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Next Fifteen Communications Group plc
Annual Report 2011

MAKING THE RIGHT CONNECTIONS

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INTRODUCTION

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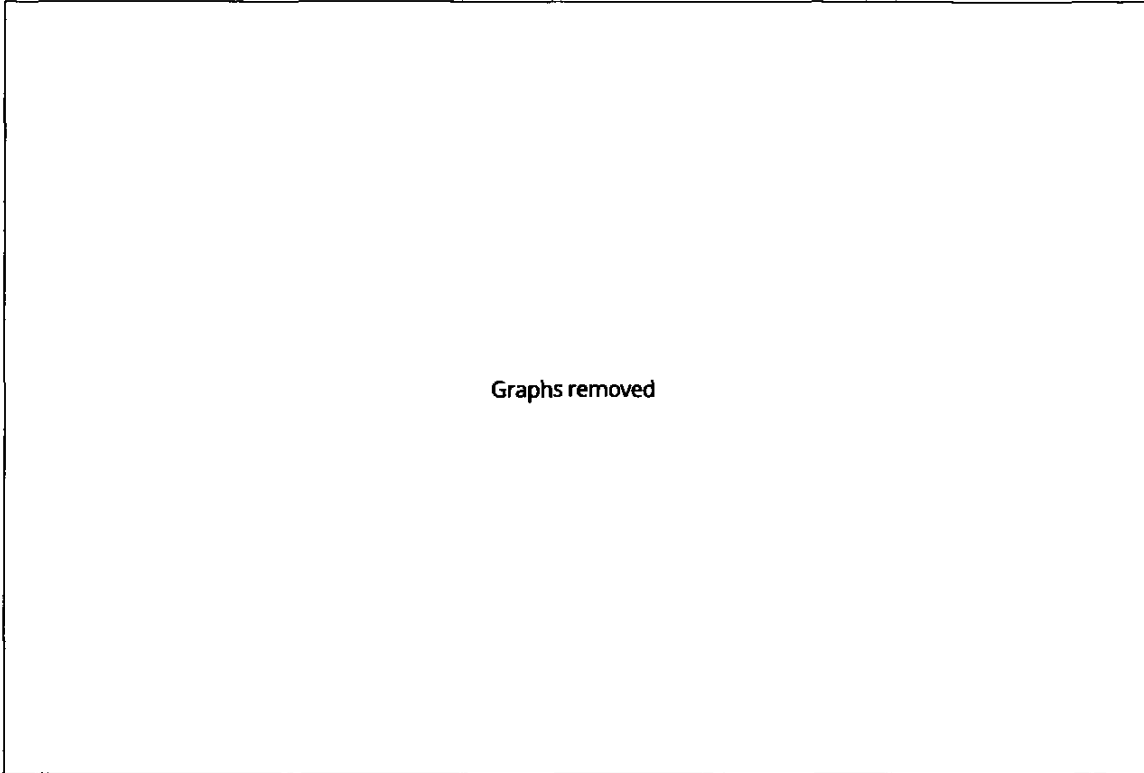
ONCE AGAIN WE HAVE CREATED AN ONLINE ANNUAL REPORT THAT CAN BE FOUND ON OUR WEBSITE, WWW.NEXT15.COM. THE SITE FEATURES CLIENT CASE STUDIES SHOWCASING SOME OF OUR WORK, INFORMATION ON NEXT 15 BRANDS AND MORE ABOUT OUR YEAR.

IMAGE REMOVED

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HIGHLIGHTS



¹See note 5 to the financial statements

²See note 10 to the financial statements

OPERATIONAL HIGHLIGHTS

EBITDA increased to £10.7m from £8.4m last year

Achieved organic revenue growth of 11% on prior year³

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For more detail go to page 06

Net debt increased by just £0.7m year on year to £1.6m, despite spending of £6.5m on acquisition related payments⁴

Acquired 80% of CMG Worldwide Limited ('Bourne'), a digital agency based in Glasgow and New York

Acquired 85% of Blueshirt Group LLC, an investor and media relations company based in San Francisco and New York

Launched Beyond, a new digital consultancy with offices in the UK and US

Acquired 80% of Munich-based Trademark PR and Consulting post year end

³ Organic revenue growth is revenue growth at constant currency and excluding the impact of acquisitions

⁴ Net debt excludes contingent consideration and share purchase obligations. See note 19 to the financial statements

CHAIRMAN'S STATEMENT

"THE GROUP HAS ACHIEVED RECORD REVENUES AND PROFITS"

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For more detail go to page 06

Next Fifteen Communications Group plc ('Next 15' or 'the Group'), a worldwide digital communications group, has had a memorable year. The Group has achieved record revenues and profits underpinned by its early transition to digital services in its PR businesses. Digital is giving the Group access to new revenue streams and helping to deliver strong growth in North America and Asia. During the year Next 15 further expanded its digital offering and strengthened its corporate business, through targeted acquisitions. Against a backdrop of geopolitical turmoil, Next 15 has delivered strong top and bottom line growth, with a balance sheet that is both robust and sustainable.

The Group has reported revenue up 19% to £86.0m (2010 £72.3m) and profit before tax increased by 42% to £7.5m (2010 £5.3m), while adjusted profits¹ before tax were up 27% at £8.4m (2010 £6.6m). Diluted adjusted earnings per share² increased 16% to 8.74p (2010 7.53p).

¹ See note 5 to the financial statements

² See note 10 to the financial statements

and the Group ended the year with a modest net debt (excluding contingent consideration liabilities and share purchase obligation) of £1.6m. This represents 15% of EBITDA being £10.7m (2010 £8.4m). On the back of these strong results the Board is recommending a final dividend of 1.535p per share, which increases the dividend for the year by 11% to 2.05p (2010 1.85p).

DIGITAL IS THE DRIVING FORCE

As more communication moves to online and mobile distribution, the Group has built upon its traditional analogue skills to help its clients participate appropriately in social media, developing new skills and embracing new codes of conduct. Such deliberate steps, which began several years ago, reflect in part the particular demands of a client list featuring many of the world's most important technology brands, but outstanding digital capabilities are now sought by all brand owners.

The Group currently works with seven of the top ten most valuable brands in the 2011 Interbrand table

I'm pleased then to report that the digital investments our agencies have made are paying off and are delivering significant additional revenues. This is highlighted by the success of our fledgling digital agency, Beyond, which now has a revenue run rate of over US\$8m per annum and works closely with our other agencies, providing strong evidence of the importance of such investments and the new opportunities for the Group in the broader marketing services sector

SEGMENTAL PERFORMANCE

Technology PR, which is still at the heart of the Group, representing 69% of our revenue, grew by 9%, following a strong performance from Outcast and Text 100 in North America and Bite in Asia Pacific. The Consumer PR division, representing 19% of total revenue, grew by 12%, reflecting strong performance in North America from M Booth. The Corporate Communications division, representing 6% of Group revenue and the Digital/Research segment also 6%, have both more than doubled in size, driven on by client demand and by the acquisitions made in these divisions

IMPACT OF ACQUISITIONS

Organic growth remains a strong feature of the Group, with revenues increasing by 11% on a constant currency basis and excluding the acquired businesses. However, the Group believes in a strategy of selective acquisitions of specialist agencies that complement existing agencies or take the business into fast growth sectors or geographies

During the last year the Group acquired The Blueshirt Group, an investor and media relations agency based in San Francisco and New York and Bourne a Glasgow-based digital marketing agency which also has an operation in New York. After the end of the financial year the Group's Bite subsidiary acquired Trademark, a Munich-based public relations and consulting business

BOARD CHANGES

It was a great pleasure to accept the role of Chairman of Next 15 in May 2011, following on from Will Whitehorn. The Board transition was completed during the summer months, with Alicja Lesniak replacing the retiring Ian Taylor as Chair of the Audit and Remuneration Committees and Senior Independent Non-Executive Director, and Margit Wennmachers bringing her Silicon Valley experience to the Group. These appointments complete a process designed to reinforce the Group's digital and global ambitions

PROSPECTS

The Group recognises that the global economic outlook remains unsettled, underlining the need for continued fiscal prudence. We are well-positioned in the US market, which has demonstrated its resilience, and the Group is also well-placed to benefit from changes in marketing communications practices as marketing spend moves to digital platforms. We will remain attentive to opportunities to make value-enhancing acquisitions and investments by using our strong balance sheet position. We are pleased to report an encouraging start to the new financial year and remain confident about the prospects for Next 15

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Richard Eyre
Chairman

4 November 2011

CHIEF EXECUTIVE OFFICER'S REVIEW

Normally in these reviews I talk about how we are performing. This year I want to devote the time to explain the opportunity our business faces. Why? Because we are in the midst of the biggest and most exciting industry transition we've ever seen. Only a few years ago we were defined largely by our ability to drive positive media attention for our clients. Today we are defined by our ability to drive a client's reputation online using social channels such as Facebook and Twitter, bloggers and of course, online media. The old world of print and broadcast media still has value but it's decreasing at a rapid rate. The transition from traditional forms of media, to digital, social channels is a challenge that faces all marketing services firms, be they PR businesses, advertising agencies or direct mail operations. For those of us that have grown up in PR this transition presents a unique opportunity.

The transition to digital opens up marketing and drives it towards a more efficient real-time model with conversations and data sitting right at the heart. This is wonderful news for PR agencies and in particular for ones that are steeped in technology as we are. We have a long history of driving conversations that are designed to engage communities. With digital channels, we now have the opportunity to take these conversations direct to customers. It's as if we were a business that previously had a single channel but now see almost endless potential channels.

The transition to digital has already changed our existing client relationships and is increasingly opening doors with a new type of customer. This is evident through the work we are doing for customers such as Google, General Electric and Zynga. Of course as with all great opportunities come some interesting challenges. The first is that we are adding some very different skills within our agencies. We are now hiring programmers, search specialists, statisticians and data analysts to sit alongside our creative directors, messaging experts and media specialists. In other words as our business model evolves so does the type of talent we need.

It's worth talking about the scale of the opportunity that sits in front of the Group. Historically we have operated in the PR sector, which is in turn a \$7bn subset of the marketing industry. The entire marketing industry is estimated to be a \$700bn industry. In other words as the barriers between PR and the rest of marketing come down, we get the opportunity to access far larger slices of the marketing pie. In time we fully expect new boundaries to be created as the whole industry redefines itself. Whatever happens though it is clear that the PR industry, and the agencies that comprise it, have a chance to play in a much larger market going forward.

While our industry is changing, so is the world economy. Our business has a long history of doing business in the world's largest and most developed markets along with many of the most important higher growth markets such as India and China. Our growth in the last few years has been driven

Number of clients

984 +34.4%
(2010 732)

Offices worldwide

51 +6.3%
(2010 48)

Average number of staff

1,067 +25%
(2010 854)

**“WE ARE IN THE
MIDST OF THE
BIGGEST AND
MOST EXCITING
INDUSTRY
TRANSITION
WE’VE EVER SEEN”**

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by our presence in the US and these developing markets. We anticipate these markets will continue to drive our business forward given the relative performance of the US economy and the rapid economic growth being experienced in Asia Pacific.

Businesses are defined by their ability to innovate and embrace change. Next 15 has a culture of innovation and is embracing the transition to digital with open arms.

While geopolitical concerns are still creating uncertainty in many economies, I’m confident that we have an exciting future ahead of us. Next 15 is well positioned to take advantage of the transition to digital. Consumption of media and the ways that people are influenced has been radically changed by the internet, platforms such as Facebook and Twitter; and mobile computing. The way in which we embrace that change will define our future.

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Tim Dyson
Chief Executive Officer

4 November 2011

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FINANCIAL REVIEW

OVERVIEW

The year to 31 July 2011, was a year in which the Group made some significant progress towards broadening the base of its future growth opportunities. We created a new digital consultancy business by combining existing PR and analytics resources, with the acquisition of Type 3, a digital content business, to create Beyond. When also combined with the acquisition in May of Glasgow-based, digital agency Bourne, we have significantly enhanced the size of our Digital and Research division. We also moved into investor communications with the acquisition of The Blueshirt Group in San Francisco and New York. This business sits within our Corporate Communications division but has significant cross-selling opportunities with our Technology PR businesses. In terms of numbers, revenue grew by 19% to £86.0m (2010: £72.3m) but when adjusting for acquisitions and currency movements, underlying organic revenue growth was 11%. Profit before tax increased by 42% to £7.5m (2010: £5.3m).

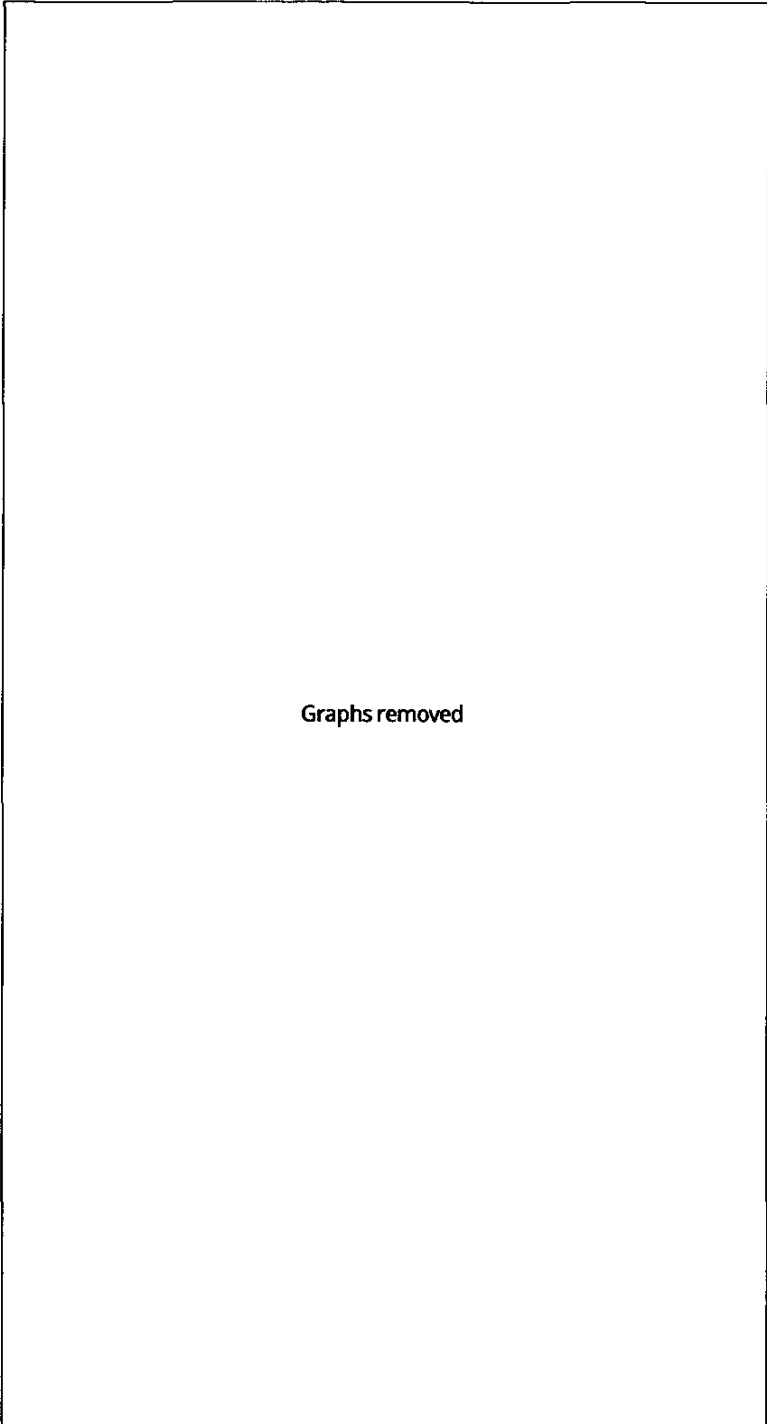
There are a number of accounting adjustments, mainly relating to acquisitions, that create volatility and distort visibility of the underlying performance of the Group and therefore adjusted profit and earnings numbers have been used in this review. Adjusted profit before tax increased by 27%, to £8.4m (2010: £6.6m) (see note 5), and diluted adjusted EPS rose by 16%, to 8.74p (2010: 7.53p) (see note 10). The Group EBITDA¹ was £10.7m (2010: £8.4m) and on an after tax basis it generated £8.8m from operating activities (2010: £5.1m). However, £6.5m expended on acquisition related payments resulted in a Group net debt² position of £1.6m compared to a net debt position of £0.9m at 31 July 2010. This level of debt represents gearing of under 5% and still leaves the Group with a strong base from which to deliver further growth.

¹ Operating profit before depreciation and amortisation

² Net debt excludes contingent consideration and share purchase obligations, see note 19 to the financial statements

“THE GROUP HAS MADE SOME SIGNIFICANT PROGRESS TOWARDS BROADENING THE BASE OF ITS FUTURE GROWTH OPPORTUNITIES”

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¹ As a % of total adjusted operating profit excluding head office costs

FINANCIAL REVIEW CONTINUED

SEGMENTAL, GEOGRAPHIC AND CLIENT ANALYSIS

The Group has 51 offices in 18 countries and a further six licensed partners

The Technology PR segment remains by far the largest part of the Group, with 69% of the revenue, having grown by 9%. This growth has come largely from Outcast and Text 100 in the US market with a small element relating to the impact that two small digital acquisitions, OneXeno and ILS, had on the Bite Asia business. The Consumer PR segment grew by 12% and represents 19% of Group revenue. Most of this growth was generated in the US market by M Booth with a very small element relating to the UK acquisition and integration of The Glasshouse Partnership by Lexis. The Corporate Communications segment was created following the acquisition of The Blueshirt Group, an investor and media relations agency in November 2010, which joined existing policy communications business 463 Communications. The final segment is Digital Communications and Research, which experienced very significant growth following the creation of specialist digital agency Beyond, at the beginning of the financial year, and the acquisition of Bourne in the final quarter of the year.

From a geographic perspective, the proportion of the Group's revenue from outside the UK in the last year was 79%. The US remained the largest geographic region, accounting for 52% of revenue. With the UK share of revenue being 21%, the Group generated around 73% of its revenue in the two strongest markets for public relations and marketing services. In revenue

terms, the US region grew by 21% to £45.1m (2010: £37.3m), following the acquisition of Blueshirt, which added £3.3m. The UK revenue increased almost 19% on last year including a small contribution from Bourne. In Europe and Africa the business experienced a flat year with revenue of £9.7m including the impact of a 1.8% weaker Euro. The Asia Pacific region grew by 29%, to £13.2m (2010: £10.2m). The organic growth was 20% benefiting from good results posted by our operations in Australia, India and Hong Kong.

It is also pleasing to note that the concentration of the Group's key clients reduced further. The top ten clients now represent circa 30% of total Group revenue (2010: 32%), with no single client accounting for more than 5% of the total. The Group still has an impressive list of global blue chip clients with all of the top ten clients generating annual fees in excess of £1.3m. The total number of clients rose to almost 1,000 following the acquisitions referenced above and project clients now represent circa 40% of the total number. This reflects the nature of the relationships held in the Digital and Research segment as well as the move to more project work in the EMEA PR client base. The average client size fell by 11% to £85,000 because of the increased number of project relationships and the nature of the current market in research. We have over 200 international clients representing 21% of total clients but more significantly they are more than three times the size of the average client and account for almost two-thirds of Group revenue. The international nature of our client base provides greater scope for growth than reliance on domestic clients alone.

FOREIGN EXCHANGE RISK

The Group has established treasury policies and procedures which monitor exposure to the US dollar and euro, which are the two main operating currencies other than sterling. Cover periods have remained short with cover based on the expected surplus cash receipts returned to the UK within the current financial year only. As a result of this policy there should be much reduced volatility in the accounting charges arising from the requirement to fair value these contracts.

