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

## Report on the audit of the financial statements

### 1. Opinion
**In our opinion:**

- the financial statements of Next 15 Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

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

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

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

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

## 3. Summary of our audit approach

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

**4. Conclusions relating to going concern**

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

**5. Key audit matters**

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

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

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

## **5. Key audit matters** continued

### *5.1. Revenue recognition: Cut-off of project revenue*

| | |
|---|---|
| ***Key audit matter description*** | The Group has recognised £720.5m of revenue for the year ended 31 January 2023 (2022: £470.1m).<br><br>The amount of revenue to be recognised for projects where revenue is recognised over time and which span over the year end, requires a level of judgement and estimation. For each of these projects, management determine the proportion of the level of service performed at the year-end date.<br><br>We have continued to identify the cut-off of revenue recognised for these projects as a key audit matter in the current period.<br><br>Management is incentivised, both at the component level and at the Group level, according to revenue and profit growth targets. Due to the level of judgement involved, we have determined that there is potential for manipulation of this balance by management and this therefore represents a risk of fraudulent financial reporting.<br><br>For further details, see page 85 of the Audit Committee report and note 1(e) to the financial statements which sets out management's accounting policy for revenue earned from project fees. |
| ***How the scope of our audit responded to the key audit matter*** | In order to address the key audit matter relating to revenue recognition, our audit work included:<br>• obtaining an understanding of relevant controls over revenue recognition and forecasting of revenue both at the component and Group level;<br>• for each component, selecting a statistical testing sample of projects that span across the year end and testing the revenue recognised, including:<br>  • making enquiries of management and project teams to obtain an understanding of the specific judgements;<br>  • testing the underlying calculations used to determine revenue for accuracy and completeness, including the estimated costs and time to complete, considering the costs and time incurred to date on that project and similar projects; and<br>  • comparing the audit evidence obtained in respect of each sample against the project statement of work and available external correspondence to assess the timeframe for delivery of the service and any judgements made in respect of these. |
| ***Key observations*** | Based on our audit procedures performed, we concluded that the project revenue recognised in the period and the disclosures made in the financial statements are appropriate. |

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

| | |
|---|---|
| ***Key audit matter description*** | As at 31 January 2023, the Group had £204.7m of acquisition-related liabilities (2022: £178.1m) which consist mainly of contingent consideration payable based on a share of the post-acquisition profits of the businesses previously acquired. These liabilities are estimated upon acquisition and subsequently revised at the Group's financial year end.<br><br>The values of these liabilities remain highly judgemental until settled as they are based on forecast future performance of specific brands. As these liabilities are held at fair value, a change in the estimate of revenue growth or profitability of a brand could result in a material charge or release to the income statement. These changes are recorded in the income statement each period and in the current year the charge arising from changes in estimates is £31.2m (2022: £110.7m) as set out in note 17.<br><br>We continue to identify a key audit matter in respect of the valuation of acquisition-related liabilities created by the acquisition of the Mach49 business of £183.7m (2022: £120.6m) and the associated level of estimation uncertainty. We have therefore pinpointed our identified risk to the most sensitive assumption underlying the valuation of acquisition-related liabilities, being the EBIT margin forecast.<br><br>There is a risk that these liabilities are inappropriately valued if they are based on inappropriate forecast and discount rate assumptions. Given the sensitivity, management has set out that this is a key source of estimation uncertainty in note 1 and included a sensitivity analysis in note 17 to the financial statements.<br><br>For further details, see page 85 of the Audit Committee report and see notes 1, 2 and 17 to the financial statements. |

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

## 5. Key audit matters continued

### *5.2. Valuation of acquisition-related liabilities* continued

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

## 6. Our application of materiality

*6.1 Materiality*

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

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

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

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

## 6. Our application of materiality continued

### *6.2 Performance materiality*

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

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

### *6.3 Error reporting threshold*

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.23m (2022: £0.14m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### *7.1. Identification and scoping of components*

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

Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Based on our assessment, we focused our audit work on 17 components, 2 of which subject to a full-scope audit and 15 were subject to an audit of specified account balances. Our audit procedures provided coverage of 68% (2022: 70%) of the Group's consolidated revenue and 73% (2022: 83%) of the Group's adjusted profit before tax. The movement in coverage of adjusted profit before tax primarily reflects the change in mix of profit and loss-making components.

## 7. An overview of the scope of our audit continued

### *7.1. Identification and scoping of components* continued

Our audit work at the components, excluding the Parent Company, is executed at levels of materiality appropriate for such components, which in all instances are capped at 50% (2022: 50%) of Group materiality. For all remaining components, we have performed centralised analytical procedures at component materiality. The range of component materialities we have used are from £1,236,000 to £1,545,000 (2022: £720,000 to £1,270,000).

### *7.2. Our consideration of the control environment*

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

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

### *7.3. Our consideration of climate-related risks*

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

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

## 8. Other information

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

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

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

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

We have nothing to report in this regard.

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

### 9. Responsibilities of Directors

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

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

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

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

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

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

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

***11.1 Identifying and assessing potential risks related to irregularities***

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

***11.1 Identifying and assessing potential risks related to irregularities*** continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition: cut-off of project revenue, being the risk that management recognise the wrong amount of revenue to benefit them either in the current or future years. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

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

***11.2 Audit response to risks identified***

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

## Report on other legal and regulatory requirements

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

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

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

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

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

We have nothing to report in respect of these matters.

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

We have nothing to report in respect of this matter.

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

**Peter McDermott (Senior statutory auditor)**
**For and on behalf of Deloitte LLP**
**Statutory Auditor**
**London, United Kingdom**
24 April 2023

## Consolidated income statement
for the year ended 31 January 2023 and the year ended 31 January 2022

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

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

All results relate to continuing operations.

## Consolidated statement of comprehensive income

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

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

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

All results relate to continuing operations.

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

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

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

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

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

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

**Peter Harris**
Chief Financial Officer
Company number 01579589

## Consolidated statement of changes in equity
for the year ended 31 January 2023 and the year ended 31 January 2022

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

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

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

## **Consolidated statement of changes in equity** continued
for the year ended 31 January 2023 and the year ended 31 January 2022

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

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

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

## Consolidated statement of cash flow
for the year ended 31 January 2023 and the year ended 31 January 2022

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

## **Consolidated statement of cash flow** continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1 Accounting policies** continued

#### C. Basis of consolidation

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

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

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

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

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Associates are accounted for under the equity method of accounting. The Consolidated Income Statement reflects the share of the results of the operations of the associate after tax.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

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

#### D. Merger reserve (included in other reserves)

Where the conditions set out in section 612 of the Companies Act 2006 or equivalent sections of previous Companies Acts are met, shares issued as part of the consideration in a business combination are measured at their fair value in the Consolidated Balance Sheet, and the difference between the nominal value and fair value of the shares issued is recognised in the merger reserve.

## **1 Accounting policies** continued

### E. Revenue and other income

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

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

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

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

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

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

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

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

## **1 Accounting policies** continued
### E. Revenue and other income *continued*
#### Accrued and deferred income
Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

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

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

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

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

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

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

## **1 Accounting policies** continued

### F. Intangible assets *continued*

Customer relationships

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

Non-compete

Certain acquisition agreements contain non-compete arrangements restricting the vendor's ability to compete with the acquiring business during an earn-out period. The non-compete arrangements have a finite useful life equivalent to the length of the earn-out period and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the length of the arrangement.

### G. Property, plant and equipment

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

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

### H. Impairment

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

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, defined as the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill. The cash-generating units represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. The recoverable amount of the goodwill is determined using value-in-use calculations, which require estimates of future cash flows and as such is subject to estimates and assumptions around revenue and cost growth rates from the Board-approved budget and discount rates applied. Further details are contained in note 11.

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

### **1 Accounting policies** continued

#### H. Impairment *continued*

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

#### I. Foreign currency

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

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

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

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

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

#### J. Operating segments

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

#### K. Financial instruments

Financial assets and liabilities are recognised on the Group's Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the asset or liability. The Group's accounting policies for different types of financial asset and liability are described below.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## 1 Accounting policies continued

### K. Financial instruments *continued*

#### Trade receivables

All trade receivables held by the Group are financial assets held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Trade receivables are initially recognised at transaction cost and will subsequently be measured at amortised cost less allowances for impairment.

#### Cash and cash equivalents

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

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit loss ('ECL') for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors.

Such provisions are recorded in a separate allowance account, with the loss being recognised as an expense in the other operating charges line in the Consolidated Income Statement.

#### Contingent consideration

On initial recognition, the liability for contingent consideration relating to acquisitions is measured at fair value. The liability is calculated based on the present value of the ultimate expected payment with the corresponding debit included within goodwill. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement within finance income/expense, as the Group considers these movements as re-measurements of long-term financing arrangements rather than movements arising from the operating activities of the Company. Payments of contingent consideration are considered as settling a long-term liability that financed the acquisition and therefore the cash payments are classified as cash flows from financing activities.

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

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

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

## 1 Accounting policies continued

### K. Financial instruments *continued*

#### Share purchase obligation

Put-option agreements that allow the non-controlling interest shareholders in the Group's subsidiary undertakings to require the Group to purchase the non-controlling interest are recorded in the Consolidated Balance Sheet as liabilities. On initial recognition, the liability is measured at fair value and is calculated based on the present value of the ultimate expected payment with the corresponding debit included in the share purchase reserve. Subsequent movements in the present value of the ultimate expected payment are recognised in the Consolidated Income Statement within finance income/expense, as the Group considers these movements as re-measurements of long-term financing arrangements rather than movements arising from the operating activities of the Company.

#### Additional contingent incentive

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

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

#### Trade payables

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

#### Bank borrowing

Interest-bearing bank loans and overdrafts are recognised at their fair value, net of direct issue costs and, thereafter, at amortised cost. Finance costs are charged to the Consolidated Income Statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs that are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### Hedging activities

The Group designates certain derivatives as hedging instruments in respect of hedges of net investments in foreign operations. The Group has chosen to continue to account for these under IAS 39 as allowed by the transition provisions for IFRS 9.

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

## 1 Accounting policies continued

### K. Financial instruments *continued*

Hedging activities continued

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

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

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

### L. Provisions

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

### M. Retirement benefits

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

### N. Share-based payments

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

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

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

## **1 Accounting policies** continued

### N. Share-based payments *continued*

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

### O. Leased assets

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

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

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

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

## **1 Accounting policies** continued

### P. Current tax

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

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

### Q. Deferred tax

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

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

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

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

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

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

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

## 1 Accounting policies continued

### R. Dividends

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

### S. Employee Share Ownership Plan ('ESOP')

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

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

#### Critical judgements in applying the Group's accounting policies

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

*I. Identification of acquired intangible assets*

As part of the acquisition accounting under IFRS 3, the Group must identify and value the intangibles it has acquired. The identification of the intangibles acquired, such as customer relationships, intellectual property, non-compete agreements and brand names, requires judgement following an assessment of the acquired business. Further detail of the acquired intangibles is included in note 26. This involves reviewing the past performance of the acquiree and future forecasts to ascertain the intangible assets which the purchase price should be allocated to.

*II. Presentation of payments of earn-out liabilities*

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

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

## 1 Accounting policies continued

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

Key sources of estimation uncertainty continued

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

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

### U. New standards and amendments not applied

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

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

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

## 2 Segment information

### Reportable segments

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

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

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

### **2 Segment information** continued
#### Measurement of operating segment profit

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

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

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

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

## 3 Employee information

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

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

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

| | **Year ended 31 January 2023** | Year ended 31 January 2022 |
|---|---|---|
| UK | **2,088** | 1,174 |
| Europe and Africa | **129** | 109 |
| US | **1,125** | 907 |
| Asia Pacific | **503** | 425 |
| Head Office | **134** | 71 |
| | **3,979** | 2,686 |

Key management personnel are considered to be the Board of Directors as set out on pages 68 to 69.

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

### **3 Employee information** continued
Directors' remuneration consists of:

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Short-term employee benefits | **2,448** | 1,629 |
| Pension costs | **119** | 107 |
| Share-based payment charge | **1,661** | 1,136 |
| Non-Executive Directors' remuneration | **366** | 266 |
| | **4,594** | 3,138 |

The highest paid Director received total emoluments of £1,486,000 (2022: £1,174,000).

