 is US$Nil (£Nil) (2022: US$11,000,000 (£8,198,000)). As a result of ineffectiveness, £Nil was transferred during the period from the hedging reserve to the income statement (2022: £Nil).

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Notes to the accounts continued
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20 Share capital

Called-up share capital

Ordinary Shares of 2.5p each:

	2023 Number	2023 Nominal value £'000	2022 Number	2022 Nominal value £'000
Authorised, allotted, called-up and fully paid				
At start of year	**92,811,145**	**2,320**	90,982,974	2,274
Issued in the year in respect of contingent and deferred consideration and share purchase obligations	**858,361**	**21**	964,776	24
Issued in the year in satisfaction of vested LTIPs (note 21)	**122,044**	**3**	113,425	3
Issued in the year in respect of growth share sales and restricted stock units	**207,380**	**5**	749,970	19
Issued in the year in respect of share placing	**4,505,000**	**113**	—	—
At end of year	**98,503,930**	**2,462**	92,811,145	2,320

Fully paid Ordinary Shares carry one vote per share and the right to dividends. £48.6m, net of costs incurred of £1.4m, was received for the newly issued shares in respect of the share placing, and no amounts were received for the other newly issued shares in the year.

21 Share-based payments

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

The share-based payment charge was made up of the following:

The following table shows the breakdown of the share-based payment charge:

	2023 £'000	2022 £'000
Employment-related LTIP shares, share options and restricted stock units	**6,115**	3,637
Grant of brand equity interests	**596**	582
Additional new incentive	**—**	1,346
Share-based payment charge	**6,711**	5,565

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21 Share-based payments continued

Grant of brand equity interests were for 18% in Elvis Communications Limited and 12.5% in Publitek Limited (2022: 30% in Brandwidth Marketing Limited and 12% in Publitek Limited and the additional new incentive was the equity-settled share-based payment scheme for the sellers of Activate Marketing Services LLC).

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

	Outstanding 31 January 2022 number ('000)	Granted number ('000)	Lapsed number ('000)	Exercised number ('000)	**Outstanding 31 January 2023 number ('000)**	**Exercisable 31 January 2023 number ('000)**
Long-Term Incentive Plan – performance shares	1,284	281	(73)	(211)	**1,281**	**589**

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

	June 2022
Fair value of performance shares granted under the LTIP (p)	974
Share price at date of grant (p)	1,100
Risk-free rate (%)	2.04
Expected life (years)	3
Expected volatility (%)	51.1
Dividend yield (%)	1.09

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 15 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 1,038p (2022: 782p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2022: one year).

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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 15 Group plc				
Long-Term Incentive Plan	80,798	1 February 2018	31 January 2023	10 April 2018
	74,827	1 February 2019	31 January 2024	25 April 2019
	508,554	1 February 2020	31 January 2023	30 July 2020
	332,303	1 February 2021	31 January 2024	6 May 2021
	3,000	28 September 2021	28 September 2024	28 September 2021
	281,546	1 February 2022	31 January 2025	1 June 2022
	1,281,028			

During the period, the Company issued 211,139 shares to satisfy the vesting under the Next 15 LTIPs. These were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23). The Company's current Long-Term Incentive Plan is the 2015 LTIP, which was approved by shareholders at the Company's 2015 AGM. Under the 2015 LTIP, performance shares or share options may be awarded. The performance is measured over a period of either three or five consecutive financial years of the Group, commencing with the financial year in which the award was granted. The Remuneration Committee decided that for the FY23 awards, there will be three performance conditions:

(a) an earnings per share ('EPS') target, which will determine 67% of the total vesting. Diluted adjusted EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. For certain participants, if the growth in the Company's earnings per share over the performance period is at least 47%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 30% and 47% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For certain other participants the targets are different, whereby if the growth in the Company's earnings per share in the relevant year is at least 60%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 30% and 50% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For all participants, if EPS does not grow 30% or more, 0% of 67% of the total award will vest;

(b) an organic net revenue growth target, which will determine 16.5% of the total vesting. For certain participants, if average growth in the Company's organic net revenue growth is at least 12%, 100% of 16.5% of the total award will vest. For certain other participants the targets are different, whereby if average growth in the Company's organic net revenue growth is at least 15%, 100% of 16.5% of the total award will vest. For all participants, if organic net revenue does not grow at an average of 8% or more, 0% of 67% of the total award will vest. Between these targets, the award will vest on a straight-line basis; and

(c) an operating profit margin target, which will determine 16.5% of the total vesting. For certain participants, if average adjusted operating profit margin in the Company is at least 19%, 100% of 16.5% of the total award will vest. For certain other participants the targets are different, whereby if average adjusted operating profit margin in the Company is at least 20%, 100% of 16.5% of the total award will vest. For all participants, if average adjusted operating profit margin for the performance period is not an average of 18% or more, 0% of 67% of the total award will vest. Between these targets, the award will vest on a straight-line basis.

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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 2023 the ESOP held Nil (2022: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 122,044 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 122,044 shares for £Nil consideration (2022: 113,425 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 (2022: Nil shares for £Nil proceeds).

24 Other reserves

	Merger reserve £'000	ESOP Reserve £'000	Hedging reserve £'000	Total other reserves £'000
At 31 January 2021	3,075	—	(2,467)	608
Purchase and take on of shares	—	(3)	—	(3)
Movement due to ESOP LTIP and growth shares exercises	—	3	—	3
At 31 January 2022	3,075	—	(2,467)	608
Purchase and take on of shares	—	(3)	—	—
Movement due to ESOP LTIP and growth shares exercises	—	3	—	—
At 31 January 2023	**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

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Notes to the accounts continued
for the year ended 31 January 2023

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 2023, the Group's total future minimum lease rentals are as follows:

	2023		2022	
	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	**309**	**20**	29	14
In two to five years	**17**	**25**	—	20
After five years	**—**	**—**	—	—
	326	**45**	29	34

26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Engine Acquisition Limited;
2. the acquisition of UK-based Cubaka Limited; and
3. the acquisition of US-based Green Leads LLC.

More details on each transaction are provided below.

On 8 March 2022, Next 15 purchased the entire share capital of Engine Acquisition Limited ('Engine') and its subsidiaries. Engine is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients.

Goodwill of £47,322,000 arises from anticipated profitability and future operating synergies from the acquisition.