MARGIN PERFORMANCE

The adjusted profit before tax margin of the Group increased to 9.8% from 9.1% last year, following the continued recovery from the global recession and increasing momentum in the second half of the financial year, aided by the acquisition of Blueshirt. Excluding head office costs, the adjusted operating profit margin³ was 14.8% compared to 15.4% last year. There have been some margin pressures in some of the Group's businesses but they have worked very hard in difficult economic circumstances to remain close to the target minimum threshold of 16%, before head office costs. The Technology PR segment achieved 13.5%, with Bite having the biggest challenge in reaching the target following a significant client loss in the US and the investment in its APAC growth markets. The Consumer PR segment achieved a margin of 17.9%, following the strong performance from M Booth, noted above. The Digital and Research segment achieved a 12% margin, but this was impacted by a fourth quarter loss at newly acquired Bourne. The Corporate Communications segment achieved a margin of almost 23%, following a

³ Adjusted operating profit, as set out in note 5 to the financial statements, as a % of revenue

140% increase in revenue with the acquisition of Blueshirt. From a regional perspective, the US and UK achieved the required target rates, but EMEA's margin suffered as the economy stagnated and the APAC region is still very much at a sub-optimal scale and new offices in India for Bite created start-up losses in this market. The staff cost to revenue ratio is critical to managing margin performance but this increased slightly to 69.4% from 68.8% last year. The medium-term target is 65%, but this is proving difficult to achieve with higher staff cost ratios in the sub-scale APAC region offices and salary pressures in some markets running ahead of clients' willingness to increase budgets.

CASH FLOW

The net cash generated from operations (before tax payments) was strong once again at £11.4m (2010: £6.6m), which was 143% of operating profit. The main investment activities in the year requiring a cash payment were £2.4m for contingent consideration for M Booth, acquired in August 2009, £2.2m for the initial payment for the 85% stake in Blueshirt acquired in November 2010 and £2m for the initial payment for the 80% of Bourne acquired in May 2011. Dividends paid to Next Fifteen shareholders totalled £1.0m. The Group continues to face pressure on payment terms from some clients, particularly those financed by debt. Typically these are large companies with professional procurement teams who still hold good credit ratings but who use their size to negotiate extended payment terms on a take it or leave it basis. In the face of these pressures the finance teams within the Group have done a great job in managing the debtor profile and bad debt exposure.

⁴ See note 19 to the financial statements

BALANCE SHEET

The key movements in the Group's balance sheet are the Goodwill arising from the acquisitions of Blueshirt and Bourne and the increased receivables and payables consolidated following these acquisitions. Cash and cash equivalents were £8.5m compared to £7.3m last year with the acquisitions partly funded from drawing down £2m from the bank facilities described below. The net debt⁴ position after deducting bank borrowings and finance leases was £1.6m (2010: £0.9m). Net assets at 31 July 2011 were £32.3m (2010: £27.6m).

TREASURY AND FUNDING

The Group has extended its revolving-credit facility from Barclays Bank which is now £16m to December 2014. The additional £5m capacity is subject to receiving guarantees from M Booth and Blueshirt. The facility was used to help make the upfront payments on the acquisitions of Blueshirt and Bourne. The facility is available in a combination of sterling, US dollar and Euro at an interest rate of 2.25% over LIBOR. Also available is an overdraft facility of £1.5m, available in sterling, US dollar and Euro. All of the UK businesses are part of a composite accounting system which allows the offset of UK overdrawn and credit balances. In the US, the Group has consolidated facilities with Wells Fargo, supported by a \$2.7m credit line for letters of credit and working capital purposes. In addition we have a \$1m loan facility at bank call-loan rate plus 2.5% with Wells Fargo, repayable over five years, which was used to partly fund the purchase of the additional stake in 463 Communications in 2009. The Group aims to return any surplus cash to the UK subject to any local transfer restrictions, and as far as possible to

FINANCIAL REVIEW CONTINUED

hold only moderate non-deposit cash balances in overseas subsidiaries, subject to working capital needs

TAXATION

The total tax charge for the year is £2.3m (2010: £1.6m) on profit before tax of £7.5m (2009: £5.3m). This represents an effective tax rate of 30%, being 3% higher than the standard UK rate, reflecting the higher tax rates in the US where an increasing proportion of our profits are made following the acquisition of M Booth and Blueshirt. There were also losses in some of the individual entities that make up Upstream Asia. The higher tax charge also reflects a decline in the value of our UK deferred tax asset, as corporate tax rates are due to reduce further

EARNINGS

Basic earnings per share, adjusted for the highlighted items shown in note 5, rose 20% to 10.17p (see note 10). This rise reflects the increased profit levels but was mitigated by the increased number of shares used in the calculation. This arises from shares issued in relation to contingent consideration in relation to the M Booth acquisition. The calculation is also impacted by shares issued from the ESOP during the year when employees exercised share options.

The diluted adjusted earnings per share rose by 16%, to 8.74p and this is 14% less than the adjusted basic figure. This increased level of dilution is coming from the options and performance shares outstanding under the Long-Term Incentive Plan and also as a result of taking into account shares that are expected to be issued in the future as part of the contingent consideration for acquisitions.

DIVIDENDS

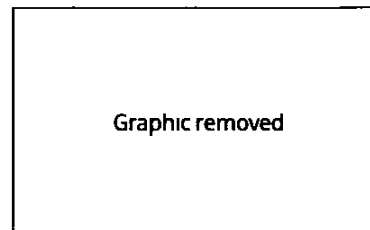
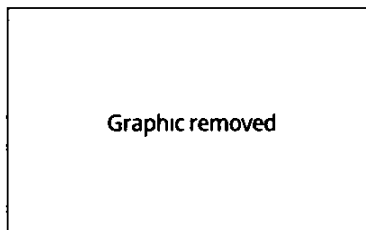
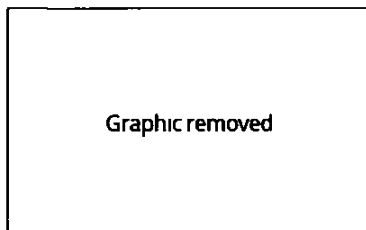
The proposed final ordinary dividend per share is 1.535p, which takes the total for the year to 2.05p, an 11% increase on the total dividend of 1.85p last year. It will be paid on 3 February 2012, assuming that it is approved at the AGM on 24 January 2012. The Board continues to review its dividend policy over the medium term and aims to strike a balance between the relevance placed on dividends by shareholders and the needs of the Company to invest for future growth.

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David Dewhurst
Finance Director

4 November 2011

BOARD OF DIRECTORS



RICHARD EYRE

Chairman# Aged 57

Richard was appointed as Chairman in May 2011, replacing Will Whitehorn. He is Chairman of the Internet Advertising Bureau and the Eden Project as well as being a director of MGT Ltd, Results International Group LLP, Grant Thornton LLP, Signify Ltd, Atlantic FM Ltd and Asbof Ltd. He was formerly CEO of ITV Network Ltd, Capital Radio plc and Director of Content and Strategy for the RTL Group. He replaced Will Whitehorn, who had chaired the Group for the last seven years.

TIM DYSON

Chief Executive Officer* Aged 50

Tim joined the Group in 1984, straight from Loughborough University and became its CEO in 1992. As one of the early pioneers of tech PR, he has worked on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM, Sun and Intel. Tim oversaw the flotation of the Company on the London Stock Exchange and has managed a string of successful acquisitions by the Group in recent years, including M Booth in the US and Upstream in the Asia Pacific. Tim moved from London to set up the Group's first US business in 1995 in Seattle, and is now based in Palo Alto, the heart of Silicon Valley. Outside Next Fifteen, Tim is on the advisory boards of several emerging technology companies. Tim also writes a blog at <http://timdyson.wordpress.com/> where he comments on news and topical issues affecting the public relations industry.

DAVID DEWHURST, ACA

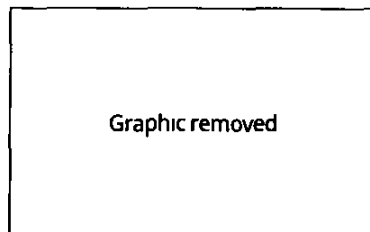
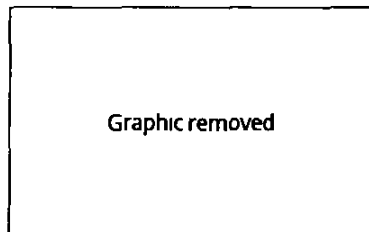
Finance Director Aged 48

David Dewhurst graduated from the University of Birmingham in 1984. He then joined KPMG as a trainee accountant, qualifying in 1987. David worked as a corporate and group accountant for Hillsdown Holdings plc between 1988 and 1992. In 1992, David became Group Finance Director for Strong & Fisher Holdings plc before being appointed, in 1997, to the same post at The Media Business Group plc. He joined the Board of Next Fifteen Communications Group plc as Finance Director in 1999 to take the Company through its flotation in December 1999.

Member of Audit, Remuneration and Nomination Committees

* Member of Nomination Committee

BOARD OF DIRECTORS CONTINUED



ALICJA LESNIAK

Non-executive Director and Senior Independent Director# Aged 59

Alicja joined the Board in July 2011. Alicja is currently a non-executive director at Channel 4 Television Corporation, SThree plc and DTZ Holdings plc.

Alicja started her career as a Chartered Accountant at Arthur Andersen but rapidly moved into the financial, commercial and operational management of professional service businesses. Since 1987 she has worked in the marketing services sector with global companies such as WPP Group plc, J Walter Thompson Group Ltd, Ogilvy & Mather Worldwide Inc, BBDO Worldwide Inc and Aegis Group plc, where she was Chief Financial Officer. She has extensive experience of working internationally, including roles based in New York and Paris.

MARGIT WENNMACHERS

Non-executive Director* Aged 46

Margit joined the Board in August 2011. She is a partner at Andreessen Horowitz, a venture capital firm, where she heads the firm's marketing efforts. Margit joined Andreessen Horowitz in July 2010. Before that she co-founded OutCast Communications Corp, which became a subsidiary of Next Fifteen Communications Group plc in 2005. Prior to OutCast, Margit spent over four years at Blanc & Otus, where she managed several of that agency's largest client accounts. Before joining Blanc & Otus, Margit was based in Germany and was responsible for European marketing and communications for Stardent Computers.

Member of Audit, Remuneration and Nomination Committees

* Member of Nomination Committee

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of Next Fifteen Communications Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 July 2011

Principal activity

The principal activity of the Group during the year continued to be the provision of public relations services. The Group's business is organised into four reportable segments, being Technology PR, Consumer PR, Digital and Research Consultancy and Corporate Communications. Within the Technology and Consumer PR segments, the Group operates five independent PR brands that operate as autonomous businesses, thus enabling them to service competing clients. These are Text 100, Bite, The OutCast Agency, Lexis Public Relations and M Booth & Associates. The Group's Digital and Research Consultancy segment comprises the Redshift, Bourne and Beyond brands. The Corporate Communications segment comprises 463 Communications, a communications policy consultancy and The Blueshirt Group, an investor relations business.

Review of business and future prospects

A detailed review of the business, current trading and future developments of the Group is given in the Chairman's statement, the Chief Executive Officer's review and the Financial review, the latter of which includes an overview of the key performance indicators of the business. Details of the Group's principal risks and uncertainties are given in the Directors' statement on corporate governance.

Results and dividends

The Group's financial statements for the year ended 31 July 2011 show that profit before tax for the financial year was £7,527,000 (2010: £5,304,000). The Group made a profit attributable to shareholders of the Company for the year of £4,997,000 (2010: £3,675,000). The interim dividend paid during the year was 0.515p per share (2010: 0.475p). A final dividend of 1.535p per share (2010: 1.375p) has been proposed, making the total for the year 2.05p per share (2010: 1.85p).

Company's listing

The Company continues to be listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Information required by AIM rule 26, has been provided on the Group's website, www.next15.com.

Acquisitions

The following is a summary of Group acquisitions made in the year ended 31 July 2011, more detailed disclosure can be found in note 26 to the financial statements.

On 1 November 2010, the Group acquired an 85% stake in US-based investor relations company, The Blueshirt Group, LLC ('Blueshirt'). The initial consideration paid in cash on completion was US\$3,000,000 (£1,870,000). In addition a balance of US\$448,000 (£280,000) was paid in respect of excess working capital acquired. Contingent consideration will be paid over the course of four years based on a multiple of average profits and margin performance. These contingent payments are expected to total US\$8m.

On 12 May 2011, the Group acquired 80% of the share capital of CMG Worldwide Limited (trading as Bourne), a digital agency with offices in the UK and US. The initial consideration paid in cash, on completion, was £1,950,000. Further contingent consideration is payable over the period to October 2014, dependent on the PBIT and margin levels achieved by Bourne over the period to 31 July 2014. The remaining 20% holding in Bourne is the subject of put and call options commencing in 2015 and it is anticipated that these shares will be acquired by October 2018. Next Fifteen has the right to acquire 20% of the outstanding share capital from 2018 ("call option") from the sellers. Similarly, the sellers of Bourne have the right to sell 20% of the outstanding share capital from 2015 ("put option"). Consideration payable on exercise of the options by either party is dependent on PBIT performance of Bourne for the two financial year ends preceding exercise of an option.

In addition the Group made a number of smaller acquisitions during the year.

- On 4 August 2010, Beyond Corporation Limited acquired the entire issued share capital of UK-based Type 3 Limited, while Beyond International Corporation acquired the entire issued share capital of US-based Type 3 Limited, a provider of integrated web design services. Consideration of £300,000 in cash was paid on completion in addition to a payment of £131,000 in respect of excess working capital acquired.
- On 1 September 2010, Lexis Public Relations Limited ('Lexis') acquired the entire issued share capital of UK-based Glasshouse Partnership Limited, a corporate communications and marketing agency.

REPORT OF THE DIRECTORS CONTINUED

Review of business and future prospects (continued)

Acquisitions (continued)

- On 1 September 2010, Bite Communications Hong Kong Limited ('Bite') acquired the trade and assets of digital marketing agency OneXeno Limited ('OneXeno'), a Hong Kong company. The business was integrated into Bite's existing Asia Pacific operation, and will offer clients new levels of service, expertise and digital communications tools in the region.
- On 1 April 2011 the Group acquired the trade and assets of Interlink Systems Limited ('ILS'), a Hong Kong based solution provider for website development, web design, web applications, intranet, online commerce, dynamic content, customised software, online store, ecommerce and online promotion.

Aggregate initial consideration of £487,000 was paid in relation to these acquisitions in addition to working capital payments of £268,000. A number of these acquisition agreements include provision for future payments contingent on performance of the acquired businesses and assets. In the year ended 31 July 2011 additional consideration payments of £70,000 were made.

Financial instruments

Information on both the Group's financial risk management objectives and the Group's policies on exposure to relevant risks in respect of financial instruments is set out in note 19.

Directors

The names and biographical details of the Directors who held office at the date of this report appear on pages 11 and 12.

The Company's Articles of Association require that any Director appointed by the Board must stand for election at the next Annual General Meeting. Richard Eyre was appointed as non-executive Chairman on 12 May 2011, Alicja Lesniak was appointed as a non-executive Director and Senior Independent Director on 1 July 2011 and Margit Wennmachers was appointed as a non-executive Director on 17 August 2011. All three directors will offer themselves for election by shareholders at the next Annual General Meeting. Further, in accordance with the Company's Articles of Association, one-third of the Directors must retire by rotation each year. Tim Dyson will retire from the Board at the next Annual General Meeting of the Company and offer himself for re-election.

Additional information relating to Directors' remuneration, service agreements and interests in the Company's shares is given in the Remuneration report.

Other than service contracts, no Director has a material interest in any contract to which the Company, or any of its subsidiaries, is a party. The Company has maintained insurance to cover Directors' and Officers' liabilities and costs for claims in connection with any act or omission by its Directors or Officers in the execution of their duties. No claims have been made against this policy.

Substantial shareholdings

On 3 November 2011 the following interests in 3% or more of the issued share capital had been notified to the Company.

Name	Ordinary Shares of 2.5p each	% of Ordinary Share Capital
Liontrust Investment Partners LLP	11,291,178	20.02%
Timothy Dyson	5,781,004	10.25%
Herald Investment Management	5,231,796	9.27%
BlackRock Investment Management (UK)	3,699,581	6.56%
Tom Lewis	2,968,538	5.26%
River and Mercantile Asset Management LLP	2,733,049	4.85%
Octopus Investments	2,732,738	4.84%
Matthew Ravden	1,734,494	3.07%

The market price of the Company's shares during the year was as follows

Price at 1 August 2010	60p
Highest price	84 5p
Lowest price	60p
Price at 31 July 2011	84p

Charitable donations

During the year the Group made charitable donations of £47,000 (2010 £32,000)

Political donations

It is the Group's policy not to make donations for political purposes

Payments to suppliers

It is the policy of the Group to agree suitable terms and conditions for its business transactions with all suppliers. These terms and conditions range from standard written terms to individually drafted contracts. Once such terms are agreed, it is the Group's policy to adhere fully to them, provided the supplier has also complied with the terms and conditions. The number of days taken by the Company to pay suppliers, on the basis of trade creditors at 31 July 2011 and average daily purchases for the year, was 32 days (2010 28 days)

Employee involvement

The Group operates a policy of regularly informing all employees of the Group's financial performance, through a combination of meetings and electronic communications. In addition, the Group's employee share option schemes, long-term incentive schemes and bonus schemes encourage employees at all levels to contribute to the achievement of the Group's short-term and long-term goals

Equal opportunities

The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities. The Group's policies for training, career development and promotion do not disadvantage such people. The Group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of sex, age, race, religion or belief, marital or civil partnership status or sexual orientation

Health and safety

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's offices at The Triangle, 5-17 Hammersmith Grove, London W6 0LG on Tuesday 24 January 2012 at midday. The notice convening the meeting is included in the mailing with this Annual Report for those shareholders who requested a hard copy, and is also available on the Company's website at www.next15.com

Subsequent events

On 5 October 2011, Next Fifteen Communications Group plc acquired an 80% shareholding in Munich-based Trademark PR and Trademark Consulting. The acquisition is a key part of the Group's plans to offer a global service to its clients by providing specialist communications and marketing expertise in the key economies

The initial consideration for the share purchase was €1.38m (£1.19m) satisfied in cash with further payments, at multiples of PBIT ranging between five and six, dependent on the PBIT and margin levels achieved by Trademark over five years. The maximum consideration payable is €4.5m (£3.88m)

Corporate governance

The Company's statement on corporate governance is set out in pages 22 to 25 of these financial statements and forms part of this Directors' report

REPORT OF THE DIRECTORS CONTINUED

Auditors

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, have indicated a willingness to continue in office, and a resolution that they be reappointed will be proposed at the forthcoming Annual General Meeting.

By order of the Board



David Dewhurst
Company Secretary

4 November 2011

REMUNERATION REPORT

The Remuneration Committee (the 'Committee') and its role

The Company is an AIM listed Company and is not required to comply with all the requirements of companies on the Official List. There is no requirement for an audit of the information disclosed as Director's remuneration and nor is there a requirement for a vote on the Remuneration report. All requirements of AIM companies and best practices have been adopted and complied with.

For the year ended 31 July 2011, Ian Taylor served as Committee Chairman until stepping down from the Board on 31 July 2011. Alicja Lesniak was appointed as a non-executive Director on 1 July 2011 and became Committee Chairman when Ian Taylor stepped down. Will Whitehorn was also a Committee member until stepping down on 12 May 2011, he was replaced by Richard Eyre on the same date. The Chief Executive attends certain meetings of the Committee by invitation to discuss other executives' performance, as appropriate.