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

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Depreciation of owned property, plant and equipment | **4,433** | 3,296 |
| Depreciation of right-of-use assets | **7,754** | 6,146 |
| Amortisation of intangible assets | **25,053** | 19,317 |
| Impairment of property, plant and equipment | **1,172** | 1,378 |
| Impairment of right-of-use assets | **5,752** | 1,761 |
| Gain/(loss) on sale and impairment of property, plant and equipment | **68** | (189) |
| Share-based payment charge | **6,711** | 5,565 |
| Charge for other employee incentive scheme | **—** | 3,896 |
| Employment-related acquisition payments | **11,971** | 15,167 |
| Short-term sublease income | **(7)** | (12) |
| Short-term lease expense | **862** | 413 |
| Low-value lease expense | **19** | 17 |
| UK furlough grant – adjusted (see glossary page 199) | **—** | 1,396 |
| Foreign exchange (gain)/loss | **(1,592)** | 186 |

## 5 Auditor's remuneration

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

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the statutory audit of the Company accounts and consolidated annual statements | **650** | 474 |
| The auditing of financial statements of the subsidiaries pursuant to legislation | **4** | 4 |
| Non-audit services: | | |
| Other assurance services | **7** | 5 |
| | **661** | 483 |

## 6 Finance expense

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Bank interest payable | **1,791** | 398 |
| Interest on lease liabilities (note 16) | **1,365** | 1,043 |
| **Financial liabilities at fair value through profit and loss** | | |
| Unwinding of discount on share purchase obligation (note 17) | **1,425** | 811 |
| Change in estimate of future share purchase obligation (note 17) | **348** | 3,898 |
| Unwinding of discount on contingent and deferred consideration (note 17) | **21,460** | 7,488 |
| Change in estimate of future contingent consideration payable (note 17) | **37,343** | 107,720 |
| **Other** | | |
| Other interest payable | **3** | 26 |
| **Finance expense** | **63,735** | 121,384 |

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

### 7 Finance income

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Bank interest receivable | **103** | 35 |
| Finance lease interest receivable | **50** | 65 |
| **Financial liabilities at fair value through profit and loss** | | |
| Change in estimate of future share purchase obligation (note 17) | **4,131** | — |
| Change in estimate of future contingent consideration (note 17) | **2,343** | 915 |
| **Other** | | |
| Other interest receivable | **10** | 34 |
| **Finance income** | **6,637** | 1,049 |

### 8 Taxation

The major components of income tax expense for the year ended 31 January 2023 and year ended 31 January 2022 are:

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Consolidated Income Statement** | | |
| **Current income tax** | | |
| Current income tax expense | **25,457** | 17,109 |
| Adjustments in respect of current income tax in prior years | **(1,829)** | (312) |
| **Deferred income tax** | | |
| Relating to the origination and reversal of temporary differences | **(15,778)** | (31,244) |
| Adjustments in respect of deferred tax for prior years | **(727)** | (28) |
| **Income tax expense/(credit) reported in the Consolidated Income Statement** | **7,123** | (14,475) |
| **Consolidated Statement of Changes in Equity** | | |
| Tax credit relating to share-based payment | **(1,898)** | (2,757) |
| **Income tax benefit reported in equity** | **(1,898)** | (2,757) |

## 8 Taxation continued

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2022: 19%). The difference is explained below:

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Factors affecting the tax charge/(credit) for the year** | | |
| Profit/(loss) before income tax | **10,109** | (80,139) |
| Corporation tax expense at 19% (2022: 19%) | **1,921** | (15,226) |
| Effects of: | | |
| Disallowed expenses | **5,482** | 5,315 |
| Non-taxable items in determining taxable profit | **(1,095)** | — |
| Recognition of previously unrecognised tax losses | **(355)** | (2) |
| Non-utilisation of tax losses | **121** | 21 |
| Higher rates of tax on overseas earnings | **4,004** | (4,117) |
| Deduction for overseas taxes | **(862)** | (126) |
| Adjustments in respect of prior years | **(2,093)** | (340) |
| | **7,123** | (14,475) |

The income tax expense for the year is based on the UK effective statutory rate of corporation tax of 19% (2022: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Net corporation tax paid during the year totalled £20.3m (2022: £14.1m).

## 9 Dividend

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Dividends paid during the year** | | |
| Final dividend paid for prior year of 8.4p per Ordinary Share (2022: 7.0p) | **8,251** | 6,491 |
| Interim dividend paid of 4.5p per Ordinary Share (2022: 3.6p) | **4,428** | 3,341 |
| | **12,679** | 9,832 |
| Non-controlling interest dividend[1] | **2,667** | 2,538 |

1 During the year, a profit share was paid to the holders of the non-controlling interest of Blueshirt of £336,059 (2022: £194,506), M Booth of £743,084 (2022: £489,732) and BCA of £1,586,210 (2022: £1,854,029).

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

### 9 Dividend continued
The ESOP waived its right to dividends in the financial years ended 31 January 2023 and 2022.

A final dividend of 10.1p per share (2022: 8.4p) has been proposed, which is a total amount of £9,948,897 (2022: £7,796,136). This has not been accrued. This makes the total dividend for the year 14.6p per share (2022: 12.0p). The final dividend, if approved at the AGM on 6 July 2023, will be paid on 11 August 2023 to all shareholders on the Register of Members as at 7 July 2023. The ex-dividend date for the shares is 6 July 2023.

### 10 Earnings per share

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Profit/(loss) attributable to ordinary shareholders | **1,623** | (69,219) |
| | **Number** | Number |
| Weighted average number of Ordinary Shares | **97,635,507** | 92,395,619 |
| Dilutive LTIP & options shares | **2,279,528** | 2,389,017 |
| Dilutive growth deal shares[1] | **2,373,445** | 916,215 |
| Other potentially issuable shares | **3,392,207** | 2,386,786 |
| Diluted weighted average number of Ordinary Shares | **105,680,687** | 98,087,637 |
| Basic profit/(loss) per share | **1.7p** | (74.9)p |
| Diluted profit/(loss) per share[2] | **1.5p** | (74.9)p |

1 This relates to the brand equity appreciation rights as discussed in note 1, section N.

2 In the prior year, the weighted average shares used in the basic loss per share calculation has also been used for the reported diluted loss per share due to the anti-dilutive effect of the weighted average shares calculation for the reported diluted loss per share.

## 11 Intangible assets

| | Software £'000 | Trade names £'000 | Customer relationships[3] £'000 | Non-compete agreements £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 31 January 2021** | 14,528 | 18,337 | 72,868 | 8,060 | 125,454 | 239,247 |
| Additions | 40 | — | — | — | — | 40 |
| Capitalised internal development | 2,614 | — | — | — | — | 2,614 |
| Acquired through business combinations | 810 | 1,795 | 15,830 | 913 | 14,994 | 34,342 |
| Disposals | (11) | — | — | — | — | (11) |
| Exchange differences | 15 | 226 | 562 | 72 | 1,107 | 1,982 |
| **At 31 January 2022** | 17,996 | 20,358 | 89,260 | 9,045 | 141,555 | 278,214 |
| Additions | 455 | — | — | — | — | 455 |
| Capitalised internal development | 3,036 | — | — | — | — | 3,036 |
| Acquired through business combinations[1] | 10 | 4,346 | 50,342 | 272 | 50,394 | 105,364 |
| Disposals | (75) | — | — | — | — | (75) |
| Exchange differences | 74 | 930 | 2,838 | 306 | 5,428 | 9,576 |
| **At 31 January 2023** | **21,496** | **25,634** | **142,440** | **9,623** | **197,377** | **396,570** |
| **Amortisation and impairment** | | | | | | |
| **At 31 January 2021** | 9,662 | 7,326 | 43,074 | 4,638 | 10,770 | 75,470 |
| Charge for the year | 2,122 | 1,576 | 14,530 | 1,089 | — | 19,317 |
| Disposals | (18) | — | — | — | — | (18) |
| Exchange differences | 10 | 98 | 348 | 38 | (99) | 395 |
| **At 31 January 2022** | 11,776 | 9,000 | 57,952 | 5,765 | 10,671 | 95,164 |
| Charge for the year[2] | 2,135 | 2,116 | 19,764 | 1,038 | — | 25,053 |
| Disposals | (71) | — | — | — | — | (71) |
| Exchange differences | 72 | 381 | 1,606 | 146 | 152 | 2,357 |
| **At 31 January 2023** | **13,912** | **11,497** | **79,322** | **6,949** | **10,823** | **122,503** |
| **Net book value at 31 January 2023** | **7,584** | **14,137** | **63,118** | **2,674** | **186,554** | **274,067** |
| **Net book value at 31 January 2022** | 6,220 | 11,358 | 31,308 | 3,280 | 130,884 | 183,050 |

1 During the year, the Group acquired Engine Acquisition Limited, Cubaka and Green Leads as well as other acquisitions and a number of trade and asset purchases, none of which are individually significant to the Group (note 26).

2 Amortisation charge for the year includes acquired intangibles of £1,038,000 for non-compete agreements, £19,764,000 for customer relationships, £2,116,000 for trade names and £270,000 relating to software.

3 Customer relationships includes individually significant balances with a carrying amount of £41,168,000, relating to identified customer relationships that was recognised on the acquisition of Engine Acquisition Limited, which are to be amortised until February 2030 and an amount of £5,934,000, relating to identified customer relationships that was recognised on the acquisition of Shopper Media Group Limited, which are to be amortised until March 2025.

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

### **11 Intangible assets** continued
### Impairment testing for cash-generating units containing goodwill
Goodwill acquired through business combinations is allocated to cash-generating units ('CGUs') for impairment testing as follows:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Archetype | **8,268** | 8,268 |
| Outcast (US) | **13,471** | 12,356 |
| M Booth (US) | **22,888** | 20,993 |
| Blueshirt (US) | **5,570** | 5,109 |
| Savanta[1] | **13,657** | 12,832 |
| ODD[2] | **—** | 4,950 |
| Publitek | **9,889** | 9,873 |
| Twogether | **10,620** | 10,620 |
| Velocity | **5,653** | 5,653 |
| elvis | **2,179** | 2,179 |
| Activate (US)[3] | **7,704** | 5,510 |
| Brandwidth[4] | **3,041** | 2,212 |
| Planning-inc | **2,157** | 2,157 |
| CRE | **4,351** | 4,351 |
| Mach49 (US) | **9,783** | 8,973 |
| SMG | **8,766** | 8,766 |
| BCA (US) | **2,706** | 2,482 |
| House 337 | **11,122** | — |
| MHP | **24,468** | — |
| Transform | **16,682** | — |
| Other[5] | **3,579** | 3,600 |
| | **186,554** | 130,884 |

1 The goodwill in Savanta has increased in the year due to the acquisition of a number of small acquisitions (£567,000) and the remainder of the change is due to change in foreign exchange.

2 The goodwill in ODD has been moved into House 337 following the merger during the year.

3 The goodwill in Activate has increased in the year due to the acquisition of Green Leads (£1,696,000) and the remainder of the change is due to change in foreign exchange.

4 The goodwill in Brandwidth has increased in the year due to the acquisition of Cubaka (£830,000).

5 Other goodwill represents goodwill on a number of CGUs, none of which is individually significant in comparison to the total carrying value of goodwill.

## 11 Intangible assets continued

### Impairment testing for cash-generating units containing goodwill *continued*

Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill. The CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is a lower level than the operating segments disclosed in note 2; the CGUs are allocated to operating segments based on their geographical location or the product or service they provide.

The Group performs an impairment testing process by considering:

Stage 1) The performance of the brands during the previous financial year and the value-in-use of the brands at 31 January 2023. The value-in-use is calculated by taking the present value of expected future cash flows based on minimum expected standard growth rates applied to the Board-approved FY24 budget.

Stage 2) The value-in-use of the brands, calculated by taking the present value of expected future cash flows based on management's best estimate of brand-specific growth rates for the following four years applied to the Board-approved FY24 budget.

Note that the growth rates in stages 1 and 2 applied for year five are dependent on the geographical region of the respective brand. The long-term perpetuity growth rates applied for year five onwards for the US, UK and APAC regions are 2% (2022: 2%), 1.5% (2022: 1.5%) and 1% (2022: 1%) respectively. The growth rates applied for years two to five for the US, UK and APAC regions are 2% (2022: 2%), 1.5% (2022: 2%) and 3% (2022: 3%) respectively.

### Sensitivity analysis

The Group has performed sensitivity analysis on the assumptions used in the value-in-use calculations. The Group has performed two scenarios. Firstly, with all other variables unchanged, if revenue and costs do not grow past the FY24 budget and there is no growth in perpetuity, no impairment would be required. Secondly, with all other variables unchanged, if the discount rate increased by 5% to 17.7%, no impairment would be required.

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

## 11 Intangible assets continued
### Cash flow projections
The recoverable amounts of all CGUs have been determined from value-in-use calculations based on the pre-tax operating profits before non-cash transactions including amortisation and depreciation taken from the most recent financial budgets approved by management for the next financial year. The Board-approved budgets are based on assumptions of client wins and losses, rate card changes and cost inflation as well as any other one-off items expected in the year for that particular CGU. The cash flow forecasts extrapolate the FY24 budgeted cash flows for the following four years based on the estimated regional growth rates, which is applied to revenue and costs. This rate does not exceed the average long-term growth rate for the relevant markets. The value-in-use is compared with the combined total of goodwill, intangible assets and tangible fixed assets. The growth rate in relation to the geographical region of the brand is then applied into perpetuity after five years.

### Pre-tax discount rate
A pre-tax rate, being the Board's estimate of the discount rate of 12.7% (2022: 11.9%), has been used in discounting all projected cash flows. The Board considers a pre-tax discount rate of 12.7% to be calculated using appropriate methodology and reference to market yields of long-term government bonds. This rate is already in the higher end of the spectrum amongst its peers, and the Board views the rate as accurately reflecting the return expected by a market participant. The Board has considered whether to risk affect the discount rate used for the different brands. Given the nature of each business, that they operate in well-developed territories and are largely similar digital media communication businesses dependent on the mature economies in which they operate, the Board has considered no risk adjustment to the individual discount rates is required. Further, a scenario run using a higher discount rate reflective of US expected market returns indicated no goodwill impairment. Instead, the CGU forecast cash flows have been risk adjusted to reflect the economies in which they operate.