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26 Acquisitions and equity transactions continued

1. Engine Acquisition Limited ('Engine')

In the post-acquisition period Engine has contributed £79,865,000 to net revenue and £9,242,000 to profit before tax. If acquired on 1 February 2022 Engine would have contributed net revenue of £87,126,000 and profit before tax of £10,082,000 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	—	50,362	50,362
Property, plant and equipment	4,844	—	4,844
Right-of-use assets	19,552	—	19,552
Current assets			
Cash and cash equivalents	336	—	336
Other current assets[1]	20,312	—	20,312
Current liabilities	(36,937)	—	(36,937)
Provisions	(3,387)	—	(3,387)
Lease liabilities	(22,901)	—	(22,901)
Deferred tax liability	—	(12,188)	(12,188)
Net assets acquired	(18,181)	38,174	19,993
Goodwill			47,322
			67,315
Consideration			
Initial consideration settled in cash[2]			67,315
			67,315

1 The fair value of receivables acquired is £15,801,000 after considering a bad debt provision of £143,000

2 This includes initial consideration paid for the business and cash paid for working capital. £48.6m of the cash consideration was funded from the share placing during the year

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £1,183,000.

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Notes to the accounts continued
for the year ended 31 January 2023

26 Acquisitions and equity transactions continued

2. Cubaka Limited

On 31 March 2022, Brandwidth Marketing Limited purchased the entire share capital of Cubaka Limited ('Cubaka'). Cubaka specialises in social media strategy, content planning and development and community management. Goodwill of £830,000 arises from anticipated profitability and future operating synergies from the acquisition. In the post-acquisition period Cubaka has contributed £1,944,000 to net revenue and £174,000 to profit before tax. If acquired on 1 February 2022 Cubaka would have contributed net revenue of £2,333,000 and profit before tax of £207,000 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	—	979	979
Property, plant and equipment	65	—	65
Current assets			
Cash and cash equivalents	1,115	—	1,115
Other current assets[1]	769	—	769
Current liabilities	(1,114)	—	(1,114)
Deferred tax liability		(232)	(232)
Net assets acquired	835	747	1,582
Goodwill			830
			2,412
Consideration			
Initial consideration settled in cash[2]			1,203
Initial consideration settled in Ordinary Shares of the Parent			144
Total discounted contingent consideration			1,065
			2,412

1 The fair value of receivables acquired is £751,000 after considering a bad debt provision of £Nil.

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 £72,000. Further contingent consideration was payable based on the profit before interest and tax of Cubaka for the 12-month period ending 31 March 2022, which was settled during the year.

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26 Acquisitions and equity transactions continued

3. Green Leads LLC

On 31 May 2022, Activate Marketing Services LLC purchased the entire outstanding membership interests of Green Leads Holdings LLC ('Green Leads'). Green Leads is a US-based demand generation business that uses a range of products and services to help sales functions develop, and set up specific appointments, on behalf of B2B technology businesses. Goodwill of £1,657,000 (US$2,088,000) arises from anticipated profitability and future operating synergies from the acquisition. In the post-acquisition period Green Leads has contributed £1,911,000 to net revenue and £468,000 to profit before tax. If acquired on 1 February 2022 Green Leads would have contributed net revenue of £2,866,000 and profit before tax of £701,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

	Book value at acquisition £'000	Fair value adjustments £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	—	1,923	1,923
Current assets			
Cash and cash equivalents	194	—	194
Other current assets[1]	1,093	—	1,093
Current liabilities	(1,264)	—	(1,264)
Net assets acquired	23	1,923	1,946
Goodwill[2]			1,657
			3,603
Consideration			
Initial consideration settled in cash[3]			2,702
Initial consideration settled in Ordinary Shares of the Parent			901
			3,603

1 The fair value of receivables acquired is £1,043,000 after considering a bad debt provision of £Nil.

2 Goodwill is denominated in USD and therefore the exchange rate at the point of acquisition has been used

3 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 £54,000.

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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 2023:

	Consideration settled in cash £'000	Cash and cash equivalent balances acquired £'000	Total net cash outflow £'000	Value of shares issued £'000
Engine	67,315	(336)	66,979	—
Cubaka	1,203	(1,115)	88	144
Green Leads	2,702	(194)	2,508	901
Other[1]	4,083	(3,390)	693	—
	75,303	(5,035)	70,268	1,045

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

27A Subsidiaries
The Group's subsidiaries as at 31 January 2023 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 Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Agent3 Limited	United Kingdom	✓	57.63	60 Great Portland Street, London, England, W1W 7RT
Agent3 LLC	USA		57.63	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Agent3 Pty Ltd	Australia		57.63	GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia
Archetype Agency AB	Sweden		100	1, Ferkens Gränd, 111 30 Stockholm, Sweden
Archetype Agency Beijing Limited	China		100	Room 1703, 1705, 14F, Tower 2, Guanghuala Soho, No.22 Guanghua Road, Chaoyang District, Beijing, 100020, China
Archetype Agency BV	Netherlands		100	Silodam 1D, 1013AL, Amsterdam, Netherlands
Archetype Agency GmbH	Germany		100	Nymphenburger Str. 168 80634, Munich, Germany
Archetype Agency Limited	Hong Kong	✓	100	Rooms 1102 &1103 11th Floor, 299QRC, Nos. 287-299 Queens Road Central, Sheung Wan, Hong Kong
Archetype Agency Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT

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27A Subsidiaries continued

Legal entity	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Archetype Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Archetype Agency Private Ltd	India		100	Second Floor, Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India
Archetype Agency Pte Ltd	Singapore		100	36 Prinsep Street, #05-01/02, 188648, Singapore
Archetype Agency Pty Ltd	Australia		100	GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia
Archetype Agency S.L.	Spain		100	Calle Gran Vía, 27 Madrid Spain
Archetype Agency S.R.L.	Italy		100	Piazzale Principessa, Clotilde 8, CAP 20121, Milan, Italy
Archetype Agency SARL	France		100	4-6 boulevard Montmartre 75009 Paris France
Archetype Agency SDN. BHD.	Malaysia		100	BO3-B-12-1, Level 12, Menara 3A, Kuala Lumpur, Malaysia
August.One Communications International Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Berne (UK) Limited	United Kingdom		57.63	60 Great Portland Street, London, England, W1W 7RT
Bite Communications Group Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Bite Communications Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Blueshirt Capital Advisors LLC	USA		51	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Brandwidth Group Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
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	60 Great Portland Street, London, England, W1W 7RT
BYND Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
BYND LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Capture Marketing Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
CommunicateResearch Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Conversion Rate Experts Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Creator Visions Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Cubaka Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Elvis Communications Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Encore Digital Media Limited	United Kingdom		100	C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND

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Notes to the accounts continued
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27A Subsidiaries continued

Legal entity	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Engine Acquisition Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Engine Partners UK LLP	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Engine People UK Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Fuel Data Strategies Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Green Leads LLC	USA		100	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801
House 337 Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
HPI Research Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Hypertext Communications Private Limited	India		100	Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India
Hypertext Pte Ltd	Singapore		100	600 North Bridge Road, #23-01 Parkview Square, Singapore, 188778, Singapore
IF.Agency LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
I T Telemarketing Services Limited	United Kingdom		57.63	60 Great Portland Street, London, England, W1W 7RT
Lobster Agency Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
M.Booth & Associates LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
M.Booth Health LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Mach49 LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Mach49 Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Mach49 Singapore Pte Ltd	Singapore		100	22 Malacca Street #04-03 RB Capital Building Singapore 048980
Market Making Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Marlin PR Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
MHP Communications Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
MHP Group Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Mischief PR Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Narration LLC	USA		100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801

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27A Subsidiaries continued

Legal entity	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
Nectar Communications LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Next Fifteen Communications Corporation	USA	✓	100	The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801
Next Fifteen HoldCo1 Limited	United Kingdom		100	C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND
NRM New Co Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
ODD Communications Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
ODD London Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
OpinionPanel Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Outcast London Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Palladium Group Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Planning-inc Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Portfolio T SPV1 LLC	USA		100	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801
Portfolio T SPV2 Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Publitek GmbH	Germany		100	Nymphenburger Straße 168, 80634, München, Germany
Publitek Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Publitek LLC	USA		100	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801
Savanta Analytics Limited	Canada		100	3250 Bloor Street West, East Tower, Suite 600 Toronto, ON, M8X 2X9, Canada
Savanta Analytics Private Limited	India		99.98	C-1101 Antriksh Golf View 2, Sector-78, Noida, Gautam Buddha Nagar, Uttar Pradesh, 201301, India
Savanta Group Limited	United Kingdom	✓	100	C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND
Savanta Group LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Shopper Media Group Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Technical Publicity Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Text 100 (Proprietary) Limited	South Africa		100	13 Wellington Road, Parktown, 2193, Private Bag X60500, Houghton, Johannesburg, 2041, South Africa
Text 100 International Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Text 100 Pty Ltd	Australia		100	Level 17, 383 Kent Street, Sydney NSW 2000, Australia

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27A Subsidiaries continued

Legal entity	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group	Address
The Blueshirt Group LLC	USA		89.3	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
The Craft Consulting Limited	United Kingdom		57.63	60 Great Portland Street, London, England, W1W 7RT
The Engine Group Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
The Lexis Agency Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
The Outcast Agency LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
This is Motif Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Threefold Agency Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Transform UK Consulting Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
To This Day Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT
Twogether Creative Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Twogether Creative LLC	USA		100	CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336
Velocity Partners Limited	United Kingdom	✓	100	60 Great Portland Street, London, England, W1W 7RT
Velocity Partners US Inc	USA		100	CT Corporation System, 28 Liberty Street, New York, NY 10005
Vox Public Relations India Private Ltd	India		100	Second Floor, Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India
WCRS&CO Limited	United Kingdom		100	60 Great Portland Street, London, England, W1W 7RT

All shares held are a class of Ordinary Shares with the exception of the US LLCs where LLC units are held.

The principal activity of the subsidiary undertakings is digital communications consultancy specialising predominantly in the technology and consumer sectors.

All subsidiary undertakings operate in the country in which they have been incorporated. All subsidiary undertakings listed are included in the consolidated results. None of the Group's subsidiaries have a non-controlling interest that is individually material to the Group. As a result the disclosure requirements for subsidiaries with a material non-controlling interest under IFRS 12 are not considered necessary.

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2023 by virtue of section 479A of the Companies Act 2006: Agent3 Limited (08331678), Archetype Agency Limited (03329933), August.One Communications International Limited (03224261), Berne (UK) Limited (06577006), Bite Communications Group Limited (04131879), Bite Communications Limited (03023521), Brandwidth Group Limited (09599858), Brandwidth Marketing Limited (03860505), BYND Limited (07123452), Capture Marketing Limited (06667381), Communicate Research Limited (04810991), Conversion Rate Experts Limited (05895439), Creator Visions Limited (03647221), Cubaka Limited (06544244), Elvis Communications Limited (04768344), Encore Digital Media Limited (SC449653), Engine Acquisition Limited (09080182), Engine Partners UK LLP (OC365812), Engine People UK Limited (05278995), House 337 Limited (14105998), Fuel Data Strategies Limited (04617236), HPI Research Limited (05816194), I T Telemarketing Services Limited (02898765), Lobster Agency Limited (10331017), Mach49 Limited (12281031), Market Making Limited (07913465), Marlin PR Limited (06480768),

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27A Subsidiaries continued

MHP Communications Limited (01855944), MHP Group Limited (14106014), Mischief PR Limited (05355942), Next Fifteen Holdco1 Limited (SC364548), NRM New Co Limited (07925411), ODD Communications Limited (07861569), ODD London Limited (05107477), OpinionPanel Limited (05013113), Outcast London Limited (07831770), Palladium Group Limited (09460746), Planning-inc Limited (04118854), Portfolio T SPV2 Limited (14097274), Publitek Limited (05287915), Savanta Group Limited (SC281352), Shopper Media Group Limited (10366845), Technical Publicity Limited (02384040), Text 100 International Limited (02433862), The Craft Consulting Limited (09439145), The Engine Group Limited (05015446), The Lexis Agency Limited (04404752), This is Motif Limited (02692105), Threefold Agency Limited (10366888), To This Day Limited (10479051), Transform UK Consulting Limited (14112512), Twogether Creative Limited (07824276), Velocity Partners Limited (04128107) and WCRS&CO Limited (01737774).