During the year the Committee received advice from the Chief Executive in respect of the remuneration of the Finance Director. The Committee takes professional advice as and when it considers this necessary.

The Committee's principal function is to determine the remuneration packages of the Company's senior executives and executive Directors, and make recommendations to the Board concerning the allocation of bonuses and long-term incentive rewards to the two executive Directors and to senior executives in the Group. In addition, it considers the objectives set for each senior executive and how he or she has performed against these targets. Its key terms of reference are to

- determine and agree with the Board a general policy for the remuneration of the executive Directors and senior executives,
- determine the total individual remuneration package of each executive Director,
- determine the policy for, and scope of, pension arrangements for executive Directors, and
- determine and approve the long-term performance incentive arrangements for executive Directors and senior executives of the Group.

It takes into consideration the performance of the senior executives and Directors and sets the scale and structure of their remuneration and the basis of their service agreements, with due regard to the interests of shareholders. No one may participate in decisions regarding his or her own remuneration. The Committee's terms of reference are published on the Company's website.

Remuneration policy

The Group's remuneration policy aims are to

- attract, develop, motivate and retain at all levels, talented people, of the calibre required to continue the Group's growth and development,
- ensure that key executives are appropriately rewarded for their contribution to the Group, and
- encourage the holding of Company shares as an effective way of aligning the interests of employees with those of shareholders.

In framing this policy, the Remuneration Committee and the Board have given consideration to the provision of the Combined Code on Corporate Governance and the QCA guidelines for Smaller Quoted Companies. In arriving at its recommendations, the Committee considers salary surveys covering AIM, small cap, and international PR companies.

Remuneration package for executive Directors

The policy for executive Directors' remuneration is to ensure they are fairly rewarded for their individual contribution to the Group's performance. This is done through a combination of a competitive salary and the opportunity to increase remuneration with short-term and long-term incentives. Executive remuneration packages are reviewed each year. The remuneration package for executive Directors consists of a basic salary, benefits, an annual performance-related bonus, pension and participation in a long-term incentive plan. Details for each Director are set out below. As the Chief Executive has a large shareholding in the Company, this is also taken into consideration when decisions are made regarding short-term and long-term incentives for him.

REMUNERATION REPORT CONTINUED

Short-term incentives

Executive Directors' remuneration includes an element of performance-related pay so that awards can be aligned to improvements in shareholders' value. The level of bonuses is entirely at the discretion of the Remuneration Committee. Bonuses are based on the performance of the Group as a whole, against market expectations, and the Committee's assessment of the performance of individuals against the personal objectives they have been set.

Long-term incentives

The Remuneration Committee recommends the award of share options and performance shares to executive Directors and senior executives to incentivise and retain them. The current plan in place is the Next Fifteen Communications Group plc Long-Term Incentive Plan ('LTIP'), which provides share option and performance share awards to Directors and senior employees.

Under the terms of the LTIP, participants are either awarded share options with a grant price equal to the market price on the day before the grant date, or are awarded performance shares in the Company which are released to the participant upon both the satisfaction of certain performance conditions and the participant remaining an employee of the Group. During the year, the following performance shares were awarded to Directors:

Name of Director	Number of shares	Grant date	End of performance period
Executive Directors			
Tim Dyson	150,000	November 2010	31 July 2014
David Dewhurst	150,000	November 2010	31 July 2014

In January 2010, shareholder approval was obtained to modify the performance conditions relating to all new awards under the LTIP from February 2010 and to apply the changes to grants made in financial years ended 31 July 2008 and 31 July 2009. These performance conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The performance shares under the LTIP are subject to the following conditions:

- The EPS growth of the Group must exceed the Retail Prices Index ('RPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest.
- If there is an average of between 3% and 10% EPS growth over RPI per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis.
- If EPS does not grow an average of 3% or more over RPI per annum over the performance period, the full 50% of the award measured by reference to the EPS measure will lapse.
- The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit before management charges, interest and tax targets over the performance period.
- To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of an award will lapse on a straight-line basis.
- If a business' adjusted profit before management charges, interest and tax is 10% or more below budget over the performance period, the full 50% of the award measured by reference to the budgeted profit measure will lapse.

Performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The level of vesting will be determined using the best three of the four years' performance for each performance measure.

EPS growth will be calculated from the information published in the Group's accounts and will be based on the adjusted EPS measure. The awards will vest when the annual report for the final financial year of the relevant performance period is released.

Various employees still have options that were issued under previous Next Fifteen Executive Share Option Schemes. Under such schemes, share options were issued at the market price on the day before the option was granted (or on another date no more than 30 days prior to the grant date). The share options become exercisable on the following dates:

- The first one-third of the total number granted on the third anniversary of the date of granting
- The second one-third of the total number granted on the fourth anniversary of the date of granting
- The final one-third of the total number granted on the fifth anniversary of the date of granting

The share options will lapse on the date of cessation of the participant's employment with the Group or ten years after the date on which the options were granted.

For all options granted after 30 November 1999 there is a performance criterion that the options may not be exercised unless the Group's EPS has, over a three-year period beginning not earlier than the financial year in which the option is granted and ending on the financial year preceding the year in which the option is exercised, grown by at least 30%. Options granted before this date did not have specific performance criteria. Share price growth was expected to be derived from EPS growth but without a hurdle-rate for exercise.

For more information on share options and performance shares, see note 21 and 22.

Directors' service contracts

All 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. The executive Directors are allowed to accept appointments and retain payments from sources outside the Group, provided such appointments are approved by the Board in writing. Details of the executive Directors' current service contracts are:

Executive Director	Date of current letter of contract	Notice period
Tim Dyson	1 June 1997	6 months
David Dewhurst	7 July 1999	6 months

Non-executive Directors

The executive Directors are responsible for setting the non-executive Directors' fees. 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. Details of the date of the current letters of appointment for non-executive Directors are:

Non-executive Director	Date of current letter of contract	Notice period
Richard Eyre	15 April 2011	3 months
Alicja Lesniak	1 June 2011	3 months
Margit Wennmachers	17 August 2011	3 months

REMUNERATION REPORT CONTINUED

Directors' remuneration

	Salary and fees 2011 £'000	Performance-related bonus 2011 £'000	Compensation for loss of office £'000	Pension contributions 2011 £'000	Other benefits 2011 £'000	Total 2011 £'000	Total 2010 £'000
Executive Directors							
Tim Dyson	384	58	–	38	39	519	494
David Dewhurst	192	29	–	19	4	244	292
Non-executive Directors							
Richard Eyre ¹	18	–	–	–	–	18	–
Alicja Lesniak ¹	4	–	–	–	–	4	–
Margit Wennmachers ¹	–	–	–	–	–	–	–
Will Whitehorn ¹	91	–	30	–	–	121	104
Ian Taylor ¹	40	–	14	–	–	54	39

¹Will Whitehorn retired as Chairman on 12 May 2011 and was replaced by Richard Eyre on the same date. Ian Taylor retired as non-executive Director and Senior Independent Director on 31 July 2011, he was replaced by Alicja Lesniak appointed on 1 July 2011. Margit Wennmachers was appointed as a non-executive Director on 17 August 2011.

Directors' share options

No share options were exercised by the Directors in the year ended 31 July 2011 and none remained unexercised at this date. In the year ended 31 July 2010, 200,000 share options were exercised resulting in a gain on exercise of £66,000.

As at 31 July 2011, the following Directors held the following performance-share awards under the LTIP over Ordinary Shares of 2.5p each:

Name of Director	Number of shares at 1 August 2010	Shares lapsing during year	Shares vesting during the year	Shares granted during year	Number of shares at 31 July 2011	Grant date	End of performance period
Executive Directors							
David Dewhurst	45,860	–	–	–	45,860	09 11 2007	31 07 2011
	80,000	–	–	–	80,000	21 11 2008	31 07 2012
	150,000	–	–	–	150,000	09 02 2010	31 07 2013
	–	–	–	150,000	150,000	16 11 2010	31 07 2014
Tim Dyson	150,000	–	–	–	150,000	09 02 2010	31 07 2013
	–	–	–	150,000	150,000	16 11 2010	31 07 2014
Non-executive Directors							
Will Whitehorn	30,000	30,000	–	–	–	22 10 2008	31 07 2012
Ian Taylor	30,000	7,500	22,500	–	–	22 10 2008	31 07 2012

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

The interests of the Directors in the share capital of the Company at 1 August 2010 and 31 July 2011 are detailed below

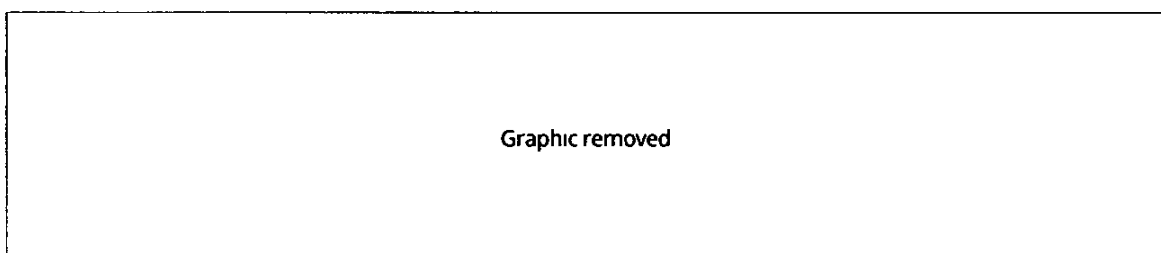
	Ordinary Shares		LTIP performance shares	
	1 August 2010*	31 July 2011**	1 August 2010	31 July 2011
Executive Directors				
David Dewhurst	299,438	299,438	275,860	425,860
Tim Dyson	5,781,004	5,781,004	150,000	300,000
Non-executive Directors				
Will Whitehorn	1,095,126	1,095,126	30,000	-
Ian Taylor	65,000	65,000	30,000	-
Alicja Lesniak	-	-	-	-
Richard Eyre	-	-	-	-

* or date of appointment

** or date of resignation

Performance graph

The following graph illustrates the Group's total shareholder return since 31 July 2006 relative to the FTSE Media and Entertainment Index



The graph looks at the value, by the end of July 2011, of £100 invested in the Company compared with £100 invested in the FTSE Media and Entertainment Index

On behalf of the Board

Alicja Lesniak

Chairman of the Remuneration Committee

4 November 2011

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good corporate governance. The Company is an AIM listed company and is not required to comply with any provisions detailed in the Combined Code on Corporate Governance which are only required of FTSE 350 companies. The Company is committed to high standards of corporate governance throughout the Group and has adopted appropriate measures for a Company of its size. This report sets out the measures it has taken.

The Board

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. As Tim Dyson, the Chief Executive, is located in San Francisco, the Board meets mainly by telephone conference. They meet face-to-face when possible and aim to do so at least quarterly. There is a schedule of matters reserved for Board approval which is regularly reviewed and includes, among other things, the Group's annual budget, establishment of new subsidiaries, property leases, significant acquisitions or disposals of fixed assets, and significant client contracts. During the year, 17 Board meetings were held, which included seven face-to-face meetings (the others being by telephone conference). All Directors attended all meetings, save for Will Whitehorn who was unable to attend two meetings.

The Audit Committee and Remuneration Committee comprise the two non-executive Directors, Alicja Lesniak (Committee Chairman) and Richard Eyre. The Nomination Committee comprises Alicja Lesniak (Committee Chairman), Richard Eyre, Margit Wennmachers and Tim Dyson. There were two Remuneration Committee meetings, three Audit Committee meetings and three Nomination Committee meetings during the year, and these were attended by all members.

Prior to each Board meeting, every member of the Board receives an agenda, supporting documents and when relevant, monthly trading results, together with a detailed commentary. The non-executive Directors are encouraged to ask for further information if necessary.

The non-executive Directors held meetings during the year without the executives present to discuss, among other things, the performance of the Company and that of the executive Directors.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and clearly defined. The Chairman, Richard Eyre, is responsible for the leadership of the Board and the Chief Executive, Tim Dyson, is responsible for managing the Group's operations.

Board balance and independence

There were a number of changes to the Board during the year to 31 July 2011. Will Whitehorn stepped down as Chairman on 12 May 2011 and was replaced by Richard Eyre on the same date. Ian Taylor stepped down as non-executive Director and Senior Independent Director on 31 July 2011. He was replaced by Alicja Lesniak who was appointed on 1 July 2011. Margit Wennmachers was appointed as a non-executive Director subsequent to the year end (17 August 2011). The Board comprises two executive Directors: Tim Dyson, Chief Executive, and David Dewhurst, Finance Director. There are three non-executive Directors: Richard Eyre, Chairman, Alicja Lesniak, who is the Company's Senior Independent Director and Margit Wennmachers, non-executive Director. Biographies of all the Directors are set out on page 11 and 12. The Board considers that the current Board structure is appropriate, and it complies with the QCA guidelines for Smaller Quoted Companies.

Appointments to the Board

Appointments to the Board are the responsibility of the Board upon recommendation of the Nomination Committee. There were three Nomination Committee meetings during the year.

Information and professional development

The Directors have adopted a number of policies and procedures to help them operate effectively. These include access to independent professional advice. Appropriate training for new and existing Directors is provided where necessary.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors must retire by rotation each year. This year, Tim Dyson will retire and be subject to re-election.

Remuneration

The Remuneration report on pages 17 to 21 sets out details of the Directors' remuneration and the work of the Remuneration Committee.

Financial reporting and going concern

The statement of the Directors' responsibilities in respect of the financial statements is set out on page 26. The Directors have reviewed the Group's budget and cash requirements for the year ending 31 July 2012 and considered outline plans for the Group thereafter. The Directors are satisfied 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.

Internal control and principal risks

The Directors have responsibility for the system of internal control for the Group and for reviewing its effectiveness. It is the responsibility of management to implement Board policies on risk and control. The Group's system of internal control is designed to manage and reduce, rather than eliminate, risk.

The Board assesses key areas of internal control and risk management and sets policies accordingly. Once a year each of the core businesses is given the task of identifying and setting out its own key risks. The resulting document must contain a review of the extent and likelihood of each risk and the effectiveness of the controls that manage these risks. The Board also requires the businesses to identify and report any significant risks that arise during the year as soon as they arise. The Audit Committee reviews the businesses' risk documents and produces a significant-risks document for the Group which is considered and approved by the Board. It identifies ways to manage and control these risks and sets policies accordingly.

The Board can therefore confirm that there is a process for identifying, evaluating and managing the significant risks facing the Group. It has been in place throughout the year, and is up-to-date (as at the date of approval of these financial statements) and is regularly reviewed.

DIRECTORS' STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Internal control and principal risks (continued)

The Board considers the principal risks and uncertainties facing the Group to be

- Employee risk – the ability of the Group to continue to recruit new talent and retain existing employees. As a communications business, the Group is very reliant on highly skilled employees who are vital to its success. Even in the current economic climate the competition for this talent is high. Steps are continually taken to ensure high levels of staff motivation and development. The Group's HR teams regularly consider the remuneration and benefits offered to employees and seek to ensure all businesses provide exciting and challenging career development.
- Client risk – the loss of clients unpredictably or for reasons outside the Group's control. The loss of significant clients continues to be a risk to the Group. It has successfully reduced its reliance on a few key clients through a process of adding new businesses to the Group, but losing a major client unexpectedly can have a significant impact on resourcing and revenue. Ensuring a good marketing plan and identifying new business opportunities is key to all businesses as is taking all appropriate steps to retain existing clients.
- Currency risk – as a global business, currency fluctuations continue to be a feature of the Group's translated results. Most of the Group's revenue is matched by costs arising in the same currency. The Company is listed in the UK but makes much of its profit outside of the UK. The Board continues to consider if and when hedging policies should be in place and to take steps to reduce this risk where it is considered appropriate. Ultimately, as a global business, the Group is well placed to take advantage of growth opportunities in other parts of the world.

The Board has considered the need for a separate internal audit function but has decided that, because of the size of the Group, this function will continue to be carried out by existing finance staff. This decision will continue to be reviewed annually.

Audit Committee and auditors

The Audit Committee meets periodically and at least twice per year with the external auditors, and with other Directors and management attending by invitation. The primary role of the Committee is to keep under review the Group's financial reporting procedures and financial systems and controls and to ensure the integrity of the financial information reported to shareholders. Its key terms of reference are

- reviewing the findings of the audit work undertaken by the Group's auditors,
- reviewing the effectiveness of the financial reporting and internal control procedures,
- reviewing the relationship with external auditors, and
- determining the level of the auditors' fees.

Its terms of reference are available on the Company's website at www.next15.com. The independence and objectivity of the auditors is considered by the Committee on a regular basis. The split between audit and non-audit work for the year is set out in note 4 to the financial statements. The non-audit fees were in respect of non-audit tax services, advice on the Company's share option and long-term incentive schemes and corporate finance advisory work. This work is not considered to affect the independence or objectivity of the auditors. The Committee also receives an annual confirmation of independence from the auditors.

Environment

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

Relations with shareholders

The Company meets regularly with its institutional shareholders and is keen to encourage shareholder participation at the Annual General Meeting, at which the Chief Executive makes a presentation summarising the progress of the Group throughout the year and invites any questions from attendees. Proxy votes are disclosed following a show of hands on each resolution. Shareholders were encouraged to submit questions to the Board throughout the year which were responded to promptly. The Company also publishes its annual and interim reports on its website, as well as the Company's regulatory news announcements and some analyst reports. In addition the Company adds video clips to its website when it announces its interim and full-year results to explain the results further. These measures enable information on the Company to reach a greater number of investors and interested stakeholders.