## 12 Property, plant and equipment

| | Short leasehold improvements £'000 | Office equipment £'000 | Office furniture £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 31 January 2021** | 13,054 | 8,643 | 3,362 | 2 | 25,061 |
| Exchange differences | 196 | 45 | 12 | — | 253 |
| Additions | 475 | 2,341 | 290 | — | 3,106 |
| Acquired through business combinations | — | 51 | 105 | — | 156 |
| Disposals | (602) | (1,343) | (1,391) | (2) | (3,338) |
| **At 31 January 2022** | 13,123 | 9,737 | 2,378 | — | 25,238 |
| Exchange differences | 929 | 471 | 171 | — | 1,571 |
| Additions | 740 | 2,598 | 140 | 7 | 3,485 |
| Acquired through business combinations | 4,125 | 896 | 139 | — | 5,160 |
| Disposals | (570) | (1,086) | (536) | — | (2,192) |
| **At 31 January 2023** | **18,347** | **12,616** | **2,292** | **7** | **33,262** |
| **Accumulated depreciation** | | | | | |
| **At 31 January 2021** | 7,022 | 6,918 | 2,215 | 2 | 16,157 |
| Exchange differences | 139 | 25 | 16 | — | 180 |
| Charge for the year | 1,382 | 1,495 | 419 | — | 3,296 |
| Impairment | 1,378 | — | — | — | 1,378 |
| Disposals | (750) | (1,338) | (1,189) | (2) | (3,279) |
| **At 31 January 2022** | 9,171 | 7,100 | 1,461 | — | 17,732 |
| Exchange differences | 665 | 362 | 154 | — | 1,181 |
| Charge for the year | 1,788 | 2,328 | 315 | 2 | 4,433 |
| Impairment | 1,013 | 148 | 11 | — | 1,172 |
| Disposals | (465) | (1,140) | (533) | — | (2,138) |
| **At 31 January 2023** | **12,172** | **8,798** | **1,408** | **2** | **22,380** |
| **Net book value at 31 January 2023** | **6,175** | **3,818** | **884** | **5** | **10,882** |
| **Net book value at 31 January 2022** | 3,952 | 2,637 | 917 | — | 7,506 |

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

### 13 Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **132,675** | 94,591 |
| Less: provision for impairment of trade receivables | **(1,276)** | (591) |
| Trade receivables – net | **131,399** | 94,000 |
| Other receivables | **3,136** | 2,405 |
| Prepayments | **8,435** | 5,385 |
| Accrued income | **19,100** | 14,112 |
| Finance lease receivables | **2,105** | 3,774 |
| | **164,175** | 119,676 |
| **Non-current** | | |
| Rent deposits | **830** | 821 |

Trade receivables disclosed above are measured at amortised cost. There were no significant changes in the accrued income balances during the reporting period, other than the increase reflecting the significant growth in revenue year on year.

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less

As of 31 January 2023, trade receivables of £1,276,000 (2022: £591,000) were impaired. Movements in the provision were as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| At start of year | **591** | 476 |
| Provision for receivables impairment | **1,075** | 415 |
| Receivables written off during the year as uncollectable | **(302)** | (233) |
| Unused amounts reversed | **(131)** | (76) |
| Foreign exchange movements | **43** | 9 |
| **At end of year** | **1,276** | 591 |

The provision for receivables impairment has been determined using an expected credit loss model by reference to historical default rates. Owing to the immaterial level of the provision for impairment of receivables, no further disclosure is made. The Group considers there to be no material difference between the fair value of trade and other receivables and their carrying amount in the balance sheet.

## 13 Trade and other receivables continued

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Not past due** | **94,978** | 63,637 |
| Up to 30 days | **20,761** | 18,968 |
| 31 to 60 days | **10,059** | 6,880 |
| Greater than 61 days | **5,601** | 4,515 |
| **At end of year** | **131,399** | 94,000 |

## 14 Trade and other payables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Current** | | |
| Trade creditors | **28,485** | 23,254 |
| Other taxation and social security | **9,538** | 8,421 |
| Vacation accruals | **3,036** | 1,930 |
| Other creditors | **10,730** | 10,925 |
| Accruals | **45,160** | 29,513 |
| Deferred income | **63,057** | 46,290 |
| | **160,006** | 120,333 |
| **Non-current** | | |
| Other creditors | **169** | 401 |
| | **169** | 401 |

The Group considers that the carrying amount of trade and other payables approximates to their fair value with the exception of obligations under finance leases; refer to note 19.

There were no significant changes in the deferred income balances during the reporting period, other than the increase reflecting the change in revenue. All the brought forward deferred income balance was recognised as revenue in the current reporting period. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

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

### 15 Provisions

| | Property[1] £'000 | Acquisition payments[2] £'000 | Other[3] £'000 | Total £'000 |
|---|---|---|---|---|
| **At 31 January 2021** | 695 | 11,595 | 506 | 12,796 |
| Additions | 4 | 15,167 | — | 15,171 |
| On acquisition of subsidiary | — | — | — | — |
| Used during the year[4] | — | (5,454) | — | (5,454) |
| Exchange differences | (4) | 2 | — | (2) |
| **At 31 January 2022** | 695 | 21,310 | 506 | 22,511 |
| Additions | — | 11,971 | 26 | 11,997 |
| On acquisition of subsidiary | 1,698 | — | 1,732 | 3,430 |
| Used during the year[4] | (99) | (8,034) | — | (8,133) |
| Exchange differences | 18 | — | — | 18 |
| **At 31 January 2023** | **2,312** | **25,247** | **2,264** | **29,823** |
| **Current** | **76** | **15,597** | **—** | **15,673** |
| **Non-current** | **2,236** | **9,650** | **2,264** | **14,150** |

1 Property provisions are primarily for dilapidations and include assumptions of a cost per square foot required to make good the property at the end of the lease.

2 Acquisition payments are provisions for the portion of consideration which is payable subject to continuing employment of the previous owners within the Group. The expected liability is recognised over the required employment term of the seller and is separately recognised as an employment-related acquisition payment provision. As the amount of consideration relating to these acquisitions are not capped, the maximum amount of the resulting outflow is not capped.

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

4 The amounts utilised during the year in relation to acquisition payments were settled £6.6m in cash and £1.4m in shares (2022: £4.1m in cash and £1.4m in shares).

## 16 Leases

The movements in the year ended 31 January 2023 were as follows:

| Right-of-use assets: | Land and buildings £'000 |
|---|---|
| **Cost** | |
| **At 1 February 2021** | 45,602 |
| Exchange differences | 688 |
| Additions | 1,379 |
| Acquired through business combinations | 398 |
| Disposals | (787) |
| **At 31 January 2022** | 47,280 |
| Exchange differences | 3,386 |
| Additions | 1,163 |
| Acquired through business combinations | 19,881 |
| Disposals | (3,278) |
| **At 31 January 2023** | **68,432** |
| **Accumulated depreciation** | |
| **At 1 February 2021** | 19,594 |
| Exchange differences | 470 |
| Charge for the year | 6,146 |
| Impairment | 1,761 |
| Disposals | (639) |
| **At 31 January 2022** | 27,332 |
| Exchange differences | 2,185 |
| Charge for the year | 7,754 |
| Impairment | 5,752 |
| Disposals | (3,266) |
| **At 31 January 2023** | **39,757** |
| **Net book value at 31 January 2023** | **28,675** |
| **Net book value at 31 January 2022** | 19,948 |

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

### 16 Leases continued

| Lease liabilities: | Land and buildings £'000 |
|---|---|
| **At 1 February 2022** | 32,983 |
| Exchange differences | 2,702 |
| On acquisition of subsidiary | 23,216 |
| Additions | 1,123 |
| Interest expense related to lease liabilities | 1,365 |
| Disposals | (3,111) |
| Repayment of lease liabilities | (16,510) |
| **At 31 January 2023** | **41,768** |
| **Current** | **12,286** |
| **Non-current** | **29,482** |

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Depreciation of right-of-use assets | **7,754** | 6,146 |
| Short-term lease expense | **862** | 413 |
| Low-value lease expense | **19** | 17 |
| Short-term sublease income | **(7)** | (12) |
| **Charge to operating profit** | **8,628** | 6,564 |
| Sublease finance income | **(50)** | (65) |
| Lease liability interest expense | **1,365** | 1,043 |
| **Lease charge to profit before income tax** | **9,943** | 7,542 |

## **16 Leases** continued

The maturity of the lease liabilities is as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Amounts payable: | | |
| Within one year | **13,282** | 11,448 |
| In two to five years | **29,969** | 21,427 |
| After five years | **986** | 2,006 |
| **Total gross future liability** | **44,237** | 34,881 |
| Effect of discounting | **(2,469)** | (1,898) |
| **Lease liability at 31 January** | **41,768** | 32,983 |

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

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

## 17 Other financial liabilities

| | Deferred consideration £'000 | Contingent consideration[1] £'000 | Additional contingent incentive £'000 | Share purchase obligation £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 31 January 2021** | 1,262 | 45,894 | — | 6,508 | 53,664 |
| Arising during the year[1] | — | 9,073 | 3,888 | — | 12,961 |
| Changes in estimates[2] | — | 106,805 | 869 | 3,898 | 110,703 |
| Exchange differences | — | 3,795 | 170 | 35 | 4,000 |
| Utilised[3] | (1,300) | (10,199) | — | — | (11,499) |
| Reclassification | 133 | (133) | — | — | — |
| Unwinding of discount | 38 | 6,306 | 275 | 811 | 8,299 |
| **At 31 January 2022** | 133 | 161,541 | 5,202 | 11,252 | 178,128 |
| Arising during the year[1] | — | 1,779 | — | — | 1,779 |
| Changes in estimates[2] | — | 35,144 | (144) | (3,783) | 31,217 |
| Exchange differences | — | 13,302 | 467 | 136 | 13,905 |
| Utilised[3] | (160) | (43,009) | — | (46) | (43,215) |
| Reclassification | — | — | — | — | — |
| Unwinding of discount | 27 | 20,649 | 784 | 1,425 | 22,885 |
| **At 31 January 2023** | **—** | **189,406** | **6,309** | **8,984** | **204,699** |
| **Current** | **—** | **38,169** | **2,480** | **2,255** | **42,904** |
| **Non-current** | **—** | **151,237** | **3,829** | **6,729** | **161,795** |

1 Contingent consideration on acquisitions – during the year, the Group acquired a controlling stake in Engine, Cubaka and Green Leads, as well as a number of other acquisitions, none of which are material to the Group. (2022: SMG and BCA). See note 26 for additional information on these acquisitions.

2 Gross movements in changes in assumptions are disclosed in notes 6 and 7.

3 The amounts utilised were settled £34.7m in cash and £8.5m in shares (2022: £9.5m in cash and £2.0m in shares).

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. The expectation of future payments is based on an analysis of the approved FY24 budget with further consideration being given to current and forecast wider market conditions, together with current trading and recent significant contract wins. An assumed medium-term growth expectation is then applied which is specific to each individual entity over the course of the earn-out period and discounted back to present value using a pre-tax discount rate.

During the year, earnout liabilities increased by a net £26.6m, primarily driven by changes in estimate of £33.8m relating to the Mach49 business. This change in estimate was driven both by revised assumptions for the underlying growth rate of the Mach49 business, but principally due to revised assumption of the profit margin relating to the significant contract win at the start of the year. The profit associated with this contract has significantly increased the estimated earnout liability, which management has agreed to cap at US$300m on an undiscounted basis.

**17 Other financial liabilities** continued

Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. If the judgements around future revenue growth, profit margins and discount rates change, this could result in a material adjustment to the value of these liabilities within the next financial year. An increase in the liability would result in an increase in finance expense, while a decrease would result in a further gain.

### Sensitivity analysis

At 31 January 2023, the weighted average revenue growth rate in estimating future financial performance was 25.1% and the weighted average profit margin was 36.1%. The discount rate applied to these obligations at 31 January 2023 ranged from 12.7% to 13.8%. For the most significant individual earn-out sensitive to changes to the inputs, a revenue growth rate of 26% and a profit margin of 37% was used. The discount rate applied to this most significant earn-out was 13.8%.

The following table shows the increase to the value of the combined liabilities due to earn-out agreement which would occur were there to be a reasonable possible increase in the next reporting period of up to 15% in the estimated future revenue growth rate, profit margin and the discount rate. A range of percentage point increases/decreases applied to the assumptions used by management have been shown below.

| | 5% change £'000 | 10% change £'000 | 15% change £'000 |
|---|---|---|---|
| Increase in net revenue growth rate | **1,542** | **3,171** | **6,468** |
| Increase in profit margin | **7,675** | **13,136** | **20,568** |
| Increase in discount rate | **(16,115)** | **(29,897)** | **(41,782)** |

There is also sensitivity around the timing of certain earn-out payments; the effect of deferred timing by one year on the earn-out agreements would have approximately a £855,000 impact on the liabilities.