27B Associates

The Group's associates and investments as at 31 January 2023 are listed below:

Legal entity	Country of incorporation	Directly owned by the Company	Percentage owned by the Group	Address
Savvi Saas Limited	United Kingdom	✓	5.8%	86-90 Paul Street, London, England, EC2A 4NE
Futureland Ventures Limited	United Kingdom	—	1.7%	15 Welmar Mews, London, England, SW4 7DD
StartPulsing Limited	United Kingdom	✓	4.7%	1st Floor 143-149 Fenchurch Street, London, England, EC3M 6BL

28 Related-party transactions

The ultimate controlling party of the Group is Next 15 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 2023 there were the following related-party transactions:

Brand	Services	Related party	**Expense impact 2023 £'000**	**Asset/(liability) at year end 2023 £'000**	Expense impact 2022 £'000	Asset/(liability) at year end 2022 £'000
Blueshirt	Consultancy	Blueshirt Capital Advisors was an associate of Next 15 for part of the prior year	**—**	**—**	233	—
Next 15 Group	IT software and accessories	Various brands of the Group procured services through Softcat plc, which acted as a re-seller. One of the Group's Non-Executive Directors ('NED') is also a NED for Softcat plc	**1,751**	**(129)**	845	(239)
Next 15 Group plc	Consultancy	Savvi Saas was an associate of Next 15 in the prior year	**—**	**—**	47	—

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for the year ended 31 January 2023

28 Related-party transactions continued

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris, Jonathan Peachey, Penny Ladkin-Brand, Helen Hunter, Robyn Perriss, Dianna Jones and Paul Butler received dividends of £636,953, £52,323, £1,907, £10,980, £Nil, £Nil, £Nil and £Nil respectively (2022: £535,460, £40,930, £Nil, £9,023, £Nil, £Nil, £Nil and £Nil). Key management personnel compensation is disclosed in note 3.

29 Operating lease rental receivables

As at 31 January, the Group's total future minimum lease payments receivable under non-cancellable leases are as follows:

	2023 £'000	2022 £'000
In respect of operating leases which will be receivable in the period:		
Within one year	**175**	245
In two to five years	**—**	—
	175	245

30 Events after the balance sheet date

There have been no events subsequent to the statement of financial position date and the date of approval of these financial statements that would have a material effect on the Group.

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Company balance sheet

as at 31 January 2023 and 31 January 2022

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	2	—	—
Tangible assets	3	**130**	1,387
Right-of-use assets	4	—	4,284
Investments in subsidiaries	5	**225,197**	213,176
Investment in financial assets	5	**381**	8,146
Deferred tax assets	10	**127**	109
Trade and other receivables	6	**72,060**	—
		297,895	227,102
Current assets			
Trade and other receivables	6	**34,362**	35,260
Current tax asset		**2,444**	2,259
		36,806	37,519
Current liabilities			
Trade and other payables	7	**53,750**	34,179
Lease liabilities	4	**669**	1,691
Provisions	9	**14,526**	7,006
Contingent consideration		**95**	9,836
		69,040	52,712
Net current liabilities		**32,234**	15,193
Total assets less current liabilities		**265,661**	211,909
Non-current liabilities			
Borrowings	8	**21,155**	22,437
Other financial liabilities	8	**7,424**	10,618
Lease liabilities	4	—	3,116
Provisions	9	**7,885**	13,235
		36,464	49,406
Net assets		**229,197**	162,503

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Company balance sheet continued
as at 31 January 2023 and 31 January 2022

	Note	2023 £'000	2022 £'000
Equity			
Share capital	11	**2,462**	2,320
Share premium account		**166,174**	104,800
Merger reserve		**3,075**	3,075
Share-based payment reserve		**12,094**	11,029
Other reserve		**26,460**	26,460
Retained earnings		**18,932**	14,819
Equity attributable to owners of the Company		**229,197**	162,503

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

The Company reported a profit for the financial year ended 31 January 2023 of £17,556,000 (2022: loss of £15,603,000).

These financial statements were approved and authorised for issue by the Board on 24 April 2023.

DocuSigned by:
Peter Harris
C925F89A6DAB407

Peter Harris
Chief Financial Officer
Company number 01579589

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Company statement of changes in equity

for the year ended 31 January 2023 and 31 January 2022

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Other reserve[1] £'000	Retained earnings £'000	Total £'000
At 1 February 2021	2,274	92,408	3,075	9,008	—	26,460	32,942	166,167
Loss for the period	—	—	—	—	—	—	(15,603)	(15,603)
Fair value gain on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	7,312	7,312
Dividends	—	—	—	—	—	—	(9,832)	(9,832)
Shares issued in satisfaction of vested share options and performance shares	22	5,385	—	(3)	—	—	—	5,404
Shares issued on acquisition	24	7,007	—	—	—	—	—	7,031
Movement in relation to share-based payments	—	—	—	2,024	—	—	—	2,024
Movement due to ESOP share purchases	—	—	—	—	(3)	—	—	(3)
Movement due to ESOP share option exercises	—	—	—	—	3	—	—	3
At 1 February 2022	2,320	104,800	3,075	11,029	—	26,460	14,819	162,503
Profit for the period	—	—	—	—	—	—	17,556	17,556
Fair value loss on investments in equity instruments designated as FVTOCI	—	—	—	—	—	—	(313)	(313)
Dividends	—	—	—	—	—	—	(12,679)	(12,679)
Shares issued in satisfaction of vested share options and performance shares	8	2,067	—	(1,550)	—	—	(451)	74
Shares issued on acquisition	21	10,780	—	—	—	—	—	10,801
Shares issued on placing	113	48,527	—	—	—	—	—	48,640
Movement in relation to share-based payments	—	—	—	2,615	—	—	—	2,615
Movement due to ESOP share purchases	—	—	—	—	—	—	—	—
Movement due to ESOP share option exercises	—	—	—	—	—	—	—	—
At 31 January 2023	**2,462**	**166,174**	**3,075**	**12,094**	—	**26,460**	**18,932**	**229,197**

1 Other reserves relates to the hedging reserve

The following notes are an integral part of this Company Statement of Changes in Equity.

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Notes forming part of the Company financial statements
for the year ended 31 January 2023

1 Accounting policies

A. Basis of preparation

Next 15 Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 210. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 67. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The separate financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments measured at fair value at the end of each reporting period, and are in accordance with applicable accounting standards in the United Kingdom. The significant accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

The new standards and amendments which have not yet been adopted are disclosed in note 1, section U, to the consolidated financial statements.

As permitted by FRS 101 the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Group accounts of Next 15 Group plc. The Group accounts of Next 15 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 80 and employee costs for the year totalled £10,490,000 (2022: £7,402,000). This was made up of £7,260,000 in respect of wages and salaries (2022: £5,231,000); £1,510,000 in respect of social security (2022: £916,000); £340,000 in respect of pension costs (2022: £205,000) as well as £1,380,000 in relation to share-based payment charges (2022: £1,050,000). Disclosures relating to the remuneration of the Parent company's Directors are included in the Directors' remuneration report on pages 86 to 104.