The Chief Executive Officer and Finance Director regularly attend one-to-one meetings with key institutional shareholders after the publication of the Company's interim and preliminary results. While the other non-executive Directors do not ordinarily attend meetings with major shareholders, they would do so if requested by the shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare the financial statements for the Group in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the Directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper 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.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

David Dewhurst
Company Secretary

4 November 2011



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT FIFTEEN COMMUNICATIONS GROUP PLC

We have audited the financial statements of Next Fifteen Communications Group plc for the year ended 31 July 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flow, the Company statement of recognised gains and losses, the Company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 July 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT FIFTEEN COMMUNICATIONS GROUP PLC CONTINUED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Scott McNaughton (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

4 November 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

CONSOLIDATED INCOME STATEMENT

for the year ended 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Billings			105,163		91,175
Revenue	2		86,035		72,328
Staff costs	3	59,699		49,757	
Depreciation	4,12	1,201		1,060	
Amortisation and impairment	4,11	1,494		878	
Other operating charges		15,624		14,125	
Total operating charges			(78,018)		(65,820)
Operating profit	2,4		8,017		6,508
Finance expense	6		(3,170)		(1,310)
Finance income	7		2,680		106
Net finance expense			(490)		(1,204)
Profit before income tax	2,5		7,527		5,304
Income tax expense	8		(2,260)		(1,591)
Profit for the year			5,267		3,713
Attributable to					
Owners of the parent			4,997		3,675
Non-controlling interests			270		38
			5,267		3,713
Earnings per share	10				
Basic (pence)			9.10		6.75
Diluted (pence)			7.82		6.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2011

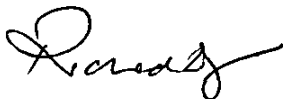
	Note	2011 £'000	2010 £'000
Profit for the year		5,267	3,713
Other comprehensive income:			
Exchange differences on translating foreign operations		(1,022)	665
Translation differences on long-term foreign currency intercompany loans		583	459
Net investment hedge	19	213	(111)
Other comprehensive income for the year		(226)	1,013
Total comprehensive income for the year		5,041	4,726
Total comprehensive income attributable to			
Owners of the parent		4,771	4,688
Non-controlling interests		270	38
		5,041	4,726

CONSOLIDATED BALANCE SHEET

as at 31 July 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Assets					
Property, plant and equipment	12	3,067		2,269	
Intangible assets	11	37,926		27,111	
Deferred tax assets	18	2,503		1,531	
Other receivables	13,19	840		1,008	
Total non-current assets			44,336		31,919
Trade and other receivables	13,19	25,931		21,892	
Cash and cash equivalents	19	8,517		7,296	
Corporation tax asset		321		282	
Total current assets			34,769		29,470
Total assets			79,105		61,389
Liabilities					
Loans and borrowings	19	9,754		2,852	
Deferred tax liabilities	18	122		73	
Other payables	14,19	6		56	
Provisions	15,19	131		-	
Contingent consideration	17,19	6,316		4,232	
Share purchase obligation	17,19	4,348		1,349	
Total non-current liabilities			(20,677)		(8,562)
Loans and borrowings	19	272		5,181	
Trade and other payables	14,19	20,085		17,085	
Corporation tax liability		732		475	
Provisions	15,19	-		58	
Derivative financial liabilities	19	405		419	
Contingent consideration	17,19	4,601		1,880	
Share purchase obligation	17,19	-		150	
Total current liabilities			(26,095)		(25,248)
Total liabilities			(46,772)		(33,810)
Total net assets			32,333		27,579
Equity					
Share capital	20	1,416		1,401	
Share premium reserve		5,996		5,575	
Merger reserve		3,075		3,075	
Share purchase reserve		(4,261)		(1,359)	
Foreign currency translation reserve		2,202		2,014	
Other reserves	24	(525)		(868)	
Retained earnings		21,137		16,791	
Total equity attributable to owners of the parent			29,040		26,629
Non-controlling interests			3,293		950
Total equity			32,333		27,579

These financial statements were approved and authorised by the Board on 4 November 2011



R Eyre
Chairman



D Dewhurst
Finance Director

Company number 01579589

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2011

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve ¹ £'000	Foreign currency translation reserve ² £'000	Other reserves ³ £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 July 2010	1,401	5,575	3,075	(1,359)	2,014	(868)	16,791	26,629	950	27,579
Profit for the year	-	-	-	-	-	-	4,997	4,997	270	5,267
Other comprehensive income for the year	-	-	-	-	(439)	213	-	(226)	-	(226)
Total comprehensive income for the year	-	-	-	-	(439)	213	4,997	4,771	270	5,041
Dividends	-	-	-	-	-	-	(1,045)	(1,045)	-	(1,045)
Share purchase obligation arising on existing subsidiary	-	-	-	(556)	-	-	-	(556)	4	(552)
Share purchase obligation arising on acquisitions	-	-	-	(2,346)	-	-	-	(2,346)	-	(2,346)
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	2,346	2,346
Shares issued on acquisitions	15	421	-	-	-	-	-	436	-	436
Movement in relation to share-based payments	-	-	-	-	-	-	449	449	-	449
Deferred tax on share-based payments	-	-	-	-	-	-	400	400	-	400
Movement due to ESOP share option exercises	-	-	-	-	-	130	(11)	119	-	119
Movements on reserves for non-controlling interests ⁴	-	-	-	-	-	-	183	183	(183)	-
Movements on reserves in respect of translation differences on long-term intercompany loans	-	-	-	-	627	-	(627)	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(94)	(94)
At 31 July 2011	1,416	5,996	3,075	(4,261)	2,202	(525)	21,137	29,040	3,293	32,333

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2010

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share purchase reserve ¹ £'000	Foreign currency translation reserve ² £'000	Other reserves ³ £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 1 August 2009	1,381	5,157	3,075	-	1,349	(1,239)	14,424	24,147	755	24,902
Profit for the year	-	-	-	-	-	-	3,675	3,675	38	3,713
Other comprehensive income for the year	-	-	-	-	665	(111)	459	1,013	-	1,013
Total comprehensive income for the year	-	-	-	-	665	(111)	4,134	4,688	38	4,726
Dividends	-	-	-	-	-	-	(932)	(932)	-	(932)
Increase in shareholding of subsidiary	-	-	-	-	-	-	(1,235)	(1,235)	(361)	(1,596)
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	774	774
Shares issued on acquisitions	20	418	-	-	-	-	-	438	-	438
Share purchase obligation arising on acquisitions	-	-	-	(1,359)	-	-	-	(1,359)	-	(1,359)
Movement in relation to share-based payments	-	-	-	-	-	-	606	606	-	606
Deferred tax on share-based payments	-	-	-	-	-	-	166	166	-	166
Movement due to ESOP share option exercises	-	-	-	-	-	482	(372)	110	-	110
Non-controlling interest dividend	-	-	-	-	-	-	-	-	(256)	(256)
At 31 July 2010	1,401	5,575	3,075	(1,359)	2,014	(868)	16,791	26,629	950	27,579

¹The movement in reserves for the current year relates to the acquisitions of CMG Worldwide Limited ('Bourne') and Blueshirt Group LLC ('Blueshirt') (note 26). The brought forward reserve of the prior year relates to 463 Communications LLC ('463') and Upstream Marketing and Communications Inc ('Upstream'). The share purchase reserve arising on existing subsidiaries relates to transactions with Beyond Corporation Limited ('Beyond') (note 26).

²The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of overseas subsidiaries. The £627,000 movement on reserves is a reclassification of the historic foreign exchange on retranslation of long-term indefinite intercompany loans, previously recognised within retained earnings, now allocated to the foreign currency translation reserve.

³Other reserves include ESOP reserve, treasury reserve and hedging reserve.

⁴The £183,000 movement on reserves relates to a reclassification of amounts previously recorded within non-controlling interest that were attributable to the owners of the parent.

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 July 2011

	Note	2011 £'000	2011 £'000	Restated ¹ 2010 £'000	Restated ¹ 2010 £'000
Cash flows from operating activities					
Profit for the year		5,267		3,713	
Adjustments for					
Depreciation	4,12	1,201		1,060	
Amortisation and impairment	4,11	1,494		878	
Finance expense	6	3,170		1,310	
Finance income	7	(2,680)		(106)	
Loss on sale of property, plant and equipment	4	-		11	
Income tax expense	8	2,260		1,591	
Share-based charge	4,21	449		606	
Movement in fair value of forward foreign exchange contracts	4	(13)		(158)	
Net cash inflow from operating activities before changes in working capital			11,148		8,905
Change in trade and other receivables		(3,301)		(1,006)	
Change in trade and other payables		3,420		(1,103)	
Increase/(decrease) in provisions		173		(224)	
Change in working capital			292		(2,333)
Net cash generated from operations			11,440		6,572
Income taxes paid			(2,618)		(1,465)
Net cash from operating activities			8,822		5,107
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired ¹	26	(6,304)		(2,875)	
Acquisition costs		-		(175)	
Acquisition of property, plant and equipment		(1,920)		(1,178)	
Proceeds on disposal of property, plant and equipment		5		19	
Acquisition of intangible assets		(77)		(302)	
Net movement in long-term cash deposits		168		(475)	
Interest received	7	54		68	
Net cash outflow from investing activities			(8,074)		(4,918)
Net cash from operating and investing activities			748		189

	Note	2011 £'000	2011 £'000	Restated 2010 £'000	Restated 2010 £'000
Net cash from operating and investing activities			748		189
Cash flows from financing activities					
Acquisition of additional stake in subsidiary ¹		-		(948)	
Proceeds from sale of own shares		118		110	
Capital element of finance lease rental repayment		(83)		(150)	
Net cash movement in bank borrowings		1,993		2,559	
Interest paid	6	(479)		(448)	
Profit share paid to non-controlling interest partners	9	(94)		(256)	
Dividend paid to shareholders of the parent	9	(1,045)		(932)	
Net cash outflow from financing activities			410		(65)
Net increase in cash and cash equivalents			1,158		124
Cash and cash equivalents at beginning of the year			7,296		7,130
Exchange gains on cash held ²			63		42
Cash and cash equivalents at end of the year	19		8,517		7,296

¹Restatement made to the Acquisition of additional stake in subsidiary made in order to reflect the fact those payments are associated with financing activities and not investing activities resulting in a reclassification from investing activities to financing activities. The payments made in the prior year are in respect of 463

²Associated with the restatement above, the amount previously recognised as a cash payment has been restated to reflect translation at the acquisition date (£948,000). In the prior year, payments had been translated incorrectly at the year end rate. The resulting difference on correct translation of those cash flows has resulted in a further restatement of the Exchange gains on cash held line

NOTES TO THE ACCOUNTS

for the year ended 31 July 2011

1 Accounting policies

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

A. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations adopted by the European Union ('Adopted IFRSs') and the parts of the Companies Act 2006 applicable to companies reporting under Adopted IFRSs.

The segment information for the year ended 31 July 2010 has been represented following changes during the year to the grouping of segment content provided to the chief operating decision maker. These changes have no effect on the Group's overall reported results.

B. New and amended standards adopted by the Group

No new standards or amendments that have become effective in the year have resulted in a material effect on the Group.

C. Basis of consolidation

The Group's financial statements consolidate the results of Next Fifteen Communications Group plc and all of its subsidiary undertakings using the acquisition method of accounting.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. 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.

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

D. Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 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.

1 Accounting policies (continued)

E Revenue

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

Revenue is billings less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses. Revenue is recognised on the following basis

- Retainer and other non-retainer fees are recognised as the services are performed, in accordance with the terms of the contractual arrangement
- Project fees are recognised on a percentage of completion basis as contract activity progresses, if the final outcome can be assessed with reasonable certainty. The stage of completion is generally measured on the basis of the services performed to date as a percentage of the total services to be performed
- Expenses are recharged to clients at cost plus an agreed mark-up when the services are performed

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 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. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement

Software Licences for software that are not integral to the functioning of a computer are capitalised as intangible assets. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs

Amortisation is provided on software at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred

No amortisation is charged on assets in the course of construction until they are available for operational use in the business.

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 20 years

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

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% - 50% per annum straight-line
Office furniture	- 20% per annum straight-line
Motor vehicles	- 25% per annum straight-line

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

H Impairment

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

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

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

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 income statement. In the consolidated financial statements, foreign exchange movements on intercompany loans with indefinite terms, for which there is no expectation of a demand for repayment, are recognised directly in equity within a separate foreign currency translation reserve.

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

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

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 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.

Trade receivables Trade receivables are initially recognised at fair value and will subsequently be measured at amortised cost less allowances for impairment. An allowance for impairment of trade receivables is established when there is objective evidence (such as significant financial difficulties on the part of the counterparty, or default or significant delay in payment) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows associated with the impaired receivable. 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. On confirmation that the trade receivable will not be collectable, the gross carrying value is written off against the associated allowance.

1 Accounting policies (continued)

K Financial instruments (continued)

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and short-term call deposits held with banks. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated balance sheet, except where there is a pooling arrangement with a bank that allows them to be offset against cash balances. In such cases the net cash balance will be shown within cash and cash equivalents in the consolidated balance sheet.

Derivative financial instruments Derivative financial instruments utilised by the Group are protection contracts on US dollar interest rate contracts (cap-and-collar) and US dollar and Euro foreign exchange contracts. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date, with gains and losses on revaluation being recognised immediately in the consolidated income statement. The fair value of derivative financial liabilities is determined by reference to third party market valuations.

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

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

Gains and losses accumulated in equity on retranslation of the foreign currency loan are recycled through the income statement when the foreign operation is sold or is partially disposed of such 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 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 income statement. Where there is a change in the ownership interest without effecting control, the exchange differences are adjusted within reserves.

Bank borrowings 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 which are initially recognised as a reduction in the proceeds of the associated capital instrument and unwound over the term of the debt.

Deal costs Costs associated with acquisitions are recognised in the consolidated income statement within the 'other operating charges' line in the year in which they were incurred.

Contingent consideration Contingent consideration relating to acquisitions has been included based on discounted management estimates of the most likely outcome. On initial recognition, the liability is measured at 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.

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 balance sheet as liabilities. On initial recognition, the liability is measured at 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.

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

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

L Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material

Provisions are created for vacant or sublet properties when the Group has a legal obligation for future expenditure in relation to onerous leases. The provision is measured at the present value of management'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. The share-based payments are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period. The cumulative expense is adjusted for failure to achieve non-market performance vesting conditions.

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

O Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

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

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

P Deferred taxation

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

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

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

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

1 Accounting policies (continued)

P Deferred taxation (continued)

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

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

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

Q 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.

R 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 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.

S Treasury shares

When the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

T Significant estimates and judgements

The preparation of the consolidated financial statements requires the Group to make certain estimates and assumptions that have an impact on the application of the policies and amounts reported in the consolidated financial statements. Estimates and judgements are evaluated based on historical experiences and expected outcomes and are believed to be reasonable at the time such estimates and judgements are made, although actual experience may vary from these estimates.

I Impairment of goodwill. In line with IAS 36, Impairment of Assets, the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of the goodwill is determined using value-in-use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 11.

II Taxation. The Group is subject to income tax in numerous jurisdictions and significant judgement is required in determining the provision for income taxes. The Group recognises assets/liabilities for anticipated tax issues based on estimates of the tax treatment. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

The Group has provided in full for what it considers to be the likely outcome of ongoing overseas tax litigation based on the evidence available at the present time. In the event that the overseas tax litigation is resolved in the Group's favour there will be a material credit to the Group's income statement tax charge in a future accounting period.

NOTES TO THE ACCOUNTS CONTINUED

1 Accounting policies (continued)

III Contingent consideration, share purchase obligation and valuation of put options Contingent consideration and share purchase obligations relating to acquisitions has 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 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 is recognised in finance income/expense. Further details are contained in note 17.

U New standards and amendments not applied

Standards, interpretations and amendments to existing standards that have been published as mandatory for later accounting periods but are not yet effective and have not been adopted early by the Group are as follows:

IAS 24, Related Party Transactions (effective for accounting periods beginning on or after 1 January 2011) clarifies and simplifies the definition of a related party.

IFRS 9, Financial Instruments will eventually replace IAS 39 in its entirety. IFRS 9 as issued on 12 November 2009 (effective for accounting periods beginning on or after 1 January 2013) addresses the classification and measurement of financial assets. Classification of a financial asset is on the basis of an entity's business model for managing them and the contractual cash flows characteristic of the asset. IFRS 9 outlines the conditions to measure a financial asset at amortised cost and subsequent measurement at amortised cost or fair value as well as subsequent reclassification between categories. The held to maturity and available for sale classifications have been eliminated. IFRS 9 requires that changes in the fair value of financial liabilities designated as at fair value through profit or loss which relate to changes in own credit risk should generally be recognised directly in other comprehensive income.

All other standards, interpretations and amendments to existing standards published as mandatory for this accounting periods or later accounting period would not have a material effect.

2 Segment information

Reportable segments

The Board of Directors has identified the operating segments based on the reports it reviews as the chief operating decision maker to make strategic decisions, assess performance and allocate resources.

The Group's business is separated into a number of brands which are considered to be the underlying operating segments. These brands are organised into four reportable segments, being the provision of public relations services in the technology and consumer markets, digital and research consultancy, and corporate communications consultancy. Within these reportable segments the Group operates a number of separate competing businesses in order to offer services to clients in a confidential manner where otherwise there may be issues of conflict.

Measurement of operating segment profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain fair value accounting charges, including movement in fair value of financial instruments, unwinding of the discount on contingent and deferred consideration, unwinding of the discount on the share purchase obligation, changes in estimates of contingent consideration and share purchase obligations, amortisation of acquired intangibles, and goodwill impairment charges. Other information provided to them is measured in a manner consistent with that in the financial statements.

Head office costs relate to group costs before allocation of intercompany charges to the operating segments.

Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

2 Segment information (continued)

Segmental information for the year ended 31 July 2010 has been restated as a result of the change in the format of segment information provided to and analysed by the Board of Directors. Both the current and prior years have been presented under this new reporting approach.

	Technology PR £'000	Consumer PR £'000	Digital/ research consultancy £'000	Corporate Communications £'000	Head Office £'000	Total £'000
Year ended 31 July 2011						
Revenue	59,323	16,103	5,583	5,026	-	86,035
Segment adjusted operating profit	8,022	2,884	670	1,146	(3,899)	8,823
Year ended 31 July 2010						
Revenue	54,201	14,402	1,642	2,083	-	72,328
Segment adjusted operating profit	8,098	2,392	120	535	(4,153)	6,992

	UK £'000	Europe & Africa £'000	US and Canada £'000	Asia Pacific £'000	Head Office £'000	Total £'000
Year ended 31 July 2011						
Revenue	17,986	9,746	45,142	13,161	-	86,035
Segment adjusted operating profit	2,935	855	8,693	239	(3,899)	8,823
Year ended 31 July 2010						
Revenue	15,125	9,723	37,272	10,208	-	72,328
Segment adjusted operating profit	2,394	1,237	7,360	154	(4,153)	6,992

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

	2011 £'000	2010 £'000
Segment adjusted operating profit	8,823	6,992
Goodwill impairment charge	-	(116)
Amortisation of acquired intangibles	(819)	(526)
Movement in fair value of forward foreign exchange contracts	13	158
Total operating profit	8,017	6,508
Unwinding of discount on contingent and deferred consideration	(1,007)	(659)
Unwinding of discount on share purchase obligation	(322)	(140)
Change in estimate of future contingent consideration payable	966	(63)
Change in estimate of future share purchase obligation	285	-
Movement in fair value of interest rate cap-and-collar contract	14	38
Other finance expense	(479)	(448)
Other finance income	53	68
Profit before income tax	7,527	5,304

NOTES TO THE ACCOUNTS CONTINUED

3 Employee information

	2011 £'000	2010 £'000
Staff costs for all employees, including Directors, consist of		
Wages and salaries	53,587	44,414
Social security costs	4,372	3,673
Pension costs	1,291	1,064
Share-based payment charge	449	606
	59,699	49,757

	2011 Number	2010 Number
The average number of employees during the year, by geographical location, was as follows		
UK	224	165
Europe and Africa	111	95
US and Canada	360	309
Asia Pacific	355	267
Head Office	17	18
	1,067	854

Key management personnel are considered to be the Board of Directors as set out on pages 11 and 12

	2011 £'000	2010 £'000
Director's remuneration, consists of		
Aggregate emoluments	860	806
Pension costs	57	57
Compensation for loss of office	44	-
Share-based payment charge	52	34
	1,013	897

The highest paid Director received total emoluments of £481,000 (2010 £456,000)

4 Operating profit

	2011 £'000	2010 £'000
This is arrived at after charging/(crediting)		
Depreciation of owned property, plant and equipment	1,112	1,045
Depreciation of assets held under finance leases	89	15
Amortisation and impairment of intangible assets	1,494	878
(Profit)/loss on sale of property, plant and equipment	(5)	11
Movement in fair value of forward foreign exchange contracts	(13)	(158)
Defined contribution pension cost	1,291	1,064
Share-based payment charge	449	606
Operating lease income	(266)	(198)
Operating lease rentals – property	5,061	4,502
– plant and machinery	179	196
Foreign exchange loss	49	504
Fees payable to Group auditors	447	436

4 Operating profit (continued)

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates

	2011 £'000	2010 £'000
Fees payable to the Company's auditor for the statutory audit of the Company's and consolidated annual statements	88	95
Other services		
The auditing of financial statements of the subsidiaries pursuant to legislation	306	245
Other services pursuant to legislation	-	5
Tax services	23	61
Other services	30	30
	447	436

5 Reconciliation of pro forma financial measures

	2011 £'000	2010 £'000
Profit before income tax	7,527	5,304
Movement in fair value of interest rate cap-and-collar contract ¹	(14)	(38)
Movement in fair value of forward foreign exchange contracts ²	(13)	(158)
Unwinding of discount on contingent consideration ³	1,007	659
Unwinding of discount on share purchase obligation ⁴	322	140
Change in estimate of future contingent consideration payable ⁵	(966)	63
Change in estimate of future share purchase obligation ⁶	(285)	-
Impairment charge ⁷	-	116
Amortisation of acquired intangibles ⁸	819	526
Adjusted profit before income tax	8,397	6,612

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and for the performance calculation of the adjusted earnings per share used for the vesting of employee share options and performance shares

¹Interest rate cap-and-collar contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within finance income/expense in the income statement. These financial instruments comprise financial products used to manage the interest rate risks of the Group's long-term debt obligations. The movement in fair value of the interest rate cap-and-collar contract since 31 July 2010 is a credit of £14,000 (2010 credit of £38,000)

²Forward foreign exchange contracts held by the Group are recognised at fair value on the balance sheet at each reporting date and the movement on such contracts is recognised within operating expenses in the income statement. These financial instruments comprise financial products used for hedging currency exposure on US dollar and euro. The movement in fair value of the forward foreign exchange contracts since 31 July 2010 is a credit of £13,000 (2010 credit of £158,000).