When changing the estimated future revenue growth rate, profit margin and the discount rate by a reasonable possible increase in the next reporting period of up to 15% for the most sensitive individual earn-out, the value of the liability is impacted as follows:

| | 5% change £'000 | 10% change £'000 | 15% change £'000 |
|---|---|---|---|
| Decrease in net revenue growth rate | **(7,185)** | **(24,629)** | **(30,920)** |
| Decrease in profit margin | **(16,599)** | **(42,030)** | **(60,792)** |
| Increase in discount rate | **(14,614)** | **(27,106)** | **(37,876)** |

### Litigation

During the year, a former minority shareholder and employee of the Group's largest US agency filed a legal claim against the other founding shareholders of the subsidiary and the Group amongst others, relating to their entitlement to a share in the business. The claim is in its early stages of legal proceedings. The Group strongly disputes these claims and is defending the claim. The Group has appointed legal advisors and having discussed the claim with them, determines a future outflow is not probable and therefore no provision has been made in relation to the claim.

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

## 17 Other financial liabilities continued

### Litigation *continued*

No specific amount has been claimed and at this stage the outcome of this claim is inherently uncertain. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires the disclosure of an estimate of the financial effect of any contingent liability, separate from the effect of any possible reimbursement. Whilst no specific estimate of potential gross outflow can be made given the stage of this claim, the claimant may seek a proportion of the earnout valuation of this agency, which is disclosed elsewhere in this note. Given the Group is only subject to certain claims, it is not clear what proportion of the earnout valuation this will represent, and how any such claim would be apportioned between the Group and other parties were it to result in a future outflow.

The Group cannot credibly estimate the timing or quantum of any outflow, but the Directors believe that any financial outflow against Next 15 will be primarily offset by reimbursement through an indemnity given at the time of the acquisition and therefore any overall financial impact for Next 15 would be immaterial.

## 18 Deferred taxation

Temporary differences between the carrying value of assets and liabilities in the balance sheet and their relevant value for tax purposes result in the following deferred tax assets and liabilities:

| | Accelerated capital allowances £'000 | Short-term compensated absences £'000 | Share-based remuneration £'000 | Provision for impairment of trade receivables £'000 | Excess book basis over tax basis of intangible assets £'000 | Excess tax basis over book basis of intangible assets £'000 | Other temporary differences £'000 | Tax losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 January 2021** | (280) | 207 | 1,488 | 123 | (4,160) | 8,042 | 6,446 | 219 | 12,085 |
| Credit to income | 85 | 22 | 1,319 | 24 | 1,098 | 28,036 | 528 | 160 | 31,272 |
| Exchange differences | (2) | 3 | — | 3 | | 533 | 175 | (3) | 709 |
| Acquisitions | (25) | — | — | — | (3,392) | | — | — | (3,417) |
| Taken to equity | — | — | 2,514 | — | — | | — | — | 2,514 |
| **At 31 January 2022** | (222) | 232 | 5,321 | 150 | (6,454) | 36,611 | 7,149 | 376 | 43,163 |
| Reclassification | 11 | — | — | — | — | — | 18 | — | 29 |
| Credit to income | (149) | (4) | 1,927 | 91 | 2,460 | 12,782 | (522) | (80) | 16,505 |
| Exchange differences | (25) | 19 | — | 11 | — | 2,876 | 607 | 31 | 3,519 |
| Acquisitions | 528 | — | — | — | (12,653) | — | 357 | 77 | (11,691) |
| Taken to equity | — | — | 1,381 | — | — | — | — | — | 1,381 |
| **At 31 January 2023** | **143** | **247** | **8,629** | **252** | **(16,647)** | **52,269** | **7,609** | **404** | **52,906** |

## **18 Deferred taxation** continued

The Company offsets deferred tax assets and deferred tax liabilities in accordance with the requirements set forth in paragraph 74 of IAS 12. The Group maintains tax groups in both the United Kingdom and United States which result in the offsetting of deferred tax assets and deferred tax liabilities of multiple entities as described in paragraph 74(b)(ii) of IAS 12. After offsetting under IAS 12 deferred tax assets and liabilities are recognised in the Consolidated Balance Sheet as follows:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Net deferred tax balance** | | |
| Deferred tax assets | **67,058** | 46,350 |
| Deferred tax liabilities | **(14,152)** | (3,187) |
| **Net deferred tax asset** | **52,906** | 43,163 |

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

The deferred tax asset for the excess tax basis over book basis of intangible assets is subject to significant volatility should managements estimates change around contingent consideration, an area of significant judgement (see note 17).

The estimated value of the deferred tax asset not recognised in respect of tax losses available to carry forward is £14m (2022: £0.4m).

Tax losses and tax credits for which no deferred tax asset was recognised:

| | **31 January 2023** | | 31 January 2022 | |
|---|---|---|---|---|
| As at 31 January | **Gross amount** | **Tax effected** | Gross amount | Tax effected |
| Tax losses expiring: | | | | |
| Within 10 years | **52** | **13** | 132 | 33 |
| More than 10 years | **3** | **—** | 2 | — |
| Available indefinitely | **55,826** | **13,962** | 2,070 | 411 |
| **Total** | **55,881** | **13,975** | 2,204 | 444 |
| Tax credits expiring: | | | | |
| Within 10 years | **n/a** | **501** | n/a | 686 |
| More than 10 years | **n/a** | **—** | n/a | — |
| Available indefinitely | **n/a** | **—** | n/a | — |
| **Total** | **n/a** | **501** | n/a | 686 |

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

## 18 Deferred taxation continued

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £14.9m (2022: £10.4m). No liability has been recognised in respect of these differences as the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

Finance No. 2 Bill 2021 increases the UK corporation tax rate from 19% to 25% effective 1 April 2023. The Bill was considered substantively enacted under on 24 May 2021 and subsequently received Royal Assent on 10 June 2021. In accordance with IAS 12 deferred tax for temporary differences that are forecast to unwind in the UK on or after 1 April 2023 have been re-measured and recognised at 25%.

## 19 Financial instruments

### Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax at 31 January 2023, based on year-end balances and rates.

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Group's actual exposure to market rates changes as the Group's portfolio of debt and cash changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Group. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

| | Movement in basis points | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| Group | +200 | **(440)** | (455) |

## 19 Financial instruments continued

### Liquidity risk

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

On 20 September 2021, the Group agreed a £60m revolving credit facility ('RCF') with HSBC and Bank of Ireland. The facility had a maturity date of September 2024 with an option to extend for a further two years. As part of the arrangement, the Group had a £40m accordion option to facilitate future acquisitions. At the start of this year, £20m of this accordion was committed and available within the RCF.

Subsequent to this and in relation to the Group's offer for M&C Saatchi, the Group entered into an agreement, amending and restating the existing facility agreement on 20 May 2022. The total amount available under the amended and restated facilities agreement was £150m, comprising of a £50m term facility and increasing the RCF to £100m. The facility has a maturity date of 20 May 2025 with an option to extend. Under the amended and restated facilities agreement, £57.5m was available on a certain funds basis to be used for the acquisition of M&C Saatchi. As a result of the offer to acquire M&C Saatchi lapsing, the £50m term facility was cancelled and the £7.5m of the RCF was no longer on certain funds.

The remaining £100m RCF facility is available for permitted acquisitions and working capital requirements, and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and/or euro. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of US$7m (2022: US$7m) which is available for property rental guarantees and US-based working capital needs.

At 31 January 2023 the Group had an undrawn amount of £78,000,000 (2022: £37,440,663) on the RCF in the UK and US$3,220,634 (2022: US$3,779,363) available on the US$7m US facility (this allows for the letters of credit in place).

The following table summarises the maturity profile based on the remaining period between the balance sheet date and the contractual maturity date of the Group's financial liabilities at 31 January 2023 and 31 January 2022, based on contractual undiscounted payments:

| | Within one year £'000 | Between one and two years £'000 | Between two and five years £'000 | More than five years £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 31 January 2023** | | | | | |
| Financial liabilities | **159,822** | **103,166** | **187,144** | **986** | **451,118** |
| **At 31 January 2022** | | | | | |
| Financial liabilities | 123,699 | 48,322 | 179,991 | 33,298 | 385,310 |

The financial liabilities disclosed in the table above include contingent consideration and share purchase obligations as well as the employment linked acquisition payment provisions. These are included within the cash flow forecasts reviewed by the Directors when assessing whether the Group has adequate resources to continue in operational existence, details of which are described in the Directors going concern statement on page 78. The majority of our financial liabilities and earnout obligations are valued based on the forecast performance of the brands, which is translated into cash generation prior to the payment of the earnout obligations. The Group's banking facilities along with the cash generated from the Group are expected to be sufficient to cover the earn-out obligations when they fall due.

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

## 19 Financial instruments continued

### Currency risk

As a result of significant global operations, the Group's balance sheet can be affected significantly by movements in the foreign exchange rates against sterling. This is largely through the translation of balances denominated in a currency other than the functional currency of an entity. The Group has transactional currency exposures in the US, Europe and the Asia Pacific region, including foreign currency bank accounts and intercompany recharges. The Group considers the use of currency derivatives to protect significant US dollar and euro currency exposures against changes in exchange rates; however, the Group has not held derivative financial instruments at the end of either period.

The following table demonstrates the sensitivity to reasonably possible changes in exchange rates, with all other variables held constant, of the Group's profit before tax based on period-end balances, year average and year-end rates. If there was an equivalent strengthening against sterling there would be similar movement in the opposite direction.

| | Weakening against sterling | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| US dollar | 20% | **(6,372)** | 479 |
| Euro | 20% | **(368)** | (391) |
| Australian dollar | 20% | **315** | (238) |
| Indian rupee | 20% | **(16)** | 64 |

The following table demonstrates the sensitivity to reasonable possible changes in exchange rates, with all other variables held constant, of the Group's net assets on period-end balances and rates:

| | Weakening against sterling | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| US dollar | 20% | **13,134** | 3,557 |
| Euro | 20% | **(679)** | (549) |
| Australian dollar | 20% | **163** | (397) |
| Indian rupee | 20% | **(180)** | (115) |

### Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Group's management based on an expected credit loss model driven by historical experience and factors specific to certain debtors, see note 13. The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies, although the Board recognises that in the current economic climate these indicators cannot be relied upon exclusively.

## 19 Financial instruments continued

### Maximum exposure to credit risk

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Total trade and other receivables | **155,740** | 114,291 |
| Cash and cash equivalents | **47,320** | 58,216 |

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Total capital of the Group is calculated as total equity as shown in the Consolidated Balance Sheet, plus net debt. Net debt is calculated as total borrowings, less cash and cash equivalents. This measure of net debt excludes any acquisition-related contingent liabilities or share purchase obligations. The quantum of these obligations is dependent on estimations of forecast profitability. Settlement dates are variable and range from 2023 to 2027.

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Total loans and borrowings[1] | **21,250** | 22,478 |
| Less: cash and cash equivalents | **(47,320)** | (58,216) |
| Net cash excluding lease liabilities | **(26,070)** | (35,738) |
| Total equity | **114,400** | 61,459 |
| Total capital | **88,330** | 25,721 |

1 Total loans and borrowings is made up of current obligations of £21.3m (2022: £22.5m) and non-current obligations of £Nil (2022: £Nil).

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Net cash excluding lease liabilities | **(26,070)** | (35,738) |
| Share purchase obligation | **8,984** | 11,252 |
| Contingent consideration | **189,406** | 161,541 |
| Additional contingent incentive | **6,309** | 5,202 |
| Deferred consideration | **—** | 133 |
| Net debt plus earn-out liabilities | **178,629** | 142,390 |

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

## **19 Financial instruments** continued
### Capital risk management *continued*
The movement in net debt/(cash) is as follows:

| | At 1 February 2021 £'000 | Cash (inflows)/ outflows from operations £'000 | Acquisitions and contingent consideration £'000 | Foreign exchange, fair value and non-cash movements £'000 | At 1 February 2022 £'000 | Cash (inflows)/ outflows from operations £'000 | Acquisitions and contingent consideration £'000 | Foreign exchange, fair value and non-cash movements £'000 | **At 1 February 2023 £'000** |
|---|---|---|---|---|---|---|---|---|---|
| Total loans and borrowings | 12,810 | 6,073 | 3,500 | 95 | 22,478 | (31,514) | 30,000 | 286 | **21,250** |
| Less: cash and cash equivalents | (26,831) | (56,020) | 24,642 | (7) | (58,216) | (60,471) | 74,121 | (2,754) | **(47,320)** |
| Net debt/(cash) excluding lease liabilities | (14,021) | (49,947) | 28,142 | 88 | (35,738) | (91,985) | 104,121 | (2,468) | **(26,070)** |
| Lease liabilities | 42,769 | (11,993) | 683 | 1,524 | 32,983 | (16,510) | 23,216 | 2,079 | **41,768** |
| Net debt/(cash) including lease liabilities | 28,748 | (61,940) | 28,825 | 1,612 | (2,755) | (108,495) | 127,337 | (389) | **15,698** |

### Externally imposed capital requirement
Under the terms of the Group's banking covenants the Group must meet certain criteria based on the ratio of net debt to adjusted EBITDA; net debt plus earn-out liabilities (note 17) to adjusted EBITDA; and adjusted net finance charges to adjusted EBITDA. The ratios are calculated on a quarterly basis using management accounts and on a yearly basis using the figures in this report. The Group maintains long-term cash forecasts which incorporate forecast covenant positions as part of the Group's capital and cash management. There have been no breaches of the banking covenants in the current or prior period and the Group has ensured compliance with all of its covenant obligations with significant headroom.