B. Investments in subsidiaries

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

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1 Accounting policies continued

C. Going concern

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

Although the Company is in a net current liability position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, including receiving dividends from its subsidiaries. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

D. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company'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 Company'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 £225m.

II. Contingent consideration, share purchase obligation and valuation of put options

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which, if inappropriate, would result in a material adjustment to the value of these liabilities within the next financial year. Further details are contained in note 17 in the Group financial statements and note 8 in the Company financial statements.

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Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

2 Intangible assets

	Computer software £'000
Cost	
At 1 February 2022	3,723
At 31 January 2023	**3,723**
Accumulated depreciation	
At 1 February 2022	3,723
At 31 January 2023	**3,723**
Net book value	
At 31 January 2023	**—**
At 31 January 2022	—

3 Tangible assets

	Short leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 February 2022	2,952	1,107	4,059
Additions	—	63	63
Disposals	(2,631)	(878)	(3,509)
At 31 January 2023	**321**	**292**	**613**
Accumulated depreciation			
At 1 February 2022	1,835	837	2,672
Charge for the year	308	91	399
Disposals	(1,869)	(719)	(2,588)
At 31 January 2023	**274**	**209**	**483**
Net book value			
At 31 January 2023	**47**	**83**	**130**
At 31 January 2022	1,117	270	1,387

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4 Leases

The movements in the year ended 31 January 2023 were as follows:

Right-of-use assets:

	Land and buildings £'000
Cost	
At 1 February 2021	10,983
Additions	532
At 31 January 2022	11,515
Additions	59
Impairment	(3,391)
At 31 January 2023	**8,183**
Accumulated depreciation	
At 1 February 2021	5,320
Charge for the year	1,911
At 31 January 2022	7,231
Charge for the year	952
At 31 January 2023	**8,183**
Net book value at 31 January 2023	**—**
Net book value at 31 January 2022	4,284

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Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

4 Leases continued

Lease liabilities:

	Land and buildings £'000
At 31 January 2022	4,807
Interest expense related to lease liabilities	87
Disposals	(2,717)
Repayment of lease liabilities	(1,508)
At 31 January 2023	**669**

The maturity of the lease liabilities is as follows:

	2023 £'000	2022 £'000
Amounts payable:		
Within one year	**673**	1,806
In two to five years	**—**	2,766
After five years	**—**	520
Total gross future liability	**673**	5,092
Effect of discounting	**(4)**	(285)
Lease liability at 31 January	**669**	4,807

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5 Investments in subsidiaries

	Total £'000
Cost	
At 1 February 2022	213,176
Acquisitions[1]	13,207
Disposals	(1,186)
At 31 January 2023	**225,197**

1 On 8 March 2022, the Company purchased 100% of the issued share capital of Engine Acquisition Limited which led to an increase of £13.2m. The remaining increase represents a number of investments, none of which are individually significant in comparison to the total carrying value of the investments. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

The Directors consider the value of investments in subsidiary undertakings to be not less than that stated in the balance sheet of the Company.

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

The £7.8m decrease of investments in financial assets can primarily be attributed to the sale of the Company's investment in Phrasee Limited. Phrasee successfully completed its sale to a Private Equity firm on 16 February 2022. The Company no longer holds any shares in Phrasee as at 31 January 2023.

6 Trade and other receivables

	Company 2023 £'000	Company 2022 £'000
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	**72,060**	—

	Company 2023 £'000	Company 2022 £'000
Amounts falling due within one year		
Amounts due from subsidiary undertakings	**26,634**	31,339
Other debtors	**6,612**	2,742
Prepayments and accrued income	**766**	976
Other taxation	**350**	203
Total trade and other receivables	**34,362**	35,260

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Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

7 Trade and other payables

	Company 2023 £'000	Company 2022 £'000
Overdraft	**46,196**	17,824
Trade creditors	**1,162**	722
Amounts owed to subsidiary undertakings	**2,884**	12,490
Other taxation and social security	**221**	175
Other creditors	**134**	43
Accruals and deferred income	**3,153**	2,925
Total trade and other payables	**53,750**	34,179

8 Non-current liabilities

	Company 2023 £'000	Company 2022 £'000
Bank loan[1]	**21,155**	22,437
Between one and two years	**21,155**	—
Between two and five years	**—**	22,437
After five years	**—**	—
Contingent consideration	**695**	901
Between one and two years	**—**	—
Between two and five years	**695**	901
After five years	**—**	—
Share purchase obligation	**6,729**	9,717
Between one and two years	**—**	—
Between two and five years	**6,729**	9,717
After five years	**—**	—
Total	**28,579**	33,055

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 2023.

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8 Non-current liabilities continued

The Company has no fair value Level 1 instruments (2022: 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 2022	20,241	20,241
Additions	9,477	9,477
Utilised in period	(7,307)	(7,307)
At 31 January 2023	**22,411**	**22,411**
Current	**14,526**	**14,526**
Non-current	**7,885**	**7,885**

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

10 Deferred tax

Deferred tax is provided as follows:

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 31 January 2021	120	772	892
Credit to income	(75)	(708)	(783)
At 31 January 2022	45	64	109
Charge/(credit) to income	57	(39)	18
At 31 January 2023	**102**	**25**	**127**

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Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

11 Share capital and reserves

	2023 £'000	2022 £'000
Authorised, allotted, called up and fully paid		
98,503,930 Ordinary Shares of 2.5p each	**2,462**	2,320

For details on changes to issued share capital in the year, please refer to note 20 in the Group financial statements. For details of the dividends declared and paid in the year, please refer to note 9 in the Group financial statements.

12 Related-party transactions

During the period the Company received the following amounts in respect of Head Office costs and intercompany interest from undertakings which were not wholly owned at the balance sheet date:

	Intercompany interest		Recharges	
	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000	**Year ended 31 January 2023 £'000**	Year ended 31 January 2022 £'000
Agent3 Limited	**58**	—	**1,462**	2,052
Fearless Labs	**—**	27	**—**	—
Blueshirt Capital Advisors LLC	**—**	—	**212**	233
Blueshirt Group LLC	**—**	—	**539**	381

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

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Agent3 Limited	**4,135**	632
Blueshirt Capital Advisors LLC	**26**	238
Blueshirt Group LLC	**95**	102

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Glossary – Alternative performance measures

for the 12-month period ended 31 January 2023 (unaudited)

Introduction

In the reporting of financial information, the Directors have adopted various alternative performance measures ('APMs'). The Group includes these non-GAAP measures as they consider these measures to be both useful and necessary to the readers of the financial statements to help understand the performance of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies and therefore should be considered in addition to IFRS measures. The APMs used are not a substitute for, or superior to IFRS measures.