NOTES TO THE ACCOUNTS CONTINUED

5 Reconciliation of pro forma financial measures (continued)

³A finance expense of £1,007,000 (2010 £659,000) has been recognised during the year in relation to the unwinding of the discount on the contingent consideration payable for M Booth of £533,000 (2010 £645,000), Blueshirt of £388,000 (2010 £nil) and Bourne of £86,000 (2010 £nil). Blueshirt and Bourne were new acquisitions made during the year. In the prior year, an additional £14,000 related to the unwinding of deferred consideration payable for Outcast Communications Corporation. The final deferred payment for Outcast was settled in the prior year.

⁴A finance expense of £322,000 (2010 £140,000) has been recognised during the year in relation to the unwinding of the discount on the share purchase obligation for Upstream Asia of £85,000 (2010 £92,000), 463 Communications of £55,000 (2010 £48,000), Bourne of £46,000 (2010 £nil), Beyond of £66,000 (2010 £nil) and Blueshirt of £70,000 (2010 £nil). Blueshirt, Bourne and Beyond were new acquisitions made during the year.

⁵A net finance income of £966,000 (2010 expense of £63,000) has been recognised during the year in relation to a change in the estimate of the contingent consideration payable for M Booth with an expense of £174,000 (2010 £63,000), Blueshirt with an expense of £572,000 (2010 £nil) and finance income of £1,712,000 in respect of Bourne (2010 £nil).

⁶A finance income of £285,000 (2010 £nil) has been recognised during the year in relation to a change in the estimate of the share purchase obligation payable for 463 with an income of £161,000 (2010 £nil), Upstream expense of £605,000 (2010 £nil), Bourne income of £740,000 (2010 £nil) and Blueshirt expense of £11,000 (2010 £nil).

⁷The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate impairment. No impairment charge has been recognised during the year. An impairment charge was made in the prior year for the goodwill recognised by Bite on acquisition of Credo Communications Limited ('Credo') on 31 December 2005. The Credo goodwill is now fully impaired.

⁸A total amortisation of acquired intangibles charge of £819,000 (2010 £526,000) has been recognised in the year in relation to M Booth £329,000 (2010 £334,000), 463 Communications £102,000 (2010 £125,000), AmPR Public Relations AB £41,000 (2010 £38,000), Bite Asia of £74,000 (2010 £29,000), Glasshouse of £18,000 (2010 £nil), Blueshirt of £190,000 (2010 £nil) and Bourne of £65,000 (2010 £nil). These are significant non-cash charges which arise as a result of acquisitions.

6 Finance expense

	2011 £'000	2010 £'000
Financial liabilities at amortised cost		
Bank interest payable	472	428
Financial liabilities at fair value through profit and loss		
Unwinding of discount on contingent consideration	1,007	659
Unwinding of discount on share purchase obligation	322	140
Change in estimate of future contingent consideration payable	746	63
Change in estimate of future share purchase obligation	616	-
Other		
Finance lease interest	7	16
Other interest payable	-	4
Finance expense	3,170	1,310

7 Finance income

	2011 £'000	2010 £'000
Financial assets at amortised cost		
Bank interest receivable	54	53
Financial assets at fair value through profit and loss		
Movement in fair value of interest rate cap-and-collar contract	14	38
Change in estimate on contingent consideration	1,712	-
Change in estimate on share purchase obligation	900	-
Other		
Other interest receivable	-	15
Finance income	2,680	106

8 Taxation

The major components of income tax expense for the year ended 31 July 2011 are

	2011 £'000	2010 £'000
Consolidated income statement		
Current income tax		
Current income tax expense	2,284	2,361
Adjustments in respect of under/(over) provision of current income tax in prior years	247	(331)
Deferred income tax		
Relating to the origination and reversal of temporary differences	(177)	(351)
Adjustments in respect of deferred tax for prior years	(94)	(88)
Income tax expense reported in the consolidated income statement	2,260	1,591
Consolidated statement of changes in equity		
Net revaluation of share-based remuneration	400	(166)
Income tax expense reported in equity	400	(166)
Factors affecting the tax charge for the year		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 27.33% (2010: 28%). The difference is explained below		
Profit before income tax	7,527	5,304
Corporation tax expense at 27.33% (2010: 28%)	2,057	1,485
Effects of		
Disallowed expenses	(155)	277
Recognition and utilisation of previously unrecognised tax losses	(55)	(215)
Non-utilisation of tax losses	54	158
Higher rates of tax on overseas earnings	839	708
Deductions for overseas taxes	(688)	(621)
Adjustments in respect of prior years	208	(201)
	2,260	1,591

The Group's effective corporation tax rate for the year ended 31 July 2011 (30%) is slightly higher than the standard UK rate (27.33%) due to acquisitions undertaken by the Group in the year and the impact of the reduction in the UK corporation tax rate. As a result of the acquisitions, a greater proportion of Group profit was generated in higher tax regimes and losses arose in territories in which it would not be prudent to recognise deferred tax assets.

As a result of the reduction in the UK corporation tax rate to 25% that was substantively enacted on 5 July 2011 and effective from 1 April 2012, the UK deferred tax balances have been remeasured.

Further reductions to the UK corporation tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in the financial statements.

NOTES TO THE ACCOUNTS CONTINUED

9 Dividend

	2011 £'000	2010 £'000
Dividends paid during the year		
Final dividend paid for prior year of 1 37p per Ordinary Share (2010 1 25p)	761	675
Interim dividend paid of 0 515p per Ordinary Share (2010 0 475p)	284	257
	1,045	932
Non-controlling interest dividend ¹	94	256

¹The Group acquired control of 463 Communications as at 1 August 2008. During the year, a profit share was paid to the holders of the non-controlling interest of £75,000 (2010 £256,000). The Group acquired control of Blueshirt Group LLC on 1 November 2010. During the year, a profit share was paid to the holders of the non-controlling interest of £19,000.

The ESOP waived its right to dividends in the financial year ended 31 July 2011 (£4,000) and the year ended 31 July 2010 (£9,000).

A final dividend of 1 535p per share (2010 1 375p) has been proposed. This has not been accrued. The interim dividend was 0 515p per share (2010 0 475p), making a total for the year of 2 05p per share (2010 1 85p). The final dividend, if approved at the AGM on the 24 January 2012, will be paid on 3 February 2012 to all shareholders on the Register of Members on the 6 January 2012. The ex-dividend date for the shares is 4 January 2012.

10 Earnings per share

	2011 £'000	2010 £'000
Earnings attributable to ordinary shareholders	4,997	3,675
Movement in fair value of interest rate cap-and-collar contract	(10)	(27)
Movement in fair value of forward foreign exchange contracts	(9)	(114)
Unwinding of discount on contingent consideration	1,007	395
Unwinding of discount on share purchase obligation	322	140
Change in estimate of future contingent consideration payable	(966)	38
Change in estimate of share purchase obligation	(285)	-
Impairment charge	-	116
Amortisation of acquired intangibles	528	377
Adjusted earnings attributable to ordinary shareholders	5,584	4,600

	Number	Number
Weighted average number of Ordinary Shares	54,925,003	54,444,622
Dilutive share options/performance shares outstanding	6,127,173	4,767,099
Other potentially issuable shares	2,867,156	1,866,697
Diluted weighted average number of Ordinary Shares	63,919,332	61,078,418
Basic earnings per share	9.10p	6.75p
Diluted earnings per share	7.82p	6.02p
Adjusted earnings per share	10.17p	8.45p
Diluted adjusted earnings per share	8.74p	7.53p

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares. The only difference between the adjusting items in this note and the figures in note 5 is the tax effect of those adjusting items.

11 Intangible assets

	Software £'000	Trade name £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost					
At 1 August 2009	2,025	217	516	18,192	20,950
Additions resulting from internal development	302	-	-	-	302
Acquired through business combinations	12	1,074	1,466	5,643	8,195
Exchange differences	60	100	139	824	1,123
At 31 July 2010	2,399	1,391	2,121	24,659	30,570
Additions resulting from internal development	90	-	-	-	90
Acquired through business combinations ¹	638	810	2,000	10,396	13,844
Disposals ²	-	-	-	(709)	(709)
Exchange differences	(46)	(70)	(114)	(729)	(959)
At 31 July 2011	3,081	2,131	4,007	33,617	42,836
Amortisation and impairment					
At 1 August 2009	923	10	123	1,453	2,509
Charge for the year	236	67	459	-	762
Impairment charge	-	-	-	116	116
Exchange differences	5	1	10	56	72
At 31 July 2010	1,164	78	592	1,625	3,459
Charge for the year	691	99	704	-	1,494
Exchange differences	38	(4)	(30)	(47)	(43)
At 31 July 2011	1,893	173	1,266	1,578	4,910
Net book value at 31 July 2011	1,188	1,958	2,741	32,039	37,926
Net book value at 31 July 2010	1,235	1,313	1,529	23,034	27,111

¹During the year, the Group acquired Blueshirt, Bourne and Glasshouse as well as acquiring the trade and assets of OneXeno and ILS (note 26) recognising intangible customer relationships of £1,059,000, £723,000, £60,000, £102,000 and £56,000 respectively. In addition, intangible assets associated with tradenames were recognised in respect of Blueshirt of £810,000. Intangible Software of £638,000 was acquired as part of the Bourne acquisition.

²Disposals relate to the de-recognition of deferred tax liabilities corresponding to intangible assets acquired and initially included in error as part of the fair value of net assets on business combination. The corresponding deferred tax liability has also been de-recognised during the year with no impact on the consolidated income statement for the year.

NOTES TO THE ACCOUNTS CONTINUED

11 Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

Goodwill acquired through business combinations is allocated to groups of cash-generating units ('CGUs') for impairment testing as follows

	2011 £'000	2010 £'000
Bite (UK)	1,512	1,512
Lexis (UK) ¹	8,625	8,383
OutCast (US)	6,441	6,752
Bite (US)	323	340
Beyond (UK)	58	–
Beyond (US)	73	32
M Booth (US)	4,048	4,983
Bite Upstream (APAC) ²	1,152	1,032
Blueshirt	4,176	–
Bourne	5,631	–
	32,039	23,034

¹Includes £243,000 addition in respect of the acquisition of Glasshouse

²Includes an addition of £29,000 in respect of the acquired trade and assets of ILS and £111,000 in respect of OneXeno

The recoverable amounts of all CGUs have been determined from value-in-use calculations using an initial projection period based on the 2012 budget approved by the Board for each cash-generating unit

For those subsidiaries not subject to an earnout period, after the initial projection period, no further formal forecasts are approved by the Board and so a steady long-term growth rate of 2.5% with no improvement in operating margin has been applied to the pre-tax cash flow forecast into perpetuity. This is considered prudent based on experience and current expectations of the long-term industry growth rate and is used for all CGUs unless conditions specific to a CGU indicate that growth rates will be lower than the steady long-term rate

For recent acquisitions where subsidiaries are still within an earnout period, formal Board approval is required for those forecasts used in estimating the present values of future profitability and cash flows used in estimating contingent consideration and share purchase obligations. These approved forecasts are used when considering impairment for a period of no more than a further four years after the initial projection period. After this, a steady long-term growth rate of 2.5% with no improvement in operating margin has been applied to the pre-tax cash flow forecast into perpetuity.

A pre-tax discount rate, being the Group's weighted average cost of capital of 12% (2010: 11%), has been used in discounting all projected cash flows.

The Board has considered reasonable possible sensitivities in key assumptions on which the value-in-use calculations are based. If growth rates reduced to 0% for all subsidiaries not subject to earnout periods, or if the discount rate increased to 20%, this would not cause the carrying values of the groups of CGUs to exceed their recoverable amounts except for Lexis. Sensitivity analysis shows that if the discount rate is increased in isolation to 17%, or if the growth rate became negative (3.2%), the estimated recoverable amount of Lexis is equal to carrying value. For goodwill associated with subsidiaries currently in their earnout, Bourne is the most sensitive. Growth rates used in the board approved forecasts could fall by 60% and the discount rate could increase to 15% before headroom is reduced to £nil.

There was no impairment of goodwill as the estimated recoverable amount exceeds the carrying value for all CGUs.

12 Property, plant and equipment

	Short leasehold improvements £'000	Office equipment £'000	Office furniture £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 August 2009	2,938	4,589	1,207	59	8,793
Exchange differences	113	165	38	4	320
Additions	422	600	152	11	1,185
Acquired through business combinations					
Disposals	(7)	(71)	(21)	(33)	(132)
At 31 July 2010	3,498	5,358	1,429	41	10,326
Exchange differences	(53)	(51)	(37)	-	(141)
Additions	691	900	329	-	1,920
Acquired through business combinations					
Disposals	(505)	(206)	(58)	(5)	(774)
At 31 July 2011	3,634	6,068	1,670	36	11,408
Accumulated depreciation					
At 1 August 2009	1,944	3,912	947	41	6,844
Exchange differences	46	184	35	2	267
Charge for the year	352	564	134	10	1,060
Disposals	(7)	(64)	(18)	(25)	(114)
At 31 July 2010	2,335	4,596	1,098	28	8,057
Exchange differences	(37)	(82)	(31)	-	(150)
Charge for the year	454	575	166	6	1,201
Disposals	(501)	(203)	(58)	(5)	(767)
At 31 July 2011	2,251	4,886	1,175	29	8,341
Net book value					
At 31 July 2011	1,383	1,182	495	7	3,067
At 31 July 2010	1,163	762	331	13	2,269

The net book value of property, plant and equipment for the Group includes assets held under finance lease contracts as follows £29,000 of short leasehold improvements (2010 £55,000) and £244,000 of office equipment and furniture (2010 £3,000)

13 Trade and other receivables

	2011 £'000	2010 £'000
Current		
Trade receivables	20,707	16,475
Less provision for impairment of trade receivables	(350)	(227)
Trade receivables - net	20,357	16,248
Other receivables	1,030	604
Prepayments and accrued income	4,544	5,040
	25,931	21,892
Non-current		
Rent deposits	840	1,008

NOTES TO THE ACCOUNTS CONTINUED

13 Trade and other receivables (continued)

As of 31 July 2011, trade receivables of £350,000 (2010: £227,000) were impaired. Movements in the provision are as follows

	2011 £'000	2010 £'000
At 1 August	227	201
Acquired through business combinations	56	37
Provision for receivables impairment	105	155
Receivables written off during the year as uncollectable	(29)	(39)
Unused amounts reversed	(4)	(135)
Foreign exchange movements	(5)	8
At 31 July	350	227

The provision for receivables impairment has been determined by considering specific doubtful balances and by reference to historic default rates. Owing to the immaterial level of the provision for impairment of receivables, no further disclosure is made. The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

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

	2011 £'000	2010 £'000
Not past due	10,333	9,114
Up to 30 days	5,698	4,434
31 to 60 days	2,609	1,780
Greater than 61 days	1,717	920
At 31 July	20,357	16,248

14 Trade and other payables

	2011 £'000	2010 £'000
Current		
Trade creditors	3,110	2,762
Finance lease obligation	56	78
Other taxation and social security	1,907	1,350
Short-term compensated absences	1,683	1,584
Other creditors	3,402	3,646
Accruals and deferred income	9,927	7,665
	20,085	17,085
Non-current		
Finance lease obligation	6	56

15 Provisions

	2011 £'000	2010 £'000
At 1 August	58	282
Additions	109	-
Used during year	(36)	(224)
At 31 July	131	58
Current	-	58
Non-current	131	-

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. At 31 July 2011 £22,000 of the provision covers the cost of dilapidations on a property which Bite leased. In addition a dilapidations provision of £109,000 has been recognised by Lexis in respect of obligations under the lease on its premises.

16 Amounts due under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable				
Within one year	57	80	56	78
In two to five years	7	60	6	56
	64	140	62	134
Less finance charges allocated to future periods	(2)	(6)	-	-
Present value of lease obligations	62	134	62	134

17 Other financial liabilities

	Deferred consideration ¹ £'000	Contingent consideration ² £'000	Share purchase obligation ³ £'000
At 1 August 2009	228	-	-
Arising during the year	9	5,102	1,364
Exchange differences	(2)	302	78
Utilised	(249)	-	(83)
Unwinding of discount	14	708	140
At 31 July 2010	-	6,112	1,499
Arising during the year	-	7,510	2,917
Changes in assumptions	-	(966)	(285)
Exchange differences	-	(338)	(105)
Utilised	-	(2,408)	-
Unwinding of discount	-	1,007	322
At 31 July 2011	-	10,917	4,348
Current	-	4,601	-
Non-current	-	6,316	4,348

¹Deferred consideration on acquisitions

In the prior year, on the 9 October 2009, the Group settled the final element of deferred consideration associated with The Outcast Agency ('Outcast') for US\$312,000 (£199,000) in cash. Outcast is a wholly owned subsidiary acquired in June 2005.

NOTES TO THE ACCOUNTS CONTINUED

17 Other financial liabilities (continued)

²Contingent consideration on acquisitions.

During the year, the Group acquired a controlling stake in the following companies, Blueshirt, Glasshouse and Bourne. The Group also acquired the trade and assets of two stand alone businesses, OneXeno and ILS. Prior year contingent consideration relates to the M Booth acquisition. See note 26 for additional information on these acquisitions. In each transaction, an element of consideration was contingent upon future performance of the businesses.

³Share purchase obligation

A share purchase obligation also arose in the acquisitions of Blueshirt and Bourne adding to the existing share purchase obligations associated with the 463 and Upstream acquisitions of the prior year. See note 26 for further information.

An additional share purchase obligation is recognised following an agreement was entered into with the non-controlling interest holders of the existing Beyond UK and US subsidiaries. By October 2015 the Group will have acquired all of the shares that it can be obligated to buy, bringing the Group holding to 63.5%. The share purchase obligation can be satisfied through a mixture of cash and Next Fifteen shares at the discretion of the Company. A cap is set at 25% of total consideration being payable in Next Fifteen shares.

The fair value of the put option held by the non-controlling interest holder has been calculated based on discounted estimates of the most likely outcome for the profitability of the business. A fair value of £552,000 was initially recognised as a liability on the balance sheet at the date of acquisition which at the year end is £618,000.