### Fair values of financial assets and liabilities
Fair value is the amount at which a financial instrument can be exchanged in an arm's-length transaction between informed and willing parties, other than a forced or liquidation sale. The book value of the Group's financial assets and liabilities equals the fair value of such items as at 31 January 2023, with the exception of lease liabilities. The book value of obligations under finance leases is £41,768,000 (2022: £32,983,000) and the fair value is £44,237,000 (2022: £34,881,000). The fair value of obligations under finance leases is estimated by discounting future cash flows to net present value and is Level 3 within the fair value hierarchy.

### Financial instruments – detailed disclosures
Financial instruments recognised in the balance sheet
The IFRS 9 categories of financial assets and liabilities included in the balance sheet and the line in which they are included are as follows:

## 19 Financial instruments continued

### Financial instruments – detailed disclosures *continued*

### Financial instruments recognised in the balance sheet continued

| At 31 January 2023 | At fair value through profit or loss – mandatorily measured £'000 | FVTOCI £'000 | Financial liabilities at amortised cost £'000 | Financial assets at amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Other receivables | — | — | — | 830 | 830 |
| | — | — | — | 830 | 830 |
| **Current financial assets** | | | | | |
| Cash and cash equivalents | — | — | — | 47,320 | 47,320 |
| Trade and other receivables | — | — | — | 155,740 | 155,740 |
| | — | — | — | 203,060 | 203,060 |
| **Current financial liabilities** | | | | | |
| Trade and other payables | — | — | 87,411 | — | 87,411 |
| Lease liabilities | — | — | 12,286 | — | 12,286 |
| Provisions | — | — | 15,673 | — | 15,673 |
| Contingent consideration[1] | 38,169 | — | — | — | 38,169 |
| Share purchase obligation[1] | 2,255 | — | — | — | 2,255 |
| Additional contingent incentive[1] | — | — | 2,480 | — | 2,480 |
| | 40,424 | — | 117,850 | — | 158,274 |
| **Non-current financial liabilities** | | | | | |
| Loans and borrowings | — | — | 21,250 | — | 21,250 |
| Lease liabilities | — | — | 29,482 | — | 29,482 |
| Provisions | — | — | 11,886 | — | 11,886 |
| Other payables | — | — | 169 | — | 169 |
| Contingent consideration[1] | 151,237 | — | — | — | 151,237 |
| Additional contingent incentive[1] | — | — | 3,829 | — | 3,829 |
| Share purchase obligation[1] | 6,729 | — | — | — | 6,729 |
| | 157,966 | — | 66,616 | — | 224,582 |

1 See note 17.

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

## 19 Financial instruments continued

### Financial instruments – detailed disclosures *continued*

### Financial instruments recognised in the balance sheet continued

The Group has no fair value Level 1 instruments (2022: none). The investments in equity instruments are Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than quoted prices, such as historical quoted prices.

All other instruments at fair value through profit or loss were Level 3 instruments as per the table above in the current year and were as per the table below in the prior year. Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. Unrealised gains or losses are recognised within finance income/expense; see notes 6 and 7. They are not based on observable market data. Further detail on the significant unobservable inputs used in the fair value measurements are included in note 17. The additional contingent incentive balance relates to an incentive scheme accounted for as a cash-settled employee benefit under IAS 19.

| At 31 January 2022 | At fair value through profit or loss – mandatorily measured £'000 | FVTOCI £'000 | Financial liabilities at amortised cost £'000 | Financial assets at amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Investment in equity instruments | — | 8,483 | — | — | 8,483 |
| Other receivables | — | — | — | 821 | 821 |
| | — | 8,483 | — | 821 | 9,304 |
| **Current financial assets** | | | | | |
| Cash and cash equivalents | — | — | — | 58,216 | 58,216 |
| Trade and other receivables | — | — | — | 114,291 | 114,291 |
| | — | — | — | 172,507 | 172,507 |
| **Current financial liabilities** | | | | | |
| Trade and other payables | — | — | 65,622 | — | 65,622 |
| Lease liabilities | — | — | 10,698 | — | 10,698 |
| Provisions | — | — | 7,778 | — | 7,778 |
| Contingent consideration[1] | 36,496 | — | — | — | 36,496 |
| Share purchase obligation[1] | 1,535 | — | — | — | 1,535 |
| Deferred consideration[1] | — | — | 133 | — | 133 |
| | 38,031 | — | 84,231 | — | 122,262 |

1 See note 17.

## 19 Financial instruments continued

### Financial instruments – detailed disclosures *continued*

### Financial instruments recognised in the balance sheet continued

| At 31 January 2022 | At fair value through profit or loss – mandatorily measured £'000 | FVTOCI £'000 | Financial liabilities at amortised cost £'000 | Financial assets at amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | |
| Loans and borrowings | — | — | 22,478 | — | 22,478 |
| Lease liabilities | — | — | 22,285 | — | 22,285 |
| Provisions | — | — | 14,733 | — | 14,733 |
| Other payables | — | — | 401 | — | 401 |
| Contingent consideration[1] | 125,045 | — | — | — | 125,045 |
| Additional contingent incentive[1] | — | — | 5,202 | — | 5,202 |
| Share purchase obligation[1] | 9,717 | — | — | — | 9,717 |
| | 139,964 | — | 59,897 | — | 199,861 |

1 See note 17.

### Interest-bearing loans and borrowings

The table below provides a summary of the Group's loans and borrowing as at 31 January 2023:

| | Effective interest rate | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Current** | | | |
| Variable rate bank loan | HSBC Bank base rate + 1.50% | **—** | — |
| **Non-current** | | | |
| Variable rate bank loan | HSBC Bank base rate + 1.50% | **21,250** | 22,478 |

The Group is able to draw down in both GBP and USD under the revolving credit facility ('RCF'). The fair value of the borrowings not denominated in GBP as at 31 January 2023 is US$Nil (£Nil) (2022: US$11,000,000 (£8,198,000)). As a result of ineffectiveness, £Nil was transferred during the period from the hedging reserve to the income statement (2022: £Nil).

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

## 20 Share capital
### Called-up share capital
Ordinary Shares of 2.5p each:

| | **2023 Number** | **2023 Nominal value £'000** | 2022 Number | 2022 Nominal value £'000 |
|---|---|---|---|---|
| Authorised, allotted, called-up and fully paid | | | | |
| At start of year | **92,811,145** | **2,320** | 90,982,974 | 2,274 |
| Issued in the year in respect of contingent and deferred consideration and share purchase obligations | **858,361** | **21** | 964,776 | 24 |
| Issued in the year in satisfaction of vested LTIPs (note 21) | **122,044** | **3** | 113,425 | 3 |
| Issued in the year in respect of growth share sales and restricted stock units | **207,380** | **5** | 749,970 | 19 |
| Issued in the year in respect of share placing | **4,505,000** | **113** | — | — |
| At end of year | **98,503,930** | **2,462** | 92,811,145 | 2,320 |

Fully paid Ordinary Shares carry one vote per share and the right to dividends. £48.6m, net of costs incurred of £1.4m, was received for the newly issued shares in respect of the share placing, and no amounts were received for the other newly issued shares in the year.

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

The share-based payment charge was made up of the following:

The following table shows the breakdown of the share-based payment charge:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Employment-related LTIP shares, share options and restricted stock units | **6,115** | 3,637 |
| Grant of brand equity interests | **596** | 582 |
| Additional new incentive | **—** | 1,346 |
| **Share-based payment charge** | **6,711** | 5,565 |

## **21 Share-based payments** continued

Grant of brand equity interests were for 18% in Elvis Communications Limited and 12.5% in Publitek Limited (2022: 30% in Brandwidth Marketing Limited and 12% in Publitek Limited and the additional new incentive was the equity-settled share-based payment scheme for the sellers of Activate Marketing Services LLC).

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

| | Outstanding 31 January 2022 number ('000) | Granted number ('000) | Lapsed number ('000) | Exercised number ('000) | **Outstanding 31 January 2023 number ('000)** | **Exercisable 31 January 2023 number ('000)** |
|---|---|---|---|---|---|---|
| Long-Term Incentive Plan – performance shares | 1,284 | 281 | (73) | (211) | **1,281** | **589** |

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

| | June 2022 |
|---|---|
| Fair value of performance shares granted under the LTIP (p) | 974 |
| Share price at date of grant (p) | 1,100 |
| Risk-free rate (%) | 2.04 |
| Expected life (years) | 3 |
| Expected volatility (%) | 51.1 |
| Dividend yield (%) | 1.09 |

Expected volatility was determined by calculating the historical volatility of the Company's share price, over a period equal to the expected life of the options.

Performance shares issued by the Company under the Next 15 Group plc Long-Term Incentive Plan are granted at a nil exercise price. The weighted average share price at the date of exercise for share options exercised in the year was 1,038p (2022: 782p). For share options outstanding at the end of the year the weighted average remaining contractual life is one year (2022: one year).

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

## 22 Performance shares

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

| Performance shares | Number of shares | Performance period start date | Performance period end date | Performance share grant date |
|---|---|---|---|---|
| Next 15 Group plc | | | | |
| Long-Term Incentive Plan | 80,798 | 1 February 2018 | 31 January 2023 | 10 April 2018 |
| | 74,827 | 1 February 2019 | 31 January 2024 | 25 April 2019 |
| | 508,554 | 1 February 2020 | 31 January 2023 | 30 July 2020 |
| | 332,303 | 1 February 2021 | 31 January 2024 | 6 May 2021 |
| | 3,000 | 28 September 2021 | 28 September 2024 | 28 September 2021 |
| | 281,546 | 1 February 2022 | 31 January 2025 | 1 June 2022 |
| | 1,281,028 | | | |

During the period, the Company issued 211,139 shares to satisfy the vesting under the Next 15 LTIPs. These were initially subscribed for by the ESOP. No shares are now held in treasury (see note 23). The Company's current Long-Term Incentive Plan is the 2015 LTIP, which was approved by shareholders at the Company's 2015 AGM. Under the 2015 LTIP, performance shares or share options may be awarded. The performance is measured over a period of either three or five consecutive financial years of the Group, commencing with the financial year in which the award was granted. The Remuneration Committee decided that for the FY23 awards, there will be three performance conditions:

(a) an earnings per share ('EPS') target, which will determine 67% of the total vesting. Diluted adjusted EPS growth is calculated from the information published in the Group's accounts and is based on the adjusted EPS measure. For certain participants, if the growth in the Company's earnings per share over the performance period is at least 47%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 30% and 47% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For certain other participants the targets are different, whereby if the growth in the Company's earnings per share in the relevant year is at least 60%, 100% of 67% of the total award will vest. If the compound growth in EPS in the relevant year is between 30% and 50% then between 25% and 100% of 67% of the total award will vest on a straight-line basis. For all participants, if EPS does not grow 30% or more, 0% of 67% of the total award will vest;

(b) an organic net revenue growth target, which will determine 16.5% of the total vesting. For certain participants, if average growth in the Company's organic net revenue growth is at least 12%, 100% of 16.5% of the total award will vest. For certain other participants the targets are different, whereby if average growth in the Company's organic net revenue growth is at least 15%, 100% of 16.5% of the total award will vest. For all participants, if organic net revenue does not grow at an average of 8% or more, 0% of 67% of the total award will vest. Between these targets, the award will vest on a straight-line basis; and

(c) an operating profit margin target, which will determine 16.5% of the total vesting. For certain participants, if average adjusted operating profit margin in the Company is at least 19%, 100% of 16.5% of the total award will vest. For certain other participants the targets are different, whereby if average adjusted operating profit margin in the Company is at least 20%, 100% of 16.5% of the total award will vest. For all participants, if average adjusted operating profit margin for the performance period is not an average of 18% or more, 0% of 67% of the total award will vest. Between these targets, the award will vest on a straight-line basis.

## 23 Investment in own shares

### Employee share ownership plan (‘ESOP’)

The purpose of the ESOP is to enable the Company to offer participation in the ownership of its shares to Group employees, principally as a reward and incentive scheme. Arrangements for the distribution of benefits to employees, which may be the ownership of shares in the Company or the granting of options over shares in the Company held by the ESOP, are made at the ESOP’s discretion in such manner as the ESOP considers appropriate. Administration costs of the ESOP are accounted for in the profit and loss account of the Company as they are incurred.

At 31 January 2023 the ESOP held Nil (2022: Nil) Ordinary Shares in the Company.

The ESOP subscribed for 122,044 newly issued shares which were allotted and immediately disposed of in order to satisfy LTIP vesting of 122,044 shares for £Nil consideration (2022: 113,425 shares for £Nil consideration). Nil shares were subscribed for, allotted and immediately disposed of in respect of satisfaction of a restricted stock arrangement for £Nil proceeds (2022: Nil shares for £Nil proceeds).

## 24 Other reserves

| | Merger reserve £’000 | ESOP Reserve[1] £’000 | Hedging reserve £’000 | Total other reserves £’000 |
|---|---|---|---|---|
| **At 31 January 2021** | 3,075 | — | (2,467) | 608 |
| Purchase and take on of shares | — | (3) | — | (3) |
| Movement due to ESOP LTIP and growth shares exercises | — | 3 | — | 3 |
| **At 31 January 2022** | 3,075 | — | (2,467) | 608 |
| Purchase and take on of shares | — | (3) | — | — |
| Movement due to ESOP LTIP and growth shares exercises | — | 3 | — | — |
| **At 31 January 2023** | **3,075** | **—** | **(2,467)** | **608** |

1 The ESOP Trust’s investment in the Group’s shares is deducted from equity in the Consolidated Balance Sheet as if they were treasury shares and presented in the ESOP reserve.