Purpose

The Directors believe that these APMs are highly relevant as they reflect how the Board measures the performance of the business and align with how shareholders value the business. They also allow understandable like-for-like, year-on-year comparisons and more closely correlate with the cash inflows from operations and working capital position of the Group.

They are used by the Group for internal performance analyses and the presentation of these measures facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors which materially affect IFRS measures.

The identification of adjusting items is a judgement in terms of which costs or credits are not associated with the trading of the business or otherwise impact the comparability of the Group's results year on year. Adjusting items for the Group include amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs, restructuring costs, UK furlough grant and property impairment.

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

APMs	Relevant IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Profit and loss measures			
Net revenue	Revenue	• Excludes direct costs as shown on the Consolidated Income statement Reconciliation A1	Excludes the direct pass-through costs, as this is more closely aligned to the fees the Group earns for their product and services. This is a key management incentive metric.
Organic net revenue growth	Revenue growth	No direct equivalent Net revenue bridge, in Financial Review	Net revenue growth at constant currency, excluding impact of the acquisitions and disposals in the last 12 months. For acquisitions made in the prior year, only the corresponding months of ownership are included in the calculation of growth. This is a key management incentive metric.
Adjusted operating profit after interest on finance lease liabilities	Operating profit	• Excludes exceptional adjusting items • Excludes amortisation of acquired intangibles • Includes interest on lease liabilities Reconciliation A2	Operating profit before the impact of adjusting items and after interest on lease liabilities. The Group considers this to be an important measure of Group performance and is consistent with how the Group is reported and assessed by the Board and is a key management incentive metric.

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Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2023 (unaudited)

Purpose continued

APMs	Relevant IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Profit and loss measures continued			
Adjusted operating profit margin	Operating profit margin	Not applicable	Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.
Adjusted profit before tax	Profit before tax	• Excludes exceptional adjusting items • Excludes amortisation of acquired intangibles • Excludes fair value remeasurements of financial instruments Reconciliation A4	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure and is consistent with how the Group is reported and assessed by the Board. This measure allows for understandable like-for-like, year-on-year comparisons and facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors
Adjusted diluted earnings per share	Diluted earnings per share	• Excludes exceptional adjusting items Reconciliation A6	Profit after tax attributable to owners of the Parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options. This is an important measure for the Group and is used within the performance calculates used for the vesting of employee share options. It allows for understandable like-for-like, year-on-year comparisons as it adjusts for non-recurring and uncontrollable measures including remeasurement of acquisition-related liabilities.
Net finance expense	Finance expense/income	• Excludes exceptional adjusting items	Total net finance costs excluding interest on leases and adjusted items. The Group considers this to be an important measure and better reflects the underlying finance cost of the business by adjusting for non-cash items and the remeasurements of acquisition-related liabilities that can vary significantly.
Tax measures			
Effective tax rate on adjusted profit	Effective tax rate	• Adjusting items and their tax impact Reconciliation A7	Total income tax rate for the Group excluding the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax. This measure is more representative of the Group's tax payable position and its ongoing tax rate.
Balance sheet measures			
Net cash/(debt)	None	• Reconciliation of net debt Reconciliation A8	Net debt comprises total loans and borrowings less cash and cash equivalents. Net debt does not include any contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. It also excludes lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.

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A1: Reconciliation of net revenue

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Revenue	**720,500**	470,055
Direct costs	**(156,701)**	(107,952)
Net revenue	**563,799**	362,103

A2: Reconciliation of adjusted operating profit to statutory operating profit

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Operating profit	**67,207**	39,985
Interest on finance lease liabilities	**(1,365)**	(1,043)
Operating profit after interest on finance lease liabilities	**65,842**	38,942
Charge for employee incentive schemes[1]	**596**	5,891
Employment-related acquisition payments[2]	**11,971**	15,167
Deal costs[3]	**5,521**	486
Costs associated with restructuring[4]	**2,302**	—
UK furlough grant[5]	**—**	1,396
Property impairment[6]	**4,749**	233
Gains on investment activities[7]	**—**	(455)
Total adjusted costs in operating profit excluding amortisation	**25,139**	22,718
Amortisation of acquired intangibles[8]	**23,188**	17,687
Total adjusted costs in operating profit	**48,327**	40,405
Adjusted operating profit after interest on finance lease liabilities	**114,169**	79,347

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Elvis Communications Limited and Publitek Limited (total of £0.6m) (2022: Brandwidth Marketing Limited and Publitek Limited, total of £0.6m) 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. In the prior year, the remaining £5.2m of the charge related to an additional new contingent incentive scheme for the sellers of Activate. This value was recognised as an upfront cost in the income statement in the year of grant as the agreements did 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. In the prior year it also included £97,000 of charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (for growth shares) should be excluded from performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands.

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

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Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2023 (unaudited)

A2: Reconciliation of adjusted operating profit to statutory operating profit continued

3 These costs are directly attributable to business combinations and acquisitions, mainly our acquisition of Engine and our unsuccessful offer for M&C Saatchi. The charges are excluded from performance as they would not have been incurred had the business combination not occurred and a higher or lower spend has no relation on the organic business. They do not relate to the trading of the Group and are added back each year to aid comparability of the Group's profitability year on year.

4 In the current year the Group has incurred restructuring costs which primarily relate to rebranding and redundancy costs taken in respect of the acquisition of Engine Acquisition Limited. These costs related to specific transformational events creating the three new brands from Engine, being M–P, Transform and House 337. They did not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year. These costs are made up of £1.3m staff costs and £.0m of other costs relating to rebranding and creating the new businesses from the Engine Group which was acquired.

5 As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme which was accounted for as a reduction in staff costs. During the prior year the Group 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 are added back to aid comparability of the Group's profitability year on year.