A breakdown of movements for the unwinding of discounts and changes in assumptions associated with each of the above liabilities can be seen in note 5.

The utilisation of contingent consideration relates to payments made during the year to M Booth (£2,357,000) and OneXeno (£51,000).

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. Sensitivity analysis has been provided below for each significant arrangement focusing on two key metrics of i) performance – where a basic assumption of a 10% uplift on the original forecast revenue in each year of the earnout is assumed and ii) timing – where a comparison is made between the present value of the obligation assuming settlement of the obligation is at the earliest opportunity and the latest opportunity.

Blueshirt

At the year end, there was contingent consideration of £4,640,000 and a share purchase obligation is £837,000 in respect of Blueshirt. A 10% uplift in revenues will result in an increase in the total liability of £440,000 (8%). Settlement is currently assumed to be at the latest opportunity. If settled at the earliest opportunity, the liability would increase by £52,000 (1%) representing an expense to the Group.

Multipliers also exist based on the business reaching certain profit margins. The potential multiples are six or seven which further increase the scope volatility of estimates.

Beyond

At the year end, the share purchase obligation is £618,000. There is no contingent consideration associated with Beyond. A 10% uplift in revenue will result in an increase in the liability of £62,000 (10%). If settlement of the liability happens at the earliest date rather than the latest, this would decrease the liability by £149,000 (24%) representing an income to the Group.

Multipliers exist based on the business reaching certain profit margins. The multiples are between five, six and seven which further increases the potential volatility of estimates.

463

At the year end, the share purchase obligation is £500,000. There is no contingent consideration associated with 463. A 10% uplift in revenue will result in an increase in the share purchase obligation of £50,000 (10%). The impact of settlement taking place at the latest opportunity compared to the earliest would result in a movement of only £137,000 (27%) on the liability and would represent an expense to the Group.

Upstream

At the year end, the share purchase obligation is £1,498,000. There is no contingent consideration associated with Upstream. A 10% uplift in revenue will result in a £171,000 (11%) increase in the obligation. The impact of settlement taking place at the earliest opportunity compared to the current estimate would result in a movement of only £50,000 (3%) on the liability and would represent an expense to the Group. It is the Group's intention and within our control to purchase the shares at the current predicted date, however, if the purchase of shares were at the latest possible date there would be a movement of £235,000 (16%).

Bourne

At the year end, there was contingent consideration of £1,719,000 and a share purchase obligation is £894,000 in respect of Bourne. A 10% increase in revenues results in an increase in the liability of £189,000 (7%). If settlement of the liability happens at the earliest date rather than the latest, this would decrease the liability by £87,000 (3%) representing an income to the Group.

Multipliers exist based on the business reaching certain profit margins. The multiples are between five, six and seven which further increases the potential for volatility of estimates.

M Booth

The contingent consideration at the year end is £4,242,000. There is no share purchase obligation associated with M Booth. Due to a 'cap' on the consideration payable through the earnout which is already forecast to be reached, further increases in revenues of 10% have no impact on the current liability. A bye year election was available to the vendors, it was not utilised therefore there is no impact on the present value of the liability.

Due to the quantum involved, sensitivities on earnouts associated with the One Xeno, ILS and Glasshouse acquisitions, and not considered to be significant judgements. Aggregate contingent consideration in respect of these arrangements is £316,000 at the balance sheet date and there are no share purchase obligations associated with them.

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	Derivative financial instruments £'000	Other temporary differences £'000	Total £'000
At 1 August 2009	670	373	70	55	(87)	172	400	1,653
Credit/(charge) to income	(116)	49	185	22	79	(59)	279	439
Exchange differences	25	17	-	4	(25)	-	55	76
Acquired through business combinations	-	-	-	-	-	-	10	10
Offset against goodwill	-	-	-	-	(886)	-	-	(886)
Taken to equity Share option schemes	-	-	166	-	-	-	-	166
At 31 July 2010	579	439	421	81	(919)	113	744	1,458
Credit/(charge) to income	(254)	109	216	12	(231)	(12)	431	271
Exchange differences	(29)	(1)	-	(8)	(96)	-	73	(61)
Acquired through business combinations	-	-	-	-	-	-	(14)	(14)
Offset against goodwill	-	-	-	-	327	-	-	327
Taken to equity Share option schemes	-	-	400	-	-	-	-	400
At 31 July 2011	296	547	1,037	85	(919)	101	1,234	2,381

After netting off balances, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet

	2011 £'000	2010 £'000
Net deferred tax balance		
Deferred tax assets	2,503	1,531
Deferred tax liabilities	(122)	(73)
Net deferred tax asset	2,381	1,458

NOTES TO THE ACCOUNTS CONTINUED

18 Deferred taxation (continued)

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

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward, measured at the weighted effective rate of the countries with losses (25%), was £320,000. The deferred tax asset not recognised in respect of tax losses available to carry forward includes an amount relating to India (£77,000) which will fully expire by 2019 and to China (£104,000) which will fully expire by 2016.

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 and derivative financial instruments. 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 Group enters into derivative transactions, primarily cap-and-collar interest rate and forward foreign exchange contracts. The purpose of such contracts is to protect the profits and surplus funds arising in principal markets from currency fluctuations and to manage the interest rate risks on the Group's sources of finance.

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 with floating interest rates, swap derivatives and cap-and-collar interest rate derivatives.

The Group's policy is to manage its interest costs arising on variable rate debts by entering into interest rate cap-and-collar and swap contracts. These agreements are designated to protect underlying debt obligations against significant increases in interest rates as required under the terms of the Group's revolving loan facility with Barclays Bank. At 31 July 2011 US\$8m of US dollar borrowings have been capped at 6.25% via interest rate cap-and-collar arrangements through to March 2012. US\$4m of US dollar borrowings are held under an interest rate swap arrangements with rates fixed at 2.09% through to March 2012, at which date the swap increases to \$12m with a fixed rate of 2.09% through to December 2014.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax at 31 July 2011 based on year end balances and rates.

	Movement in basis points	2011 £'000	2010 £'000
United Kingdom	+200	(189)	(141)
US	+200	34	136

A rise in US interest rates of 2% would give a positive movement of £47,000 (2010: £148,000) in the fair value of the interest rate cap-and-collar and rate swap contracts in place.

The interest rate cap-and-collar contracts and rate swap contracts are categorised as a level two financial instruments in the fair value hierarchy.

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. As at 31 July 2011 the Group had undrawn committed facilities of £7,119,000 (2010 £4,040,000), of which £5,000,000 is subject to receiving security guarantees from M Booth and Blueshirt. In addition, the Group has an overdraft facility with Barclays Bank, of £1,500,000 (2010 £1,500,000) at a rate of 1.5% (2010 1.5%) above Barclays Bank's base rate, available in sterling, US dollar and Euro, and a credit line with Wells Fargo Bank of US\$2,735,000 (£1,666,159) (2010 US\$2,735,000 (£1,746,000)) at the prime rate (currently 3.25%) available in US dollars. The Barclays Bank's overdraft facility is reviewed at the bank's discretion with no expiry date. The Wells Fargo Bank's overdraft facility is reviewed on an annual basis and expires in January 2012. The following table summarises the maturity profile based on the remaining period at the balance sheet date to the contractual maturity date of the Group's financial liabilities at 31 July 2011 and 2010 based on contractual undiscounted payments.

	Within one year £'000	Greater than one year £'000	Total £'000
As at 31 July 2011			
Financial liabilities	24,150	24,824	48,974
Derivative financial instruments – cash inflows	–	–	–
Derivative financial instruments – cash outflows	196	62	258
	24,346	24,886	49,232
As at 31 July 2010			
Financial liabilities	23,623	9,932	33,555
Derivative financial instruments – cash inflows	–	–	–
Derivative financial instruments – cash outflows	244	152	396
	23,867	10,084	33,951

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, Africa and Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group uses currency derivatives to protect significant US dollar and Euro currency exposures against changes in exchange rates.

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax at 31 July 2011 based on year end balances and rates.

	Weakening against sterling	2011 £'000	2010 £'000
US dollar	20%	(509)	(241)
Euro	20%	(223)	(564)
Australian dollar	20%	(794)	(282)
Chinese renminbi	20%	214	68
Hong Kong dollar	20%	6	46
Indian rupee	20%	101	(214)
Singapore dollar	20%	(30)	(4)

NOTES TO THE ACCOUNTS CONTINUED

19 Financial instruments (continued)

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's equity at 31 July 2011 based on year end balances and rates

	Weakening against sterling	2011 £'000	2010 £'000
US dollar	20%	(676)	(271)
Euro	20%	(33)	(31)
Australian dollar	20%	(4)	(14)
Chinese renminbi	20%	27	50
Hong Kong dollar	20%	13	(3)
Indian rupee	20%	(27)	(9)
Singapore dollar	20%	(21)	(19)

Credit risk

The Group's principal financial assets are bank balances and cash, 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 experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies, although the Board recognises that in the current economic climate these indicators cannot be relied upon exclusively.

Maximum exposure to credit risk.

	2011 £'000	2010 £'000
Total trade and other receivables	26,771	22,900
Cash and cash equivalents	8,517	7,296

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the consolidated balance sheet, plus net debt. Net debt is calculated as total borrowings and finance leases, less cash and cash equivalents. This measure of net debt excludes any acquisition related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2012 to 2018.

	2011 £'000	2010 £'000
Total loans and borrowings	10,026	8,033
Obligations under finance leases	62	134
Less cash and cash equivalents	(8,517)	(7,296)
Net debt ¹	1,571	871
Total equity	32,333	27,579
Total capital	33,904	28,450

¹Net debt includes external bank borrowings and finance obligations but excludes any acquisition related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability whereby if no profits are generated from the businesses over the earnout period, contingent consideration would fall to £nil. Settlement dates are variable and range from 2012 to 2018.

19 Financial instruments (continued)
Capital risk management (continued)

	2011 £'000	2010 £'000
Net debt	1,571	871
Contingent consideration	10,917	4,348
	12,488	5,219

Externally imposed capital requirement

Under the terms of the Group's banking covenants the Group must meet certain criteria based on gross borrowings to earnings before interest, tax, depreciation, amortisation and impairment, interest cover and guarantee ratios on turnover, operating profit, total assets and total operating cash flows to consolidated gross financing costs. There have been no breaches of the banking covenants in the current or prior year.

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 July 2011, with the exception of obligations under finance leases. The book value of obligations under finance leases is £62,000 (2010: £134,000) and the fair value is £63,000 (2010: £140,000).

Financial instruments - detailed disclosures

Financial instruments recognised in the balance sheet

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the heading in which they are included are as follows:

	At fair value through profit and loss account £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 July 2011				
Non-current financial assets				
Other receivables	-	-	840	840
	-	-	840	840
Current financial assets				
Cash and cash equivalents	-	-	8,517	8,517
Trade and other receivables	-	-	25,931	25,931
	-	-	34,448	34,448
Current financial liabilities				
Loans and borrowings	-	272	-	272
Trade and other payables	-	20,085	-	20,085
Contingent consideration ¹	4,601	-	-	4,601
Derivative financial liabilities	405	-	-	405
	5,006	20,357	-	25,363
Non-current financial liabilities				
Loans and borrowings	-	9,754	-	9,754
Provisions	-	131	-	131
Obligations under finance leases	-	6	-	6
Contingent consideration ¹	6,316	-	-	6,316
Share purchase obligation ¹	4,348	-	-	4,348
	10,664	9,891	-	20,555

¹See note 17

NOTES TO THE ACCOUNTS CONTINUED

19 Financial instruments (continued)

Financial instruments recognised in the balance sheet (continued)

	At fair value through profit and loss account £'000	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
As at 31 July 2010				
Non-current financial assets				
Other receivables	-	-	1,008	1,008
	-	-	1,008	1,008
Current financial assets				
Cash and cash equivalents	-	-	7,296	7,296
Trade and other receivables	-	-	21,892	21,892
	-	-	29,188	29,188
Current financial liabilities				
Loans and borrowings	-	5,181	-	5,181
Trade and other payables	-	17,085	-	17,085
Provisions for other liabilities and charges	-	58	-	58
Contingent consideration ¹	1,880	-	-	1,880
Derivative financial liabilities	419	-	-	419
Share purchase obligation ¹	150	-	-	150
	2,449	22,324	-	24,773
Non-current financial liabilities				
Loans and borrowings	-	2,852	-	2,852
Obligations under finance leases	-	56	-	56
Contingent consideration ¹	4,232	-	-	4,232
Share purchase obligation ¹	1,349	-	-	1,349
	5,581	2,908	-	8,489

¹See note 17

Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 July 2011

	Effective interest rate	2011 £'000	2010 £'000
Current			
Variable rate bank loan	Barclays Bank LIBOR + 1.25%	-	4,821
Variable rate bank loan	6.50%	-	96
Variable rate bank loan	Wells Fargo Bank call-loan rate + 0.01%	9	-
Variable rate bank loan	Wells Fargo Bank call-loan rate + 2.88%	128	128
Fixed rate bank loan	7.19%	135	136
		272	5,181
Obligations under finance leases	3.42%	56	78
Non-current			
Variable rate bank loan	Barclays Bank LIBOR + 2.25%	9,212	2,139
Variable rate bank loan	Wells Fargo Bank call-loan rate + 2.88%	324	464
Variable rate bank loan	Wells Fargo Bank call-loan rate + 0.01%	103	-
Fixed rate bank loan	7.19%	115	249
		9,754	2,852
Obligations under finance leases	3.42%	6	56

19 Financial instruments (continued)

Hedge of net investment in foreign entity

A proportion of the Group's US dollar-denominated borrowings amounting to US\$7,000,000 is designated as a hedge of the net investment in the Group's US subsidiary M Booth & Associates, Inc. A further US\$1,500,000 has been designated as a hedge of the net investment in the Group's US subsidiary Blueshirt. The fair value of the borrowings at 31 July 2011 is US\$8,500,000 (£5,178,000) (FY10 US\$4,000,000 (£2,554,000)). The foreign exchange loss of £213,000 (FY10 £111,000) on translation of the borrowing to functional currency at the end of the reporting period is recognised in a hedging reserve, in shareholders' equity.

20 Share capital

Called-up share capital

Ordinary Shares of 2 Sp each

	Number	£'000
Allotted, called up and fully paid		
At 1 August 2010	56,052,652	1,401
Issued in the year in respect of M Booth contingent consideration	599,197	15
At 31 July 2011	56,651,849	1,416

21 Share-based payments

The Group uses the Black-Scholes model to calculate the fair value of options on grant date for new issues and modifications. At each year end the cumulative expense is adjusted to take into account any changes in estimate of the likely number of shares expected to vest. Details of the relevant option schemes are given in note 22. 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 key inputs are listed below and market price on each grant date is obtained from external, publicly available sources.

	2011	2010
Risk-free rate	4.75%	4.75%
Dividend yield	2.53%	3.47%
Volatility ¹	40%	40%

¹Volatility is based on the Group's share price movement between January 2003 and July 2011. In the opinion of the Directors this period is appropriate, given the Group's history of growth and acquisitions and external industry factors.

In the year ended 31 July 2011 the Group recognised a charge of £449,000 (2010 £606,000).

Movement on options granted (represented in Ordinary Shares)

	Outstanding at 1 August 2010 Number (^{'000})	Granted number (^{'000})	Lapsed number (^{'000})	Exercised number (^{'000})	Outstanding 31 July 2011 Number (^{'000})	Exercisable 31 July 2011 Number (^{'000})
Executive share option scheme	669	–	42	180	447	158
Long-Term Incentive Plan – options	124	–	–	48	76	76
Long-Term Incentive Plan – performance shares	5,525	1,620	786	86	6,273	–
Restricted Stock Grant Agreement	263	–	–	88	175	–
	6,581	1,620	828	402	6,971	234
Weighted-average exercise price (p)	6.71	–	6.32	29.48	3.88	51.72

A total of 402,167 shares were exercised during the year ended 31 July 2011 at a weighted average market share price of 75p.

Options over Ordinary Shares outstanding

Range of exercise prices (p)	0 – 66
Weighted average exercise price (p)	3.88
Weighted average contractual life (months)	23

NOTES TO THE ACCOUNTS CONTINUED

21 Share-based payments (continued)

The fair value of options granted in the year calculated using the Black-Scholes model

	Nov 2010
Fair value of performance shares granted under the LTIP (p)	54
Share price at date of grant (p)	73
Risk-free rate (%)	4.75
Expected life (years)	4
Expected volatility (%)	40%
Dividend yield (%)	2.53

The modification to the performance criteria on 26 January 2010 did not lead to an increase in the fair value at the date of modification, therefore no incremental fair value was recognised. The performance share grants that were modified are set out in note 22.

Performance shares issued by the Company under the Next Fifteen Communications Long-Term Incentive Plan are granted at a nil exercise price.

22 Share options

The Company has issued options over its shares to employees that remain outstanding as follows

Share option type	Number of shares	Option price per share	Option grant date
Next Fifteen Communications Executive Share Option Schemes	18,333	23.5p	23 October 2001
	40,000	30p	22 October 2002
	100,000	59.5p	22 October 2003
	158,333		
Next Fifteen Communications Californian Executive Share Option Schemes	80,000	30p	22 October 2002
	178,334	59.5p	22 October 2003
	30,000	63p	12 May 2004
	288,334		
Next Fifteen Communications Long-Term Incentive Plan	20,625	56p	16 June 2005
	25,446	56p	11 November 2005
	29,545	66p	10 April 2006
	75,616		

Performance shares	Number of shares	Performance period start date	Performance period end date	Performance share grant date
Next Fifteen Communications Long-Term Incentive Plan	461,872	1 August 2007	31 July 2011 ¹	9 November 2007
	907,090	1 August 2007	31 July 2011 ¹	2 June 2008
	30,000	1 August 2008	31 July 2012 ¹	22 October 2008
	1,438,520	1 August 2008	31 July 2012 ¹	21 November 2008
	1,810,000	1 August 2009	31 July 2013	9 February 2010
	35,000	1 August 2009	31 July 2013	4 June 2010
	1,590,000	1 August 2010	31 July 2014	11 November 2011
	6,272,482			
Restricted Stock Grant Agreement	175,196	3 August 2009	3 August 2012	3 August 2009
	6,447,678			

¹Performance criteria modified on 26 January 2010

22 Share options (continued)

Under the Next Fifteen Executive Share Option Schemes, save as explained hereafter, all options are normally exercisable on or after the third anniversary of the date of grant and remain exercisable until the tenth anniversary of the date of the grant, to the extent that they have vested. Options will vest in respect of one-third of the shares on each of the third, fourth and fifth anniversaries of their date of grant. Options granted to employees in California from 23 October 2001 are exercisable at a rate of 20% per year over five years from the date of grant. The vesting of all share options granted after 30 November 1999 is conditional on achievement of a performance criterion of the Group's earnings per share growing over a three-year period after the grant by at least 30%.

5,706,975 share options/performance shares/conditional shares issued by the Company under the Next Fifteen Communications Executive Share Option Schemes, Long-Term Incentive Plan and Restricted Stock Grant Agreement are options/performance shares/conditional shares over unissued shares. The remaining 1,262,986 options/performance shares/conditional shares will be largely satisfied by either shares held by the Employee Share Ownership Plan (98,728) or by shares held by the Company in treasury (1,164,258) (see note 23).