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

## 25 Commitments and contingent liabilities

### Operating leases – Group as lessee

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

As at 31 January 2023, the Group's total future minimum lease rentals are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Land and buildings £'000** | **Other £'000** | Land and buildings £'000 | Other £'000 |
| In respect of operating leases which will be paid in the following periods: | | | | |
| Within one year | **309** | **20** | 29 | 14 |
| In two to five years | **17** | **25** | — | 20 |
| After five years | **—** | **—** | — | — |
| | **326** | **45** | 29 | 34 |

## 26 Acquisitions and equity transactions

During the year the following material transactions took place:

1. the acquisition of UK-based Engine Acquisition Limited;
2. the acquisition of UK-based Cubaka Limited; and
3. the acquisition of US-based Green Leads LLC.

More details on each transaction are provided below.

On 8 March 2022, Next 15 purchased the entire share capital of Engine Acquisition Limited ('Engine') and its subsidiaries. Engine is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients.

Goodwill of £47,322,000 arises from anticipated profitability and future operating synergies from the acquisition.

## 26 Acquisitions and equity transactions continued

### 1. Engine Acquisition Limited ('Engine')

In the post-acquisition period Engine has contributed £79,865,000 to net revenue and £9,242,000 to profit before tax. If acquired on 1 February 2022 Engine would have contributed net revenue of £87,126,000 and profit before tax of £10,082,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

| | Book value at acquisition £'000 | Fair value adjustments £'000 | Fair value to the Group £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Acquired intangible assets | — | 50,362 | 50,362 |
| Property, plant and equipment | 4,844 | — | 4,844 |
| Right-of-use assets | 19,552 | — | 19,552 |
| **Current assets** | | | |
| Cash and cash equivalents | 336 | — | 336 |
| Other current assets[1] | 20,312 | — | 20,312 |
| Current liabilities | (36,937) | — | (36,937) |
| **Provisions** | (3,387) | — | (3,387) |
| **Lease liabilities** | (22,901) | — | (22,901) |
| **Deferred tax liability** | — | (12,188) | (12,188) |
| **Net assets acquired** | (18,181) | 38,174 | 19,993 |
| Goodwill | | | 47,322 |
| | | | 67,315 |
| **Consideration** | | | |
| Initial consideration settled in cash[2] | | | 67,315 |
| | | | 67,315 |

1 The fair value of receivables acquired is £15,801,000 after considering a bad debt provision of £143,000.

2 This includes initial consideration paid for the business and cash paid for working capital. £48.6m of the cash consideration was funded from the share placing during the year.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £1,183,000.

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

## 26 Acquisitions and equity transactions continued

### 2. Cubaka Limited

On 31 March 2022, Brandwidth Marketing Limited purchased the entire share capital of Cubaka Limited ('Cubaka'). Cubaka specialises in social media strategy, content planning and development and community management. Goodwill of £830,000 arises from anticipated profitability and future operating synergies from the acquisition. In the post-acquisition period Cubaka has contributed £1,944,000 to net revenue and £174,000 to profit before tax. If acquired on 1 February 2022 Cubaka would have contributed net revenue of £2,333,000 and profit before tax of £207,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

| | Book value at acquisition £'000 | Fair value adjustments £'000 | Fair value to the Group £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Acquired intangible assets | — | 979 | 979 |
| Property, plant and equipment | 65 | — | 65 |
| **Current assets** | | | |
| Cash and cash equivalents | 1,115 | — | 1,115 |
| Other current assets[1] | 769 | — | 769 |
| Current liabilities | (1,114) | — | (1,114) |
| Deferred tax liability | | (232) | (232) |
| **Net assets acquired** | 835 | 747 | 1,582 |
| Goodwill | | | 830 |
| | | | 2,412 |
| **Consideration** | | | |
| Initial consideration settled in cash[2] | | | 1,203 |
| Initial consideration settled in Ordinary Shares of the Parent | | | 144 |
| Total discounted contingent consideration | | | 1,065 |
| | | | 2,412 |

1 The fair value of receivables acquired is £751,000 after considering a bad debt provision of £Nil.
2 This includes initial consideration paid for the business and cash paid for working capital.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £72,000. Further contingent consideration was payable based on the profit before interest and tax of Cubaka for the 12-month period ending 31 March 2022, which was settled during the year.

## 26 Acquisitions and equity transactions continued

### 3. Green Leads LLC

On 31 May 2022, Activate Marketing Services LLC purchased the entire outstanding membership interests of Green Leads Holdings LLC ('Green Leads'). Green Leads is a US-based demand generation business that uses a range of products and services to help sales functions develop, and set up specific appointments, on behalf of B2B technology businesses. Goodwill of £1,657,000 (US$2,088,000) arises from anticipated profitability and future operating synergies from the acquisition. In the post-acquisition period Green Leads has contributed £1,911,000 to net revenue and £468,000 to profit before tax. If acquired on 1 February 2022 Green Leads would have contributed net revenue of £2,866,000 and profit before tax of £701,000 to the Group results. The following table sets out the estimated book values of the identifiable assets acquired and their fair value to the Group.

| | Book value at acquisition £'000 | Fair value adjustments £'000 | Fair value to the Group £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Acquired intangible assets | — | 1,923 | 1,923 |
| **Current assets** | | | |
| Cash and cash equivalents | 194 | — | 194 |
| Other current assets[1] | 1,093 | — | 1,093 |
| Current liabilities | (1,264) | — | (1,264) |
| **Net assets acquired** | 23 | 1,923 | 1,946 |
| Goodwill[2] | | | 1,657 |
| | | | 3,603 |
| **Consideration** | | | |
| Initial consideration settled in cash[3] | | | 2,702 |
| Initial consideration settled in Ordinary Shares of the Parent | | | 901 |
| | | | 3,603 |

1 The fair value of receivables acquired is £1,043,000 after considering a bad debt provision of £Nil.
2 Goodwill is denominated in USD and therefore the exchange rate at the point of acquisition has been used.
3 This includes initial consideration paid for the business and cash paid for working capital.

None of the goodwill is expected to be deductible for tax purposes. Deal costs (included in other operating costs) amount to £54,000.

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

## 26 Acquisitions and equity transactions continued

The following table summarises the net cash outflow and value of shares issued on acquisition of subsidiaries during the year ending 31 January 2023:

| | Consideration settled in cash £'000 | Cash and cash equivalent balances acquired £'000 | Total net cash outflow £'000 | Value of shares issued £'000 |
|---|---|---|---|---|
| Engine | **67,315** | **(336)** | **66,979** | **—** |
| Cubaka | **1,203** | **(1,115)** | **88** | **144** |
| Green Leads | **2,702** | **(194)** | **2,508** | **901** |
| Other[1] | **4,083** | **(3,390)** | **693** | **—** |
| | **75,303** | **(5,035)** | **70,268** | **1,045** |

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

## 27A Subsidiaries

The Group's subsidiaries as at 31 January 2023 are listed below.

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage voting rights held by Group | Address |
|---|---|---|---|---|
| Activate Marketing Services LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Agent3 Limited | United Kingdom | ✓ | 57.63 | 60 Great Portland Street, London, England, W1W 7RT |
| Agent3 LLC | USA | | 57.63 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Agent3 Pty Ltd | Australia | | 57.63 | GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia |
| Archetype Agency AB | Sweden | | 100 | 1, Ferkens Gränd, 111 30 Stockholm, Sweden |
| Archetype Agency Beijing Limited | China | | 100 | Room 1703, 1705, 14F, Tower 2, Guanghuala Soho, No.22 Guanghua Road, Chaoyang District, Beijing, 100020, China |
| Archetype Agency BV | Netherlands | | 100 | Silodam 1D, 1013AL, Amsterdam, Netherlands |
| Archetype Agency GmbH | Germany | | 100 | Nymphenburger Str. 168 80634, Munich, Germany |
| Archetype Agency Limited | Hong Kong | ✓ | 100 | Rooms 1102 &1103 11th Floor, 299QRC, Nos. 287-299 Queens Road Central, Sheung Wan, Hong Kong |
| Archetype Agency Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |

## **27A Subsidiaries** continued

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage voting rights held by Group | Address |
|---|---|---|---|---|
| Archetype Agency LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| Archetype Agency Private Ltd | India | | 100 | Second Floor, Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India |
| Archetype Agency Pte Ltd | Singapore | | 100 | 36 Prinsep Street, #05-01/02, 188648, Singapore |
| Archetype Agency Pty Ltd | Australia | | 100 | GRANT THORNTON AUSTRALIA, Level 17, 383 Kent Street Sydney, Australia |
| Archetype Agency S.L. | Spain | | 100 | Calle Gran Vía, 27 Madrid Spain |
| Archetype Agency S.R.L. | Italy | | 100 | Piazzale Principessa, Clotilde 8, CAP 20121, Milan, Italy |
| Archetype Agency SARL | France | | 100 | 4-6 boulevard Montmartre 75009 Paris France |
| Archetype Agency SDN. BHD. | Malaysia | | 100 | BO3-B-12-1, Level 12, Menara 3A, Kuala Lumpur, Malaysia |
| August.One Communications International Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Berne (UK) Limited | United Kingdom | | 57.63 | 60 Great Portland Street, London, England, W1W 7RT |
| Bite Communications Group Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Bite Communications Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Blueshirt Capital Advisors LLC | USA | | 51 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Brandwidth Group Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Brandwidth LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| Brandwidth Marketing Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| BYND Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| BYND LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Capture Marketing Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| CommunicateResearch Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Conversion Rate Experts Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Creator Visions Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Cubaka Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Elvis Communications Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Encore Digital Media Limited | United Kingdom | | 100 | C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND |

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

### **27A Subsidiaries** continued

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage voting rights held by Group | Address |
|---|---|---|---|---|
| Engine Acquisition Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Engine Partners UK LLP | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Engine People UK Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Fuel Data Strategies Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Green Leads LLC | USA | | 100 | The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801 |
| House 337 Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| HPI Research Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Hypertext Communications Private Limited | India | | 100 | Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India |
| Hypertext Pte Ltd | Singapore | | 100 | 600 North Bridge Road, #23-01 Parkview Square, Singapore, 188778, Singapore |
| IF.Agency LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| I T Telemarketing Services Limited | United Kingdom | | 57.63 | 60 Great Portland Street, London, England, W1W 7RT |
| Lobster Agency Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| M.Booth & Associates LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| M.Booth Health LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| Mach49 LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Mach49 Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Mach49 Singapore Pte Ltd | Singapore | | 100 | 22 Malacca Street #04-03 RB Capital Building Singapore 048980 |
| Market Making Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Marlin PR Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| MHP Communications Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| MHP Group Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Mischief PR Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Narration LLC | USA | | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |

## 27A Subsidiaries continued

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage voting rights held by Group | Address |
|---|---|---|---|---|
| Nectar Communications LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Next Fifteen Communications Corporation | USA | ✓ | 100 | The Corporation Trust Company, 1209 Orange Street – Corporation Trust Center, New Castle County, Wilmington, DE 19801 |
| Next Fifteen HoldCo1 Limited | United Kingdom | | 100 | C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND |
| NRM New Co Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| ODD Communications Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| ODD London Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| OpinionPanel Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Outcast London Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Palladium Group Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Planning-inc Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Portfolio T SPV1 LLC | USA | | 100 | The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801 |
| Portfolio T SPV2 Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Publitek GmbH | Germany | | 100 | Nymphenburger Straße 168, 80634, Munchen, Germany |
| Publitek Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Publitek LLC | USA | | 100 | The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, DE 19801 |
| Savanta Analytics Limited | Canada | | 100 | 3250 Bloor Street West, East Tower, Suite 600 Toronto, ON, M8X 2X9, Canada |
| Savanta Analytics Private Limited | India | | 99.98 | C-1101 Antriksh Golf View 2, Sector-78, Noida, Gautam Buddha Nagar, Uttar Pradesh, 201301, India |
| Savanta Group Limited | United Kingdom | ✓ | 100 | C/O Bellwether Green Limited, 225 West George Street, Glasgow, Scotland, G2 2ND |
| Savanta Group LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Shopper Media Group Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Technical Publicity Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Text 100 (Proprietary) Limited | South Africa | | 100 | 13 Wellington Road, Parktown, 2193, Private Bag X60500, Houghton, Johannesburg, 2041, South Africa |
| Text 100 International Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Text 100 Pty Ltd | Australia | | 100 | Level 17, 383 Kent Street, Sydney NSW 2000, Australia |

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

## 27A Subsidiaries continued

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage voting rights held by Group | Address |
|---|---|---|---|---|
| The Blueshirt Group LLC | USA | | 89.3 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| The Craft Consulting Limited | United Kingdom | | 57.63 | 60 Great Portland Street, London, England, W1W 7RT |
| The Engine Group Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| The Lexis Agency Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| The Outcast Agency LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| This is Motif Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Threefold Agency Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Transform UK Consulting Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| To This Day Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Twogether Creative Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Twogether Creative LLC | USA | | 100 | CT Corporation System, 330 North Brand Boulevard, Glendale, CA 91203-2336 |
| Velocity Partners Limited | United Kingdom | ✓ | 100 | 60 Great Portland Street, London, England, W1W 7RT |
| Velocity Partners US Inc | USA | | 100 | CT Corporation System, 28 Liberty Street, New York, NY 10005 |
| Vox Public Relations India Private Ltd | India | | 100 | Second Floor, Plot No.7, Second Floor, TDI Centre, Jasola, New Delhi, 110025, India |
| WCRS&CO Limited | United Kingdom | | 100 | 60 Great Portland Street, London, England, W1W 7RT |

All shares held are a class of Ordinary Shares with the exception of the US LLCs where LLC units are held.