6 In the current year 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 less credits as a result of derecognising lease liabilities from surrendering leases. As a result of the acquisition of Engine and understanding of the ongoing office space required, 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 the prior period the Group acquired a controlling interest in BCA and became a subsidiary of the Group, previously accounted for as an associate. As a result of this change, the Group recognised a gain on the revaluation of the previously held investment in equity-accounted associate of £0.9m. The remaining charge relates to the loss on disposal of a separate controlling interest, whereby the Group retained an associate interest at the year end. The overall credit relates to specific transformational events and do not relate to the trading of the relevant brand and therefore have been added back to aid comparability of the performance year on year.

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

A3: Measurement of segment net revenue and adjusted operating profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. Other information provided to them at a Group level is measured in a manner consistent with that in the financial statements. Head Office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material. The Group reports its results split into four divisions: Customer Engagement, Customer Delivery, Customer Insight and Business Transformation. The following tables provides additional information that has been deemed useful to the readers of the financial statements and shows the split of alternative performance measures by operating and geographical segments which have been reconciled elsewhere within this glossary.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transformation £'000	Head Office £'000	Total £'000
Year ended 31 January 2023						
Net revenue	**274,951**	**102,096**	**51,985**	**134,767**	—	**563,799**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	**55,432**	**30,191**	**11,049**	**43,855**	**(26,358)**	**114,169**
Adjusted operating profit margin	**20.2%**	**29.6%**	**21.3%**	**32.5%**	—	**20.2%**
Organic net revenue growth	**9.3%**	**12.0%**	**10.2%**	**83.3%**	—	**20.7%**
Year ended 31 January 2022						
Net revenue	187,566	79,951	42,109	52,477	—	362,103
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	40,434	28,501	9,023	15,221	(13,832)	79,347
Adjusted operating profit margin	21.6%	35.6%	21.4%	29.0%	—	21.9%
Organic net revenue (decline)/growth	15.7%	40.0%	18.6%	99.9%	—	26.1%

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A3: Measurement of segment net revenue and adjusted operating profit continued

	UK £'000	EMEA £'000	US £'000	Asia Pacific £'000	Head office £'000	Total £'000
Year ended 31 January 2023						
Net revenue	**240,971**	**11,626**	**293,177**	**18,025**	**—**	**563,799**
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	**42,460**	**2,826**	**93,463**	**1,778**	**(26,358)**	**114,169**
Adjusted operating profit margin	**17.6%**	**24.3%**	**31.9%**	**9.9%**	**—**	**20.2%**
Organic net revenue growth	**11.3%**	**16.3%**	**28.2%**	**11.0%**	**—**	**20.7%**
Year ended 31 January 2022						
Net revenue	137,491	10,041	199,348	15,223	—	362,103
Segment adjusted operating profit/(loss) after interest on finance lease liabilities	30,910	2,504	58,355	1,410	(13,832)	79,347
Adjusted operating profit margin	22.5%	24.9%	29.3%	9.3%	—	21.9%
Organic net revenue decline	18.3%	21.3%	33.2%	11.9%	—	26.1%

A4: Reconciliation of adjusted profit before income tax and statutory loss before income tax

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Profit/loss before income tax	**10,109**	(80,139)
Unwinding of discount on contingent, deferred consideration and additional contingent incentive (note 17)[1]	**21,460**	7,488
Unwinding of discount on share purchase obligation (note 17)[1]	**1,425**	811
Total adjusting items in operating profit	**48,327**	40,405
Change in estimate of future contingent consideration payable and additional contingent incentive (note 17)[2]	**35,000**	106,805
Change in estimate of future share purchase obligation (note 17)[2]	**(3,783)**	3,898
Adjusted profit before income tax	**112,538**	79,268

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

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

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Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2023 (unaudited)

A5: Reconciliation of adjusted staff costs

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Staff costs	**391,798**	258,945
Reorganisation costs	**(960)**	—
UK furlough grant	**—**	(1,396)
Charges associated with equity transactions accounted for as share-based payments	**(596)**	(1,928)
Charges associated with other employee incentive schemes	**—**	(3,896)
Employment-related acquisition payments	**(11,971)**	(15,167)
Adjusted staff costs	**378,271**	236,558

A6: Reconciliation of adjusted earnings per share

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares.

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Profit/(loss) attributable to ordinary shareholders	**1,623**	(69,219)
Unwincing of discount on contingent and deferred consideration	**21,460**	7,488
Unwincing of discount on share purchase obligation	**1,425**	811
Change in estimate of future contingent consideration payable	**35,000**	106,805
Change in estimate of share purchase obligation	**(3,783)**	3,898
Costs associated with the current period restructure	**2,302**	—
Charge for employee incentive schemes	**596**	5,891
Property impairment	**4,749**	233
Deal costs	**5,521**	486
Employment-related acquisition payments	**11,971**	15,167
UK furlough grant	**—**	1,396
Gains on investment activities	**—**	(455)
Amortisation of acquired intangibles	**23,188**	17,687
Tax effect of adjusting items above	**(19,131)**	(31,629)
Adjusted earnings attributable to ordinary shareholders	**84,921**	58,559

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A6: Reconciliation of adjusted earnings per share continued

	2023 Number	2022 Number
Weighted average number of Ordinary Shares	**97,635,507**	92,395,619
Dilutive LTIP shares	**2,279,528**	2,389,017
Dilutive growth deal shares	**2,373,445**	916,215
Other potentially issuable shares	**3,392,207**	2,386,786
Diluted weighted average number of Ordinary Shares	**105,680,687**	98,087,637
Adjusted earnings per share	**87.0p**	63.4p
Diluted adjusted earnings per share	**80.4p**	59.7p

A7: Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Income tax (credit)/expense reported in the Consolidated Income Statement	**7,123**	(14,475)
Add back tax on adjusting items:		
Costs associated with the current period restructure and office moves	**1,210**	1,422
Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17)	**12,978**	27,287
Share-based payment charge	**—**	414
Amortisation of acquired intangibles	**4,943**	2,507
Adjusted tax expense	**26,254**	17,155
Adjusted profit before income tax	**112,538**	79,268
Adjusted effective tax rate	**23.3%**	21.6%

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Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2023 (unaudited)

A8: Reconciliation of net debt

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Total loans and borrowings	**21,250**	22,478
Less: cash and cash equivalents	**(47,320)**	(58,216)
Net cash	**(26,070)**	(35,738)
Share purchase obligation (note 17)	**8,984**	11,252
Contingent consideration (note 17)	**189,406**	161,541
Deferred consideration (note 17)	**—**	133
Additional contingent incentive (note 17)	**6,309**	5,202
Net debt plus earn-out liabilities	**178,629**	142,390