At the Next Fifteen General Meeting held on 26 January 2010, shareholder approval was obtained to modify the performance conditions relating to all new awards under the Next Fifteen Long-Term Incentive Plan from February 2010 and to apply the changes to grants made in the financial years ended 31 July 2008 and 31 July 2009. Performance will be measured over a period of four consecutive financial years of the Group, commencing with the financial year in which the award was granted. The new conditions are based upon two measures – an adjusted earnings per share ('EPS') measure and a budgeted profit measure. The level of vesting will be determined using the best three of the four years' performance for each performance measure. The growth of adjusted EPS of the Group must exceed the UK Retail Price Index ('RPI') by an average of 10% or more per annum over the performance period for 50% of the award to vest. If the growth of adjusted EPS over RPI is between an average of 3% and 10% per annum over the performance period, between 10% and 50% of the award will vest on a straight-line basis. The remaining 50% of an award may vest if the profit of the particular business in which a participant is employed meets its budgeted profit targets over the performance period. To the extent that the budgeted profit targets are not met, for every 1% below budget, 5% of the award will lapse on a straight-line basis. Employees who work in group roles will be measured by reference to whole group performance, rather than any particular business unit.

On 1 May 2009, Inferno Communications Limited ('Inferno'), a wholly owned subsidiary of the Group, merged into Bite Communications Limited ('Bite'), also a wholly owned subsidiary of the Group. Following the merger there was a one-off grant of performance shares to two senior members of Inferno who transferred to Bite. The extent to which the award would vest is determined by reference to the retention of key clients by Bite for which the participants are the key account directors. On 1 May 2010, 60% of the award vested as the clients remained with Bite, and the final 40% vested on 1 May 2011 as the same condition was met.

On 3 August 2009 the Group acquired M Booth & Associates, Inc ('M Booth') and entered into a Restricted Stock Grant Agreement of US\$200,000. The number of shares granted was determined by reference to the average of the mid-market price of the Company's shares for the ten trading day period ended four days prior to issuance, leading to a total of 262,796 shares granted. The fair value of the shares was based on the market value at the date of grant. The grant shares will vest in equal amounts on each of the first three anniversaries of the date of grant, provided that each participant remains a full-time employee of M Booth as of the anniversary vesting date. On the 3 August 2010 87,600 shares vested in relation to this agreement, leaving 175,196 restricted shares outstanding at 31 July 2011.

NOTES TO THE ACCOUNTS CONTINUED

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 July 2011 the ESOP held 98,728 (2010: 500,897) Ordinary Shares in the Company, which represents 0.2% (2010: 0.9%) of the Ordinary Share capital. The ESOP reserve of £32,000 (2010: £162,000) represents the cost of these shares held by the ESOP in the Company at 31 July 2011. The nominal value of shares held was £2,468 (2010: £12,522), and the market value at 31 July 2011 was £82,932 (2010: £300,538). The right to receive dividends on all shares has been waived.

During the year to 31 July 2011, a number of employees exercised their options. In total 228,408 (2010: 317,664) ESOP options were exercised, for proceeds of £118,487 (2010: £109,800), as were 86,159 (2010: 132,500) performance shares.

Treasury shares

The Group holds 1,164,258 (2010: 1,164,258) treasury shares at a cost of £595,000 (2010: £595,000). The nominal value of shares held at 31 July 2011 was £29,106 (2010: £29,106), and the market value was £977,977 (2010: £698,555). The right to receive dividends on all shares has been waived.

24 Other reserves

	ESOP reserve ¹ £'000	Treasury shares ² £'000	Hedging reserve £'000	Total other reserves £'000
At 1 August 2009	(644)	(595)	-	(1,239)
Total comprehensive income for the year	-	-	(111)	(111)
Movement due to ESOP share option exercises	482	-	-	482
At 31 July 2010	(162)	(595)	(111)	(868)
Total comprehensive income for the year	-	-	213	213
Movement due to ESOP share option exercises	130	-	-	130
At 31 July 2011	(32)	(595)	102	(525)

¹The 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.

²When the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity and presented in the treasury shares reserve.

25 Commitments and contingent liabilities

Operating leases – Group as lessee

As at 31 July 2011, the Group's total future minimum lease rentals are as follows:

	2011 Land and buildings £'000	2011 Other £'000	2010 Land and buildings £'000	2010 Other £'000
In respect of operating leases which will expire				
Within one year	4,968	107	3,767	172
In two to five years	11,496	136	10,631	399
After five years	966	1	1,779	-
	17,430	244	16,177	571

26 Acquisitions

Acquisitions made in the year ending 31 July 2011

1 On 1 November 2010, the Group acquired an 85% stake in US-based investor and media relations company The Blueshirt Group LLC ('Blueshirt'). The acquisition of Blueshirt complements the Group's existing businesses by providing financial and corporate communications expertise. The initial consideration paid in cash on completion was US\$3,000,000 (£1,870,000). A balance of US\$448,000 (£280,000) excess working capital acquired which was paid to the vendors is also treated as consideration. Contingent consideration satisfied in cash will be made over the course of four years based on a multiple of average profits and margin performance. Based on initial forecasts, these contingent payments were estimated to total US\$8,000,000 (£4,994,000) which when discounted, resulted in an investment value and corresponding liability of US\$6,082,000 (£3,790,000).

There is an option for the sellers to sell the remaining 15% stake in Blueshirt after five years from completion and an option for Next Fifteen to acquire the remaining 15% after six years from completion provided that the value of the business at the relevant time has reached a certain level.

The fair value of the put option held by the non-controlling interest holder has been calculated based on discounted estimates of the most likely outcome for the profitability of the business. A fair value of US\$1,245,000 (£776,000) was recognised on acquisition. Accounting under the fair value method of non-controlling interests, both goodwill and the non-controlling interest were increased by this amount.

Acquisition costs of US\$91,000 (£57,000) were paid in relation to the purchase of Blueshirt, which were recognised within 'other operating charges' in the consolidated income statement in the period ended 31 July 2011.

In the post acquisition period, Blueshirt contributed US\$5,307,000 (£3,321,000) to revenue and US\$1,329,000 (£831,000) profit before tax. Extrapolated across 12 months, this would represent a contribution of £4,428,000 to revenues and £1,108,000 to profit before tax.

Goodwill of £4,271,000 arises from anticipated profitability and future operating synergies from combining the operations with the Group. £4,271,000 is expected to be deductible for tax purposes.

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 ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets ¹	-	1,873	1,873
Property, plant and equipment	12	-	12
Current assets			
Cash and cash equivalents	336	-	336
Other current assets	377	-	377
Current liabilities	(150)	-	(150)
Net assets acquired	575	1,873	2,448
Goodwill			4,271
			6,719
Consideration			
Cash consideration			1,873
Total contingent cash consideration			3,790
Excess working capital payment			280
			5,943
Fair value of non-controlling interest			776
			6,719

¹The fair value adjustment relating to intangible assets is due to the recognition of US\$1,700,000 (£1,059,000) in respect of customer relationships and US\$1,300,000 (£810,000) in respect of the Blueshirt trade name, which have been independently valued. The customer relationships will be amortised over five years, and the trade name will be amortised over its useful economic life of 20 years.

NOTES TO THE ACCOUNTS CONTINUED

26 Acquisitions (continued)

Acquisitions made in the year ending 31 July 2011 (continued)

2 On 12 May 2011, the Group acquired 80% of the share capital of CMG Worldwide Limited (trading as Bourne), a digital agency with offices in the UK and US. The initial consideration paid in cash on completion was £1,950,000. Contingent consideration comprising a 'top up payment' in relation to 15 months to 31 July 2012 and a 'deferred payment' payable in 2014 relating to the two years ending 31 July 2014 may be payable to the vendors. These payments will be at multiples of PBIT ranging between five and seven, dependent on the PBIT and margin levels achieved by Bourne over the period to 31 July 2014. Contingent consideration can be satisfied through a mixture of cash and up to 25% in shares at the discretion of Next Fifteen.

The remaining 20% holding in Bourne is the subject of put and call options commencing in 2015 and it is anticipated that these shares will be acquired by October 2018. Next Fifteen has the right to acquire 20% of the outstanding share capital from 2018 ('call option') from the sellers. Similarly, the sellers of Bourne have the right to sell 20% of the outstanding share capital from 2015 ('put option'). Consideration payable on exercise of the options by either party is dependent on PBIT performance of Bourne for the two financial year ends preceding exercise of an option. The estimated payment to be made on exercise of an option in 2018 has been recorded as a share purchase obligation.

From the date of acquisition of 12 May 2011 to 31 July 2011, Bourne contributed £452,000 to revenue and (£124,000) loss before tax. Extrapolated for a full 12 months, this represents a contribution of £1,808,000 to revenue and (£496,000) loss before tax.

Acquisition costs of £43,000 were paid in relation to the purchase of Bourne which have been recognised within 'other operating charges' in the income statement for the year ended 31 July 2011.

Goodwill of £5,632,000 arises from anticipated profitability, workforce and future operating synergies from combining the operations with the Group. No goodwill is expected to be deductible for tax purposes.

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

	Book value at acquisition £'000	Fair value adjustments ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets ¹	11	1,361	1,372
Property, plant and equipment	50	-	50
Current assets			
Cash and cash equivalents	265	-	265
Other current assets	456	-	456
Current liabilities	(569)	-	(569)
Deferred tax liability	(13)	(329)	(342)
Net assets acquired	200	1,032	1,232
Goodwill			5,632
			6,864
Consideration			
Initial cash consideration			1,950
Total contingent cash consideration			2,591
Total contingent equity consideration			753
			5,294
Fair value of non-controlling interest			1,570
			6,864

¹The fair value of the assets acquired includes intangible assets of £1,361,000 comprising a customer relationship asset of £723,000 and a software related asset of £638,000. These assets will be amortised over six years and four years respectively.

26 Acquisitions (continued)

Acquisitions made in the year ending 31 July 2011 (continued)

- 3 On 4 August 2010, Beyond Corporation Limited (previously Project Metal Limited) acquired the entire issued share capital of UK-based Type 3 Limited, and on the same date, Beyond International Corporation (previously Context Analytics Corporation), together referred to as 'Beyond', acquired the entire issued share capital of US-based Type 3 LTD. On 1 September 2010 the trade and assets of the Type 3 companies were transferred into each acquiring company. Both Type 3 companies offer a fully integrated web design service, and were acquired as part of the Group's strategy to build a digital consultancy.

The initial consideration paid in cash on completion was £300,000 in addition to the issue of 25% of the ordinary share capital of Beyond. A balance of £131,000 excess working capital acquired is also treated as consideration.

- 4 On 1 September 2010, Lexis Public Relations Limited ('Lexis') acquired the entire issued share capital of UK-based Glasshouse Partnership Limited ('Glasshouse'), a corporate communications and marketing agency which will strengthen the Lexis corporate practice and enhance business development options. On 1 October 2010, the trade and assets of Glasshouse were transferred to Lexis.

The initial consideration paid in cash on completion was £80,000, and a balance of £137,000 excess working capital acquired which was paid to the vendors is also treated as consideration. Contingent consideration may be payable on the first and second anniversary of completion, subject to the achievement of certain revenue and staff metric performance targets. The contingent consideration that may be payable will be satisfied by 60% cash and 40% Next Fifteen shares, and is uncapped. Using management's best estimates of future performance in the business, contingent consideration has been recognised at £221,000.

- 5 On 1 September 2010, Bite Communications Hong Kong Limited ('Bite') acquired the trade and assets of digital marketing agency OneXeno Limited ('OneXeno'), a Hong Kong company. The business was integrated into Bite's existing Asia Pacific operation, and will offer clients new levels of service, expertise and digital communications tools in the region.

The initial consideration paid in cash on completion was HK\$1,105,000 (£88,000), with further uncapped consideration payable based on the revenue of retained clients over the 12 months following completion. In the year ended 31 July 2011, HK\$652,000 (£51,000) was paid in respect of deferred consideration. It is currently estimated that a further HK\$577,000 (£45,000) will be payable in contingent consideration.

- 6 On the 1 April 2011, the Group acquired the trade and assets of Interlink Systems Limited ('ILS'), a Hong Kong-based solution provider for web site development, web design, web applications, intranet, online commerce, dynamic content, customised software, online store, ecommerce, online promotion. Net assets at acquisition were US\$1,340 (£800).

The initial consideration paid in cash on completion was US\$30,000 (£19,000), a further US\$31,823 (£19,000) was paid in July 2011 following fulfilment by the vendor of certain criteria. Further cash consideration is payable based on gross profit performance in the six months to 30 September 2011. There is no cap on the amount payable. It is currently estimated that US\$53,000 (£33,000) contingent consideration will be payable.

In respect of the acquisitions detailed in points 3 to 6 above, the following have been recognised in the financial statements:

Acquisition costs of £105,000 were paid, of which £77,000 were recognised in the consolidated income statement in the year ended 31 July 2010, and £28,000 were recognised within 'other operating charges' in the consolidated income statement in the year to 31 July 2011.

In aggregate, goodwill of £498,000 arises from anticipated profitability and future operating synergies from the combinations. No goodwill is expected to be deductible for tax purposes.

In aggregate, intangible assets of £218,000 have been recognised in respect of customer relationships, which will be amortised over three years.

Since acquisition the Glasshouse business contributed £427,000 to revenues. Extrapolated across 12 months, this would represent a £466,000 contribution to revenue. For all other acquisitions it is not practicable to split out post acquisition revenue or profits.

NOTES TO THE ACCOUNTS CONTINUED

26 Acquisitions (continued)

Acquisitions made in the year ending 31 July 2010

- 1 On 3 August 2009, the Group acquired 100% of the share capital of New York-based M Booth & Associates, Inc ('M Booth'), a leading PR consultancy in North America, as part of the next step in the Group's strategy to build a global consumer agency. The initial consideration paid in cash on completion was US\$4,000,000 (£2,364,000). A balance of US\$790,000 (£466,000) excess working capital acquired which was paid to the vendors is also treated as consideration. Further consideration of up to a maximum of US\$13,250,000 (£7,828,000) may be payable over the course of the next four years subject to the achievement of certain revenue and profit performance targets. The total maximum consideration is therefore US\$17,250,000 (£10,191,000), excluding the payment for excess working capital. The first US\$11,250,000 (£6,647,000) of contingent consideration that may be payable can be satisfied by cash or up to 25% in shares, at the option of the Group. The final US\$2,000,000 (£1,182,000) that may be payable can be satisfied 100% in shares, at the option of the Group.

From 3 August 2009 to 31 July 2010, M Booth contributed US\$11,500,000 (£7,343,000) to revenue and US\$1,688,000 (£1,078,000) profit before tax.

Acquisition costs of US\$184,000 (£117,000) were paid in relation to the purchase of M Booth, US\$154,000 (£98,000) recognised in the income statement for the year ended 31 July 2009 and US\$30,000 (£19,000) recognised within 'other operating charges' in the income statement for the year ended 31 July 2010.

Goodwill arises from anticipated profitability and future operating synergies from combining the operations with the Group. The total goodwill balance is expected to be deductible for tax purposes.

The fair value of the assets acquired includes trade receivables of US\$3,692,000 (£2,181,000). The gross amount due under contracts is equal to this balance, and is all expected to be collectable.

26 Acquisitions (continued)

Acquisitions made in the year ending 31 July 2010 (continued)

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

	Book value at acquisition £'000	Fair value adjustments ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	–	2,356	2,356
Property, plant and equipment	84	–	84
Current assets			
Cash and cash equivalents	446	–	446
Other current assets	2,792	–	2,792
Current liabilities	(1,823)	–	(1,823)
Net assets acquired²	1,499	2,356	3,855
Goodwill			3,972
			7,827
Consideration³			
Cash consideration			2,364
Excess working capital payment			466
Total contingent cash consideration			3,877
Total contingent equity consideration			1,120
			7,827

¹ The fair value adjustment relating to intangible assets is due to the recognition of US\$1,818,000 (£1,074,000) in respect of the M Booth trade name and US\$2,171,000 (£1,282,000) in respect of customer relationships, which have been independently valued. The trade name will be amortised over its useful economic life of 20 years, and the customer relationships will be amortised over five years.

² The net assets on initial recognition in the prior year included a deferred tax liability of US\$1,082,000 (£639,000) associated with the intangible assets. This was an error and has been de-recognised in the current year. See note 11.

³ The acquisition of M Booth includes a contingent consideration arrangement that requires additional consideration to be paid by the Group based on achievement of certain revenue and performance targets, over the course of the next four years. The range of undiscounted amounts the Group could pay under the contingent consideration agreement is between US\$0 and US\$13,250,000. The fair value of the contingent consideration recognised on the acquisition date of US\$8,459,000 (£4,997,000) was estimated by applying the income approach, by calculating the fair value of the future estimated payments.

2. On 31 October 2009, the Group acquired a further 30% stake in 463 Communications, LLC ('463 Communications'), taking the Group's total holding to 70%. The Group is now obliged to purchase 100% of the business over a seven-year period. The holding was acquired for a total consideration of US\$2,139,000 (£1,298,000), of which US\$1,426,000 (£865,000) was satisfied in cash and US\$713,000 (£433,000) in shares (805,095 shares).

On 28 May 2010, the Group acquired a further 6% stake in 463 Communications, taking the Group's total holding to 76%. The holding was acquired for a total consideration of US\$120,000 (£83,000) which was satisfied in cash. There were no acquisition costs incurred in relation to the further interest acquired.

No goodwill has been recognised on the acquisition of the further equity interest in 463 Communications. The effect of this transaction is recorded in equity as there is no change in control.

3. On 27 October 2009, the Group acquired the marketing communications trading subsidiaries of Upstream Marketing and Communications, Inc ('Upstream Asia'), which has been integrated into the Bite Communications Group. The initial consideration was US\$900,000 (£575,000) paid in cash and the assumption of US\$200,000 (£128,000) of Upstream Asia's liabilities (of which US\$120,000 (£77,000) were paid on completion). The Group owns 55% of Upstream Asia, and a Hong Kong-based company Asset Pioneer Limited ('Asset Pioneer') owns the residual 45%. The Group has entered into an option deed under which it has a obligation to acquire Asset Pioneer's shares over a five-year period based on the profitability of the acquired businesses.

NOTES TO THE ACCOUNTS CONTINUED

26 Acquisitions (continued)

Acquisitions made in the year ending 31 July 2010 (continued)

In the post acquisition period, Upstream Asia contributed £2,016,000 to revenue and £18,000 loss before tax. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £73,000,000 and profit before income tax would have been £5,298,000. These amounts have been calculated using the Group's accounting policies and pro-rating the nine-month results across 12 months.

Acquisition costs of US\$123,000 (£79,000) were paid in relation to the acquisition of Upstream Asia, and recognised within 'other operating charges' in the consolidated income statement.

Goodwill arises from anticipated profitability and future operating synergies from the combination of which none is expected to be deductible for tax purposes.

The fair value of the assets acquired includes trade receivables of £549,000. The gross amount due under contracts totals £582,000, of which £549,000 is expected to be collectable.

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

	Book value at acquisition £'000	Fair value adjustments ¹ £'000	Fair value to the Group £'000
Non-current assets			
Acquired intangible assets	-	192	192
Software intangible assets	12	-	12
Property, plant and equipment	63	-	63
Current assets			
Cash and cash equivalents	388	-	388
Other current assets	1,054	-	1,054
Current liabilities	(1,263)	-	(1,263)
Deferred tax liability	-	(52)	(52)
Net assets acquired	254	140	394
Goodwill			1,032
Consideration			
Cash consideration			575
Assumption of liabilities paid on completion			77
			652
Fair value of non-controlling interest²			774
			1,426

¹The fair value adjustment relating to intangible assets is due to the recognition of US\$300,000 (£192,000) in respect of customer relationships which have been independently valued. There is a related deferred tax liability fair value adjustment of US\$82,000 (£52,000). The customer relationships will be amortised over five years.

²The fair value of the non-controlling interest of £774,000 in Upstream Asia was estimated by calculating the fair value of the future payment obligations.

- 4 On 9 October 2009, the Group paid US\$312,000 (£199,000) in cash relating to the final deferred consideration for the purchase of The OutCast Agency ('OutCast'). OutCast is a wholly owned subsidiary acquired in June 2005.
- 5 On 30 October 2009, the Group paid SEK569,000 (£50,000) in cash relating to the final deferred consideration for the purchase of the business and certain assets of AimPR Public Relations AB, a company based in Stockholm, Sweden. This business was integrated into Bite's existing Swedish operation.

27 Subsidiaries

The Group's principal subsidiaries at 31 July 2011 are listed below

Name	Country of incorporation	Directly owned by the Company	Percentage voting rights held by Group
August One Communications International Limited	England	✓	100
Beijing Text 100 Consulting Services Limited	China		100
Bite Communications (Canada) Limited	Canada		100
Bite Communications Corporation	USA		100
Bite Communications Group Limited	England	✓	100
Bite Communications Limited	England		100
Lexis Public Relations Limited	England		100
M Booth & Associates, Inc	USA		100
Next Fifteen Communications Corporation	USA	✓	100
Next Fifteen Communications Hong Kong Limited	Hong Kong	✓	100
The OutCast Agency	USA		100
Panther Communications Group Limited	England	✓	100
Redshift Research Limited	England	✓	100
Text 100 AB	Sweden		100
Text 100 BV	Netherlands		100
Text 100 Corporation	USA		100
Text 100 SARL	France		100
Text 100 GmbH	Germany	✓	100
Text 100 International Limited	England	✓	100
Text 100 Italy Srl	Italy		100
Text 100 Japan KK	Japan		100
Text 100 Limited	England		100
Text 100 Pte Limited	Singapore		100
Text 100 (Pty) Limited	South Africa		100
Text 100 Pty Limited	Australia		100
Text 100 SL	Spain		100
Text Hundred India Private Limited	India		100
Vox Public Relations India Private Limited	India		100
Soundbite Communications SARL	France		100
Bite Digital Communications Private Limited	India		85
Blueshirt Group LLC	USA		85
CMG Worldwide Limited	England	✓	80
Bourne Marketing Group Inc	USA		80
463 Communications, LLC	USA		76
Bite Asia Holdings Limited	England	✓	55
Bite Marketing Consulting Pte Limited	Singapore		55
Bite Communications Hong Kong Limited	Hong Kong		55
Bite Marketing Consulting Pty Limited	Australia		55
Upstream Asia (China) Consulting Limited	China		55
Beyond Corporation Limited	England	✓	51
Beyond International Corporation	USA		51

NOTES TO THE ACCOUNTS CONTINUED

27 Subsidiaries (continued)

The above list does not include all the subsidiary companies of Next Fifteen Communications Group plc as the Directors consider that to give full particulars of all Group undertakings would lead to a statement of excessive length

The principal activity of the subsidiary undertakings is public relations work specialising predominantly in the technology sector, except for Lexis Public Relations Limited and M Booth & Associates, Inc, which work for clients predominantly in non-technology sectors, Redshift Research Limited, which is a research company, Blueshirt Group LLC which is an investor and media relations agency, and Beyond Corporation Limited, Beyond International Corporation and CMG Worldwide Limited (Bourne) which are digital consultancies

All subsidiary undertakings operate in the country in which they have been incorporated

All subsidiary undertakings listed are included in the consolidated results

28 Related-party transactions

The ultimate controlling party of the Group is Next Fifteen Communications Group plc (incorporated 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 year to 31 July 2011 there were the following related-party transactions

During the year, Bourne subleased property to another undertaking (Cargo) in which its Directors have an interest, total rental income was £2,207.

29 Operating lease rental receivables

As at 31 July, the Group's total future minimum lease payments receivable under non-cancellable leases are as follows

	2011 £'000	2010 £'000
In respect of operating leases which will expire		
Within one year	141	-
In two to five years	106	-
	247	-

30 Events after the balance sheet date

Trademark GmbH

On 5 October 2011, Next Fifteen Communications Group plc acquired an 80% shareholding in Munich-based Trademark PR and Trademark Consulting. The acquisition is a key part of the Group's plans to offer a global service to its clients by providing specialist communications and marketing expertise in the key German economies

The initial consideration for the share purchase is €1 38m (£1 19m) satisfied in cash with further payments, at multiples of PBIT ranging between five and six, dependent on the PBIT and margin levels achieved by Trademark over five years The maximum consideration payable is €4 5m (£3.88m)

Acquisition costs estimated at around €18,000 (£16,000) were recognised in the consolidated income statement in the year ended 31 July 2011

Information required in order to calculate and recognise goodwill, fair value of assets and liabilities, non-controlling interest and acquired intangibles in relation to Trademark is not yet available and will be shown in the interim report for the six months ending 31 January 2012

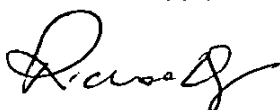
COMPANY BALANCE SHEET

as at 31 July 2011

	Note	2011 £'000	2011 £'000	Restated ¹ 2010 £'000	Restated ¹ 2010 £'000
Fixed assets					
Tangible assets	3		512		1,078
Investments	4		61,547		52,931
			62,059		54,009
Current assets					
Debtors amounts falling due within one year	5	7,570		8,563	
Cash at bank and in hand		259		1,507	
		7,829		10,070	
Current liabilities					
Creditors amounts falling due within one year	6	(4,198)		(13,075)	
Net current assets			3,631		(3,005)
Total assets less current liabilities					
			65,690		51,004
Creditors amounts falling due after more than one year	7		(12,845)		(4,072)
Net assets			52,845		46,932
Capital and reserves					
Called up share capital	9	1,416		1,401	
Share premium account	9	5,996		5,575	
Merger reserve	9	3,075		3,075	
Share-based payment reserve	9	1,726		1,277	
ESOP reserve	9	(32)		(162)	
Treasury shares	9	(595)		(595)	
Other reserve	9	28,566		28,566	
Profit and loss account	9	12,693		7,795	
Equity shareholders' funds			52,845		46,932

¹ See note 1

These financial statements were approved and authorised for issue by the Board on 4 November 2011



R Eyre
Chairman



D Dewhurst
Finance Director

Company number 01579589

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2011

	Company 2011 £'000	Restated ¹ Company 2010 £'000
Profit on ordinary activities after taxation	5,954	2,012
Gain on waiver of intercompany creditors	-	28,566
Total recognised profits related to the year	5,954	30,578

¹See note 1

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 July 2011

	Company 2011 £'000	Restated ¹ Company 2010 £'000
Profit attributable to shareholders	5,954	2,012
Gain on waiver of intercompany creditors	–	28,566
Dividends	(1,045)	(932)
	4,909	29,646
Issue of shares	436	438
Movement on share-based payment reserve	449	606
Disposal of own equity shares held in ESOP	119	110
Net addition to shareholders' funds	5,913	30,800
Opening shareholders' funds	46,932	16,132
Closing shareholders' funds	52,845	46,932

¹See note 1

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 July 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

Prior year restatement

The restatement of the balance sheet for the year ended 31 July 2010 relates to the reclassification of a gain recognised on the waiver, by other group companies, of intercompany balances payable due from the Company from the profit and loss account to Other reserve due to the fact that it was not a realised profit.

Merger reserve

Where the conditions set out in section 612 of the Companies Act 2006 are met, shares issued as part of an acquisition the Company records the cost of the investment at the nominal value of the shares issued and records the excess of fair value over nominal value as a merger reserve. This is applicable where equity interest is greater than 90%.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets at annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Office equipment	20% – 50% per annum straight-line
Computer software	20% per annum straight-line

The carrying values of tangible fixed assets are reviewed for impairment periodically if events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are expressed in sterling at the rates of exchange ruling at the dates of the transactions. Exchange gains and losses and translation differences are taken directly to the profit and loss account.

Financial instruments

Derivative financial instruments utilised by the Company are interest rate cap-and-collar contracts and forward foreign exchange contracts. The Company does not enter into speculative derivative contracts. All such instruments are used to alter the risk profile of an underlying exposure of the Company in line with the Group's risk management policies. Premiums payable under foreign exchange contracts are expensed over the life of the contract and any gains and losses arising on these contracts are deferred and are recognised in the profit and loss account only when the protected transaction has itself been reflected in the Company's financial statements.

Leasing transactions

Assets held under finance leases are included in the balance sheet. The amount capitalised is the present value of the minimum lease payments. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the estimated useful economic life and the period of the lease. The interest element on these obligations is charged to the profit and loss account so as to approximate a constant interest rate over the life of each agreement. Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Pension costs

Pension costs, which relate to payments made by the Company to employees' own defined contribution pension plans, are charged to the profit and loss account as incurred.

Investments

Fixed asset investments are stated at cost less provisions for impairment.

1 Accounting policies (continued)

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based employee remuneration

There are share options granted prior to 7 November 2002 which remain outstanding at 31 July 2011. Details of all grants are disclosed in note 22 of the consolidated financial statements.

Fair value is measured by use of 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. Details of the risk-free rate and dividend yield used to underpin these assumptions are included in note 21 of the consolidated financial statements. The market price on the grant date is obtained from external publicly available sources.

Employee share ownership plan

The cost of the Company's shares held by the ESOP is deducted from shareholders' funds in the Consolidated and Company balance sheet. Any gain or loss made by the ESOP on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the ESOP (including borrowings) are recognised as assets and liabilities of the Company.

Finance costs

Finance costs are charged to profit 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 which are initially recognised as a reduction in the proceeds of the associated capital instrument.

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.

Dividends receivable from investments are recognised in the profit and loss account in the period in which they are paid.

Treasury shares

When the Company re-acquires its own equity instruments, those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in the profit and loss account on the purchase, sale, issue or cancellation of the Company's treasury shares. Such treasury shares may be acquired and held by other members of the Group. Consideration paid or received is recognised directly in equity.

Cash flow statement

The Company has applied the exemption allowed under FRS 1 and has not presented a cash flow statement. The cash flow statement has been presented in the Group financial statements.

2 Profit and loss account of the Parent Company

The Parent Company's profit after tax for the financial year was £5,954,000 (2010 £2,012,000 – restated)

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

3 Tangible assets

	Office equipment £'000	Computer software £'000	Total £'000
Cost			
At 1 August 2010	560	1,460	2,020
Additions	23	47	70
At 31 July 2011	583	1,507	2,090
Accumulated depreciation			
At 1 August 2010	488	454	942
Charge for the year	43	593	636
At 31 July 2011	531	1,047	1,578
Net book value			
At 31 July 2011	52	460	512
At 31 July 2010	72	1,006	1,078

4 Investments

	Company equity interest in subsidiaries £'000
Cost	
At 1 August 2010	52,931
Additional acquired equity stake in subsidiary undertakings ¹	3,583
Additional investment in subsidiary undertakings ²	5,033
At 31 July 2011	61,547

¹On 12 May 2011, the Company acquired 80% of the Ordinary Share Capital of CMG Worldwide Limited (trading as 'Bourne'), a digital agency with offices in the UK and US. Initial cash consideration was £1,950,000 with a further £1,633,000 payable in contingent consideration.

²The additional investment in a subsidiary follows the issue of additional shares by the Company's 100% subsidiary, AugustOne International Limited. The additional shares were acquired at a premium in order to fund the settlement of a deferred consideration payment of £2,858,000 to M Booth & Associates, Inc. and an acquisition payment of £2,175,000 for Blueshirt Group LLC.

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 Group's principal subsidiaries are listed in note 27 of the consolidated financial statements.

5 Debtors

	Company 2011 £'000	Company 2010 £'000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	6,680	8,336
Other debtors	36	93
Prepayments and accrued income	704	82
Deferred tax asset	55	19
Other taxation	95	33
Total debtors	7,570	8,563

6 Creditors: amounts falling due within one year

	Company 2011 £'000	Company 2010 £'000
Overdraft	1,630	2,907
Bank loans	-	4,917
Obligations under finance leases	20	54
Trade creditors	105	227
Amounts owed to subsidiary undertakings	1,761	4,471
Corporation tax	5	389
Other taxation and social security	30	23
Other creditors	38	41
Accruals and deferred income	609	46
	4,198	13,075

7 Creditors: amounts falling due after more than one year

	Company 2011 £'000	Company 2010 £'000
Bank loan ¹	9,212	2,139
Contingent consideration	1,719	-
Obligations under finance leases	-	19
Amounts owed to subsidiary undertakings	1,914	1,914
	12,845	4,072

¹The 2011 Company figure of £9,212,000 is in relation to a £16,000,000 revolving-loan facility at an interest rate of 2.25% above LIBOR

The bank loans are valued at the net proceeds drawn down at the exchange rates ruling at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 July 2011

8 Related-party transactions

During the period the Company received/(paid) the following amounts in respect of Head Office costs and intercompany interest from/to subsidiary undertakings which are not wholly owned.

	Recharges		Intercompany Interest	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
CMG Worldwide Limited ("Bourne")	14	-	1	-
Beyond Corporation Limited	4	-	(5)	-
Beyond International Corporation	35	-	-	-

At the 31 July the Company had the following intercompany amounts receivable from/(payable to) the subsidiaries above

	2011 £'000	2011 £'000
CMG Worldwide Limited ("Bourne")	14	-
Beyond Corporation Limited	23	19
Beyond International Corporation	2	(33)

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

8 Related-party transactions (continued)

On 12 May 2011, the Company acquired 80% of the share capital of CMG Worldwide Limited (trading as Bourne), a digital agency with offices in the UK and US. Details of consideration paid to date and acquisition costs are set out in note 26 to the Group financial statements. A liability of £1,719,000 in respect of contingent consideration payable in relation to the acquisition has been recognised in the company balance sheet at 31 July 2011. In the year ended 31 July 2011, the Company recognised £86,259 of interest expense in relation to unwind of the discount on contingent consideration.

9 Reserves

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Share-based payment reserve £'000	ESOP reserve £'000	Treasury shares £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 August 2009	1,381	5,157	3,075	671	(644)	(595)	-	7,087	16,132
Profit attributable to shareholders	-	-	-	-	-	-	-	2,012	2,012
Dividends	-	-	-	-	-	-	-	(932)	(932)
Shares issued on acquisitions ¹	20	418	-	-	-	-	-	-	438
Movement in relation to share-based payments	-	-	-	606	-	-	-	-	606
Movement due to ESOP share option exercises	-	-	-	-	482	-	-	(372)	110
Gain on waiver of intercompany creditors	-	-	-	-	-	-	28,566 ³	-	28,566
At 31 July 2010	1,401	5,575	3,075	1,277	(162)	(595)	28,566	7,795	46,932
Profit attributable to shareholders	-	-	-	-	-	-	-	5,954	5,954
Dividends	-	-	-	-	-	-	-	(1,045)	(1,045)
Shares issued on acquisitions ²	15	421	-	-	-	-	-	-	436
Movement in relation to share-based payments	-	-	-	449	-	-	-	-	449
Movement due to ESOP share option exercises	-	-	-	-	130	-	-	(11)	119
At 31 July 2011	1,416	5,996	3,075	1,726	(32)	(595)	28,566	12,693	52,845

¹In respect of 463 Communications, LLC

²In respect of M Booth & Associates, Inc

³As part of a group exercise to simplify individual company balance sheet and intercompany, certain payables to the Parent Company were waived resulting in a net gain to the Company of £28,566,000 which has been recognised as an Other reserve. This gain and the resulting reserve is unrealised and does not represent a distributable reserve.

FIVE-YEAR FINANCIAL INFORMATION

for the year ended 31 July 2011 (unaudited)

	2011 IFRS £'000	2010 IFRS £'000	2009 IFRS £'000	2008 IFRS £'000	2007 IFRS £'000
Profit and loss					
Billings	105,163	91,175	77,287	73,916	69,422
Revenue	86,035	72,328	65,394	63,107	59,268
Staff costs	59,699	49,757	43,792	42,455	39,963
Operating profit	8,017	6,508	3,850	6,117	5,693
Net finance (expense)	(490)	(1,204)	(692)	(718)	(627)
Profit before income tax	7,527	5,304	3,158	5,516	5,122
Income tax (expense)	(2,260)	(1,591)	(884)	(1,655)	(1,781)
Profit for the year	5,267	3,713	2,274	3,861	3,341
Non-controlling interests	270	(38)	(342)	(198)	(241)
Profit attributable to owners of the parent	4,997	3,675	1,932	3,663	3,100
Dividend per share (p)	2.05	1.85	1.70	1.70	1.50
Basic earnings per share (p)	9.10	6.75	3.67	7.08	6.33
Diluted earnings per share (p)	7.82	6.02	3.66	6.99	6.23
Balance sheet					
Non-current assets	44,336	31,919	22,618	20,206	18,442
Net current assets	8,674	4,222	7,603	5,303	5,224
Non-current liabilities	(20,677)	(8,562)	(5,319)	(5,871)	(8,684)
Total equity attributable to owners of the parent	29,040	26,629	24,147	19,392	14,784
Non-controlling interests	3,293	950	755	246	198
Total equity	32,333	27,579	24,902	19,638	14,982
Cash flow					
Profit for the year	5,267	3,713	2,274	3,861	3,341
Non-cash adjustments and working capital movements	6,173	2,859	3,987	5,738	3,862
Net cash generated from operations	11,440	6,572	6,261	9,599	7,203
Income tax paid	(2,618)	(1,465)	(1,476)	(1,090)	(1,992)
Net cash from operating activities	8,822	5,107	4,785	8,509	5,211
Acquisition of subsidiaries net of cash acquired	(6,304)	(2,875)	(4,448)	(829)	(1,959)
Acquisition of property, plant and equipment	(1,920)	(1,178)	(415)	(1,591)	(643)
Net cash outflow from investing activities	(8,074)	(4,918)	(4,709)	(2,808)	(3,092)
Net cash movement in bank borrowings	1,993	2,559	(1,462)	(337)	539
Dividends paid to owners of the parent	(1,045)	(932)	(900)	(807)	(691)
Net cash inflow/(outflow) from financing activities	410	(65)	(3,330)	(2,215)	78
Increase/decrease in cash for the year	1,158	(129)	(3,254)	3,486	2,197

FIVE-YEAR FINANCIAL INFORMATION CONTINUED

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Key performance indicator and other non-statutory measures					
Staff costs as a % of revenue	69.4	68.8	67.0	67.3	67.4
EBITDA	10,712	8,446	5,531	8,139	7,214
Adjusted profit before income tax ¹	8,397	6,612	5,249	6,582	5,580
Adjusted earnings per share (p) ²	10.17	8.45	6.48	8.62	7.09
Diluted adjusted earnings per share(p) ²	8.74	7.53	6.46	8.51	6.98
Net (debt)/cash ³	(1,565)	(871)	1,785	3,410	(71)

¹See note 5 of the financial statements

²See note 10 of the financial statements

³Net debt excludes contingent consideration and share purchase obligations. See note 19 of the financial statements

FINANCIAL CALENDAR AND CONTACTS

Final dividend

Ex-dividend date 4 January 2012
Record date 6 January 2012
Annual General Meeting 24 January 2012
Payment of 2011 final dividend 3 February 2012

Interim dividend

Interim results announcement 24 April 2012
Ex-dividend date 2 May 2012
Record date 4 May 2012
Payment of 2012 interim dividend 1 June 2012

Preliminary results

Full-year results announcement November 2012

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Registrars

Shareholders can check their details and transaction histories via the Registrars' website at www.capitaregistrars.com. If you have a query about your shareholding, please contact the Registrars using the contact information below. The Registrars should be informed of any changes in your personal details.

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IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

Chairman's statement

CEO's statement

Our year