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Five-year financial information

for the 12-month period ended 31 January 2023 (unaudited)

	Year ended 2023 IFRS £'000	Year ended 2022 IFRS £'000	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000
Profit and loss					
Net revenue	**563,799**	362,103	266,886	248,469	224,093
Staff costs	**391,798**	258,945	189,530	171,180	153,247
Operating profit	**67,207**	39,985	13,688	19,413	20,677
Net finance expense	**(57,098)**	(120,335)	(15,425)	(14,061)	(1,917)
Profit/(loss) before income tax	**10,109**	(80,139)	(1,306)	5,556	18,825
Income tax (expense)/credit	**(7,123)**	14,475	(2,643)	(2,717)	(4,299)
Profit/(loss) for the year	**2,986**	(65,664)	(3,949)	2,839	14,526
Non-controlling interests	**1,363**	3,555	989	577	639
Profit/(loss) attributable to owners of the Parent	**1,623**	(69,219)	(4,938)	2,262	13,887
Balance sheet					
Non-current assets	**382,102**	266,158	216,072	224,370	155,028
Net current (liabilities)/assets	**(26,704)**	(1,651)	(6,128)	1,780	10,792
Non-current liabilities	**(240,998)**	(203,048)	(93,063)	(113,439)	(54,367)
Total equity attributable to owners of the Parent	**113,948**	59,829	116,957	113,296	112,529
Non-controlling interests	**452**	1,630	(76)	(585)	(1,076)
Total equity	**114,400**	61,459	116,881	112,711	111,453

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Five-year financial information continued

for the 12-month period ended 31 January 2023 (unaudited)

	Year ended 2023 IFRS £'000	Year ended 2022 IFRS £'000	Year ended 2021 IFRS £'000	Year ended 2020 IFRS £'000	Year ended 2019 IFRS £'000
Cash flow					
Profit/(loss) for the year	**2,986**	(65,664)	(3,949)	2,839	14,526
Non-cash adjustments and working capital movements	**92,220**	154,424	76,882	46,662	23,856
Net cash generated from operations	**95,206**	88,760	72,933	49,501	38,382
Income tax paid	**(20,301)**	(14,109)	(8,423)	(5,993)	(6,237)
Net cash from operating activities	**74,905**	74,651	64,510	43,508	32,145
Acquisition of subsidiaries net of cash acquired	**(70,268)**	(14,454)	(8,097)	(18,501)	(19,281)
Acquisition of property, plant and equipment	**(3,485)**	(3,107)	(1,998)	(3,460)	(5,648)
Net cash outflow from investing activities	**(67,462)**	(18,532)	(26,994)	(28,340)	(37,154)
Net cash movement in bank borrowings	**(1,514)**	9,573	(24,912)	13,039	(10,922)
Dividends paid to owners of the Parent	**(12,679)**	(9,832)	—	(6,759)	(5,243)
Net cash (outflow)/inflow from financing activities	**(21,093)**	(24,741)	(39,126)	(6,826)	645
(Decrease)/increase in cash for the year	**(13,650)**	31,378	(1,610)	8,342	(4,364)
Dividend per share (p)	**14.6**	12.0	7.0	2.5	7.56
Basic earnings per share (p)	**1.7**	(74.9)	(5.5)	2.7	17.5
Diluted earnings per share (p)	**1.5**	(74.9)	(5.5)	2.5	16.3
Key performance indicators and other non-statutory measures					
Adjusted staff costs as a % of net revenue[1]	**67.1**	65.3	66.8	65.6	65.9
Adjusted EBITDA[2]	**129,586**	91,462	63,895	56,764	41,733
Adjusted profit before income tax[3]	**112,538**	79,268	49,117	40,237	36,004
Diluted adjusted earnings per share (p)[3]	**80.4**	59.7	40.7	34.8	33.1
Net cash/(debt)[4]	**26,070**	35,738	14,021	(9,346)	(5,177)

1 Staff costs excluding restructuring costs. See glossary for further information.

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

3 See glossary for further information.

4 Net debt excludes contingent consideration and share purchase obligations. See glossary for further information.

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Shareholder information

Financial calendar

Preliminary results

2023 full-year results announcement	25 April 2023
Annual General Meeting	6 July 2023
2024 half-year results announcement	26 October 2023
Year end	31 January 2024
2024 full-year results announcement	April 2024

Final dividend

Ex-dividend date	6 July 2023
Record date	7 July 2023
Last date for DRIP election	21 July 2023
Payment of 2023 final dividend	11 August 2023

Interim dividend

Ex-dividend date	19 October 2023
Record date	20 October 2023
Last date for DRIP election	3 November 2023
Payment of 2023 interim dividend	24 November 2023

These dates are provisional and may be subject to change.

Annual General Meeting

Please see page 107 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: shareholderenquiries@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.

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 www.linkgroup.eu/ips.

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.fca.org.uk/consumers/share-bond-and-boiler-room-scams.

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Company number
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Website
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References

Customer Insight

1. Market research: The Business Research Company (2020)
2. Data management: Estimate
3. Data analytics & implementation: Market and Markets – Global Cloud Analytics (2021)
4. Customer Relationship Management (CRM) implementation: Research and Markets (2021)

Customer Experience

5. Customer experience: International Data Corporation (IDC, 2021)
6. Content, communications & creative: Technavio (2021)

Customer Delivery

7. E-commerce implementation: International Data Corporation (IDC, 2021)
8. Search Engine Optimisation (SEO): Business Wire (2021)
9. Media buying & Planning: Research and Markets (2021)
10. Social Media Management: Markets and Markets (2021)
11. Lead Generation: Business Wire (2021)

Business Transformation

12. Strategy Consulting: The Business Research Company (2020)
    - 12.1. The Business Research Company (2021)
    - 12.2. Inc People Change Management (PCM): Absolute Market Insights (2020)
13. Digital Transformation: Market and Markets – Global Cloud Analytics (2021)
14. Big data and Analycs: The Business Research Company (2021)
15. Other:
    - 15.1. Supply chain and logistics – Grand View Research (2021)
    - 15.2. Legal – Research and Markets (2021)
    - 15.3. HR Advisory – Research and Markets (2021)
    - 15.4. Finance – Allied Market Research (2021)
    - 15.5. Tax Market Research.com (2021)

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