The principal activity of the subsidiary undertakings is digital communications consultancy specialising predominantly in the technology and consumer sectors.

All subsidiary undertakings operate in the country in which they have been incorporated. All subsidiary undertakings listed are included in the consolidated results. None of the Group's subsidiaries have a non-controlling interest that is individually material to the Group. As a result the disclosure requirements for subsidiaries with a material non-controlling interest under IFRS 12 are not considered necessary.

The following companies are exempt from the requirements relating to the audit of individual accounts for the year/period ended 31 January 2023 by virtue of section 479A of the Companies Act 2006: Agent3 Limited (08331678), Archetype Agency Limited (03329933), August.One Communications International Limited (03224261), Berne (UK) Limited (06577006), Bite Communications Group Limited (04131879), Bite Communications Limited (03023521), Brandwidth Group Limited (09599858), Brandwidth Marketing Limited (03860505), BYND Limited (07123452), Capture Marketing Limited (06667381), Communicate Research Limited (04810991), Conversion Rate Experts Limited (05895439), Creator Visions Limited (03647221), Cubaka Limited (06544244), Elvis Communications Limited (04768344), Encore Digital Media Limited (SC449653), Engine Acquisition Limited (09080182), Engine Partners UK LLP (OC365812), Engine People UK Limited (05278995), House 337 Limited (14105998), Fuel Data Strategies Limited (04617236), HPI Research Limited (05816194), I T Telemarketing Services Limited (02898765), Lobster Agency Limited (10331017), Mach49 Limited (12281031), Market Making Limited (07913465), Marlin PR Limited (06480768),

### 27A Subsidiaries continued

MHP Communications Limited (01855944), MHP Group Limited (14106014), Mischief PR Limited (05355942), Next Fifteen Holdco1 Limited (SC364548), NRM New Co Limited (07925411), ODD Communications Limited (07861569), ODD London Limited (05107477), OpinionPanel Limited (05013113), Outcast London Limited (07831770), Palladium Group Limited (09460746), Planning-inc Limited (04118854), Portfolio T SPV2 Limited (14097274), Publitek Limited (05287915), Savanta Group Limited (SC281352), Shopper Media Group Limited (10366845), Technical Publicity Limited (02384040), Text 100 International Limited (02433862), The Craft Consulting Limited (09439145), The Engine Group Limited (05015446), The Lexis Agency Limited (04404752), This is Motif Limited (02692105), Threefold Agency Limited (10366888), To This Day Limited (10479051), Transform UK Consulting Limited (14112512), Twogether Creative Limited (07824276), Velocity Partners Limited (04128107) and WCRS&CO Limited (01737774).

### 27B Associates

The Group's associates and investments as at 31 January 2023 are listed below:

| Legal entity | Country of incorporation | Directly owned by the Company | Percentage owned by the Group | Address |
|---|---|---|---|---|
| Savvi Saas Limited | United Kingdom | ✓ | 5.8% | 86-90 Paul Street, London, England, EC2A 4NE |
| Futureland Ventures Limited | United Kingdom | — | 1.7% | 15 Welmar Mews, London, England, SW4 7DD |
| StartPulsing Limited | United Kingdom | ✓ | 4.7% | 1st Floor 143-149 Fenchurch Street, London, England, EC3M 6BL |

### 28 Related-party transactions

The ultimate controlling party of the Group is Next 15 Group plc (incorporated and registered in England and Wales). The Company has a related-party relationship with its subsidiaries (note 27) and with its Directors. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. During the period to 31 January 2023 there were the following related-party transactions:

| Brand | Services | Related party | **Expense impact 2023 £'000** | **Asset/(liability) at year end 2023 £'000** | Expense impact 2022 £'000 | Asset/(liability) at year end 2022 £'000 |
|---|---|---|---|---|---|---|
| Blueshirt | Consultancy | Blueshirt Capital Advisors was an associate of Next 15 for part of the prior year | **—** | **—** | 233 | — |
| Next 15 Group | IT software and accessories | Various brands of the Group procured services through Softcat plc, which acted as a re-seller. One of the Group's Non-Executive Directors ('NED') is also a NED for Softcat plc | **1,751** | **(129)** | 845 | (239) |
| Next 15 Group plc | Consultancy | Savvi Saas was an associate of Next 15 in the prior year | **—** | **—** | 47 | — |

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

## 28 Related-party transactions continued

Dividends were paid to Directors of the Company during the year in proportion to their shareholdings in the Company. Tim Dyson, Peter Harris, Jonathan Peachey, Penny Ladkin-Brand, Helen Hunter, Robyn Perriss, Dianna Jones and Paul Butler received dividends of £636,953, £52,323, £1,907, £10,980, £Nil, £Nil, £Nil and £Nil respectively (2022: £535,460, £40,930, £Nil, £9,023, £Nil, £Nil, £Nil and £Nil). Key management personnel compensation is disclosed in note 3.

## 29 Operating lease rental receivables

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| In respect of operating leases which will be receivable in the period: | | |
| Within one year | **175** | 245 |
| In two to five years | **—** | — |
| | **175** | 245 |

## 30 Events after the balance sheet date

There have been no events subsequent to the statement of financial position date and the date of approval of these financial statements that would have a material effect on the Group.

## Company balance sheet
as at 31 January 2023 and 31 January 2022

| | Note | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 2 | **—** | — |
| Tangible assets | 3 | **130** | 1,387 |
| Right-of-use assets | 4 | **—** | 4,284 |
| Investments in subsidiaries | 5 | **225,197** | 213,176 |
| Investment in financial assets | 5 | **381** | 8,146 |
| Deferred tax assets | 10 | **127** | 109 |
| Trade and other receivables | 6 | **72,060** | — |
| | | **297,895** | 227,102 |
| **Current assets** | | | |
| Trade and other receivables | 6 | **34,362** | 35,260 |
| Current tax asset | | **2,444** | 2,259 |
| | | **36,806** | 37,519 |
| **Current liabilities** | | | |
| Trade and other payables | 7 | **53,750** | 34,179 |
| Lease liabilities | 4 | **669** | 1,691 |
| Provisions | 9 | **14,526** | 7,006 |
| Contingent consideration | | **95** | 9,836 |
| | | **69,040** | 52,712 |
| **Net current liabilities** | | **32,234** | 15,193 |
| **Total assets less current liabilities** | | **265,661** | 211,909 |
| **Non-current liabilities** | | | |
| Borrowings | 8 | **21,155** | 22,437 |
| Other financial liabilities | 8 | **7,424** | 10,618 |
| Lease liabilities | 4 | **—** | 3,116 |
| Provisions | 9 | **7,885** | 13,235 |
| | | **36,464** | 49,406 |
| **Net assets** | | **229,197** | 162,503 |

## **Company balance sheet** continued

as at 31 January 2023 and 31 January 2022

| | Note | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 11 | **2,462** | 2,320 |
| Share premium account | | **166,174** | 104,800 |
| Merger reserve | | **3,075** | 3,075 |
| Share-based payment reserve | | **12,094** | 11,029 |
| Other reserve | | **26,460** | 26,460 |
| Retained earnings | | **18,932** | 14,819 |
| **Equity attributable to owners of the Company** | | **229,197** | 162,503 |

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

The Company reported a profit for the financial year ended 31 January 2023 of £17,556,000 (2022: loss of £15,603,000).

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

**Peter Harris**
**Chief Financial Officer**
Company number 01579589

## Company statement of changes in equity
for the year ended 31 January 2023 and 31 January 2022

| | Share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Share-based payment reserve £'000 | ESOP reserve £'000 | Other reserve[1] £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 February 2021** | 2,274 | 92,408 | 3,075 | 9,008 | — | 26,460 | 32,942 | 166,167 |
| Loss for the period | — | — | — | — | — | — | (15,603) | (15,603) |
| Fair value gain on investments in equity instruments designated as FVTOCI | — | — | — | — | — | — | 7,312 | 7,312 |
| Dividends | — | — | — | — | — | — | (9,832) | (9,832) |
| Shares issued in satisfaction of vested share options and performance shares | 22 | 5,385 | — | (3) | — | — | — | 5,404 |
| Shares issued on acquisition | 24 | 7,007 | — | — | — | — | — | 7,031 |
| Movement in relation to share-based payments | — | — | — | 2,024 | — | — | — | 2,024 |
| Movement due to ESOP share purchases | — | — | — | — | (3) | — | — | (3) |
| Movement due to ESOP share option exercises | — | — | — | — | 3 | — | — | 3 |
| **At 1 February 2022** | 2,320 | 104,800 | 3,075 | 11,029 | — | 26,460 | 14,819 | 162,503 |
| Profit for the period | — | — | — | — | — | — | 17,556 | 17,556 |
| Fair value loss on investments in equity instruments designated as FVTOCI | — | — | — | — | — | — | (313) | (313) |
| Dividends | — | — | — | — | — | — | (12,679) | (12,679) |
| Shares issued in satisfaction of vested share options and performance shares | 8 | 2,067 | — | (1,550) | — | — | (451) | 74 |
| Shares issued on acquisition | 21 | 10,780 | — | — | — | — | — | 10,801 |
| Shares issued on placing | 113 | 48,527 | — | — | — | — | — | 48,640 |
| Movement in relation to share-based payments | — | — | — | 2,615 | — | — | — | 2,615 |
| Movement due to ESOP share purchases | — | — | — | — | — | — | — | — |
| Movement due to ESOP share option exercises | — | — | — | — | — | — | — | — |
| **At 31 January 2023** | **2,462** | **166,174** | **3,075** | **12,094** | — | **26,460** | **18,932** | **229,197** |

1 Other reserves relates to the hedging reserve.

The following notes are an integral part of this Company Statement of Changes in Equity.

# Notes forming part of the Company financial statements
for the year ended 31 January 2023

## 1 Accounting policies

### A. Basis of preparation

Next 15 Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 210. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 67. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The separate financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments measured at fair value at the end of each reporting period, and are in accordance with applicable accounting standards in the United Kingdom. The significant accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

The new standards and amendments which have not yet been adopted are disclosed in note 1, section U, to the consolidated financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Group accounts of Next 15 Group plc. The Group accounts of Next 15 Group plc are available to the public and are at the beginning of this section.

The monthly average number of employees during the year was 80 and employee costs for the year totalled £10,490,000 (2022: £7,402,000). This was made up of £7,260,000 in respect of wages and salaries (2022: £5,231,000); £1,510,000 in respect of social security (2022: £916,000); £340,000 in respect of pension costs (2022: £205,000) as well as £1,380,000 in relation to share-based payment charges (2022: £1,050,000). Disclosures relating to the remuneration of the Parent company's Directors are included in the Directors' remuneration report on pages 86 to 104.

### B. Investments in subsidiaries

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

**1 Accounting policies** continued

C. Going concern

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

Although the Company is in a net current liability position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, including receiving dividends from its subsidiaries. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Critical judgements in applying the Company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*I. Impairment of investments in subsidiaries*

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £225m.

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

Contingent consideration and share purchase obligations relating to acquisitions have been included based on discounted management estimates of the most likely outcome. The difference between the fair value of the liabilities and the actual amounts payable is charged to the Consolidated Income Statement as notional finance costs over the life of the associated liability. Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. These require judgements around future revenue growth, profit margins and discount rates, which, if inappropriate, would result in a material adjustment to the value of these liabilities within the next financial year. Further details are contained in note 17 in the Group financial statements and note 8 in the Company financial statements.

## Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

### 2 Intangible assets

| | Computer software £'000 |
|---|---|
| **Cost** | |
| **At 1 February 2022** | 3,723 |
| **At 31 January 2023** | **3,723** |
| **Accumulated depreciation** | |
| **At 1 February 2022** | 3,723 |
| **At 31 January 2023** | **3,723** |
| **Net book value** | |
| **At 31 January 2023** | **—** |
| **At 31 January 2022** | — |

### 3 Tangible assets

| | Short leasehold improvements £'000 | Office equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 1 February 2022** | 2,952 | 1,107 | 4,059 |
| Additions | — | 63 | 63 |
| Disposals | (2,631) | (878) | (3,509) |
| **At 31 January 2023** | **321** | **292** | **613** |
| **Accumulated depreciation** | | | |
| **At 1 February 2022** | 1,835 | 837 | 2,672 |
| Charge for the year | 308 | 91 | 399 |
| Disposals | (1,869) | (719) | (2,588) |
| **At 31 January 2023** | **274** | **209** | **483** |
| **Net book value** | | | |
| **At 31 January 2023** | **47** | **83** | **130** |
| **At 31 January 2022** | 1,117 | 270 | 1,387 |

## 4 Leases

The movements in the year ended 31 January 2023 were as follows:

Right-of-use assets:

| | Land and buildings £'000 |
|---|---|
| **Cost** | |
| **At 1 February 2021** | 10,983 |
| Additions | 532 |
| **At 31 January 2022** | 11,515 |
| Additions | 59 |
| Impairment | (3,391) |
| **At 31 January 2023** | **8,183** |
| **Accumulated depreciation** | |
| **At 1 February 2021** | 5,320 |
| Charge for the year | 1,911 |
| **At 31 January 2022** | 7,231 |
| Charge for the year | 952 |
| **At 31 January 2023** | **8,183** |
| **Net book value at 31 January 2023** | **—** |
| **Net book value at 31 January 2022** | 4,284 |

## Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

### 4 Leases continued
Lease liabilities:

| | Land and buildings £'000 |
|---|---|
| **At 31 January 2022** | 4,807 |
| Interest expense related to lease liabilities | 87 |
| Disposals | (2,717) |
| Repayment of lease liabilities | (1,508) |
| **At 31 January 2023** | **669** |

The maturity of the lease liabilities is as follows:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| Amounts payable: | | |
| Within one year | **673** | 1,806 |
| In two to five years | **—** | 2,766 |
| After five years | **—** | 520 |
| **Total gross future liability** | **673** | 5,092 |
| Effect of discounting | **(4)** | (285) |
| **Lease liability at 31 January** | **669** | 4,807 |

## 5 Investments in subsidiaries

| | Total £'000 |
|---|---|
| **Cost** | |
| At 1 February 2022 | 213,176 |
| Acquisitions[1] | 13,207 |
| Disposals | (1,186) |
| **At 31 January 2023** | **225,197** |

1 On 8 March 2022, the Company purchased 100% of the issued share capital of Engine Acquisition Limited which led to an increase of £13.2m. The remaining increase represents a number of investments, none of which are individually significant in comparison to the total carrying value of the investments. Refer to note 26 in the Group financial statements for further details of the acquisitions made in the year.

The Directors consider the value of investments in subsidiary undertakings to be not less than that stated in the balance sheet of the Company.

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

The £7.8m decrease of investments in financial assets can primarily be attributed to the sale of the Company's investment in Phrasee Limited. Phrasee successfully completed its sale to a Private Equity firm on 16 February 2022. The Company no longer holds any shares in Phrasee as at 31 January 2023.

## 6 Trade and other receivables

| | **Company 2023 £'000** | Company 2022 £'000 |
|---|---|---|
| **Amounts falling due after more than one year** | | |
| Amounts due from subsidiary undertakings | **72,060** | — |

| | **Company 2023 £'000** | Company 2022 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Amounts due from subsidiary undertakings | **26,634** | 31,339 |
| Other debtors | **6,612** | 2,742 |
| Prepayments and accrued income | **766** | 976 |
| Other taxation | **350** | 203 |
| **Total trade and other receivables** | **34,362** | 35,260 |

## **Notes forming part of the Company financial statements** continued
for the year ended 31 January 2023

### 7 Trade and other payables

| | **Company 2023 £'000** | Company 2022 £'000 |
|---|---|---|
| Overdraft | **46,196** | 17,824 |
| Trade creditors | **1,162** | 722 |
| Amounts owed to subsidiary undertakings | **2,884** | 12,490 |
| Other taxation and social security | **221** | 175 |
| Other creditors | **134** | 43 |
| Accruals and deferred income | **3,153** | 2,925 |
| **Total trade and other payables** | **53,750** | 34,179 |

### 8 Non-current liabilities

| | **Company 2023 £'000** | Company 2022 £'000 |
|---|---|---|
| **Bank loan[1]** | **21,155** | 22,437 |
| Between one and two years | **21,155** | — |
| Between two and five years | **—** | 22,437 |
| After five years | **—** | — |
| **Contingent consideration** | **695** | 901 |
| Between one and two years | **—** | — |
| Between two and five years | **695** | 901 |
| After five years | **—** | — |
| **Share purchase obligation** | **6,729** | 9,717 |
| Between one and two years | **—** | — |
| Between two and five years | **6,729** | 9,717 |
| After five years | **—** | — |
| **Total** | **28,579** | 33,055 |

1 The entire bank facility is secured on guarantees from the guarantor pool.

The bank loans are valued at the net proceeds drawn down at the exchange rates prevailing at the time they are drawn. The foreign currency element of the loans is revalued at the prevailing rate at 31 January 2023.

## 8 Non-current liabilities continued

The Company has no fair value Level 1 instruments (2022: none). The Company's investments in financial assets are Level 2 instruments and are measured at historic quoted prices. All other instruments at fair value through profit or loss are Level 3 instruments being the contingent consideration and share purchase obligation liabilities.

Level 3 financial instruments are valued using the discounted cash flow method to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration or share purchase obligation. They are not based on observable market data.

## 9 Provisions

| | Employment-related acquisition liabilities £'000 | Total £'000 |
|---|---|---|
| **At 31 January 2022** | 20,241 | 20,241 |
| Additions | 9,477 | 9,477 |
| Utilised in period | (7,307) | (7,307) |
| **At 31 January 2023** | **22,411** | **22,411** |
| **Current** | **14,526** | **14,526** |
| **Non-current** | **7,885** | **7,885** |

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

## 10 Deferred tax

Deferred tax is provided as follows:

| | Accelerated capital allowances £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| **At 31 January 2021** | 120 | 772 | 892 |
| Credit to income | (75) | (708) | (783) |
| **At 31 January 2022** | 45 | 64 | 109 |
| Charge/(credit) to income | 57 | (39) | 18 |
| **At 31 January 2023** | **102** | **25** | **127** |

## Notes forming part of the Company financial statements continued
for the year ended 31 January 2023

### 11 Share capital and reserves

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Authorised, allotted, called up and fully paid** | | |
| 98,503,930 Ordinary Shares of 2.5p each | **2,462** | 2,320 |

For details on changes to issued share capital in the year, please refer to note 20 in the Group financial statements. For details of the dividends declared and paid in the year, please refer to note 9 in the Group financial statements.

### 12 Related-party transactions
During the period the Company received the following amounts in respect of Head Office costs and intercompany interest from undertakings which were not wholly owned at the balance sheet date:

| | Intercompany interest | | Recharges | |
|---|---|---|---|---|
| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
| Agent3 Limited | **58** | — | **1,462** | 2,052 |
| Fearless Labs | **—** | 27 | **—** | — |
| Blueshirt Capital Advisors LLC | **—** | — | **212** | 233 |
| Blueshirt Group LLC | **—** | — | **539** | 381 |

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

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Agent3 Limited | **4,135** | 632 |
| Blueshirt Capital Advisors LLC | **26** | 238 |
| Blueshirt Group LLC | **95** | 102 |

# Glossary – Alternative performance measures

for the 12-month period ended 31 January 2023 (unaudited)

## Introduction

In the reporting of financial information, the Directors have adopted various alternative performance measures ('APMs'). The Group includes these non-GAAP measures as they consider these measures to be both useful and necessary to the readers of the financial statements to help understand the performance of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies and therefore should be considered in addition to IFRS measures. The APMs used are not a substitute for, or superior to IFRS measures.

## Purpose

The Directors believe that these APMs are highly relevant as they reflect how the Board measures the performance of the business and align with how shareholders value the business. They also allow understandable like-for-like, year-on-year comparisons and more closely correlate with the cash inflows from operations and working capital position of the Group.

They are used by the Group for internal performance analyses and the presentation of these measures facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors which materially affect IFRS measures.

The identification of adjusting items is a judgement in terms of which costs or credits are not associated with the trading of the business or otherwise impact the comparability of the Group's results year on year. Adjusting items for the Group include amortisation of acquired intangibles, the change in estimate and unwinding of discount on acquisition-related liabilities, deal costs, growth share charges, employment-related acquisition costs, restructuring costs, UK furlough grant and property impairment.

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

| APMs | Relevant IFRS measure | Adjustments to reconcile to IFRS measure | Definition and purpose |
|---|---|---|---|
| **Profit and loss measures** | | | |
| Net revenue | Revenue | • Excludes direct costs as shown on the Consolidated Income statement<br>Reconciliation A1 | Excludes the direct pass-through costs, as this is more closely aligned to the fees the Group earns for their product and services. This is a key management incentive metric. |
| Organic net revenue growth | Revenue growth | No direct equivalent<br>Net revenue bridge, in Financial Review | Net revenue growth at constant currency, excluding impact of the acquisitions and disposals in the last 12 months. For acquisitions made in the prior year, only the corresponding months of ownership are included in the calculation of growth. This is a key management incentive metric. |
| Adjusted operating profit after interest on finance lease liabilities | Operating profit | • Excludes exceptional adjusting items<br>• Excludes amortisation of acquired intangibles<br>• Includes interest on lease liabilities<br>Reconciliation A2 | Operating profit before the impact of adjusting items and after interest on lease liabilities. The Group considers this to be an important measure of Group performance and is consistent with how the Group is reported and assessed by the Board and is a key management incentive metric. |

## Glossary – Alternative performance measures continued
for the 12-month period ended 31 January 2023 (unaudited)

### Purpose continued

| APMs | Relevant IFRS measure | Adjustments to reconcile to IFRS measure | Definition and purpose |
|---|---|---|---|
| **Profit and loss measures** continued | | | |
| Adjusted operating profit margin | Operating profit margin | Not applicable | Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue. |
| Adjusted profit before tax | Profit before tax | • Excludes exceptional adjusting items<br>• Excludes amortisation of acquired intangibles<br>• Excludes fair value remeasurements of financial instruments<br>Reconciliation A4 | Profit before the impact of adjusting items and tax. The Group considers this to be an important measure and is consistent with how the Group is reported and assessed by the Board.<br>This measure allows for understandable like-for-like, year-on-year comparisons and facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors. |
| Adjusted diluted earnings per share | Diluted earnings per share | • Excludes exceptional adjusting items<br>Reconciliation A6 | Profit after tax attributable to owners of the Parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.<br>This is an important measure for the Group and is used within the performance calculates used for the vesting of employee share options. It allows for understandable like-for-like, year-on-year comparisons as it adjusts for non-recurring and uncontrollable measures including remeasurement of acquisition-related liabilities. |
| Net finance expense | Finance expense/ income | • Excludes exceptional adjusting items | Total net finance costs excluding interest on leases and adjusted items. The Group considers this to be an important measure and better reflects the underlying finance cost of the business by adjusting for non-cash items and the remeasurements of acquisition-related liabilities that can vary significantly. |
| **Tax measures** | | | |
| Effective tax rate on adjusted profit | Effective tax rate | • Adjusting items and their tax impact<br>Reconciliation A7 | Total income tax rate for the Group excluding the tax effect of items which are adjusted for in arriving at the adjusted profit before income tax. This measure is more representative of the Group's tax payable position and its ongoing tax rate. |
| **Balance sheet measures** | | | |
| Net cash/(debt) | None | • Reconciliation of net debt<br>Reconciliation A8 | Net debt comprises total loans and borrowings less cash and cash equivalents. Net debt does not include any contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. It also excludes lease liabilities.<br>This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies. |

## A1: Reconciliation of net revenue

| | Year ended 31 January 2023 £'000 | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Revenue** | **720,500** | 470,055 |
| Direct costs | **(156,701)** | (107,952) |
| Net revenue | **563,799** | 362,103 |

## A2: Reconciliation of adjusted operating profit to statutory operating profit

| | Year ended 31 January 2023 £'000 | Year ended 31 January 2022 £'000 |
|---|---|---|
| **Operating profit** | **67,207** | 39,985 |
| Interest on finance lease liabilities | **(1,365)** | (1,043) |
| **Operating profit after interest on finance lease liabilities** | **65,842** | 38,942 |
| Charge for employee incentive schemes[1] | **596** | 5,891 |
| Employment-related acquisition payments[2] | **11,971** | 15,167 |
| Deal costs[3] | **5,521** | 486 |
| Costs associated with restructuring[4] | **2,302** | — |
| UK furlough grant[5] | **—** | 1,396 |
| Property impairment[6] | **4,749** | 233 |
| Gains on investment activities[7] | **—** | (455) |
| Total adjusted costs in operating profit excluding amortisation | **25,139** | 22,718 |
| Amortisation of acquired intangibles[8] | **23,188** | 17,687 |
| Total adjusted costs in operating profit | **48,327** | 40,405 |
| **Adjusted operating profit after interest on finance lease liabilities** | **114,169** | 79,347 |

1 This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Elvis Communications Limited and Publitek Limited (total of £0.6m) (2022: Brandwidth Marketing Limited and Publitek Limited, total of £0.6m) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. In the prior year, the remaining £5.2m of the charge related to an additional new contingent incentive scheme for the sellers of Activate. This value was recognised as an upfront cost in the income statement in the year of grant as the agreements did not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands. In the prior year it also included £67,000 of charges associated with equity transactions accounted for as share-based payments. The Group determines that these brand appreciation rights (or growth shares) should be excluded from performance as the cost accounting is not aligned to the timing of the anticipated benefit of the incentive, namely growth of the relevant brands.

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

## Glossary – Alternative performance measures continued
for the 12-month period ended 31 January 2023 (unaudited)

### A2: Reconciliation of adjusted operating profit to statutory operating profit continued

3 These costs are directly attributable to business combinations and acquisitions, mainly our acquisition of Engine and our unsuccessful offer for M&C Saatchi. The charges are excluded from performance as they would not have been incurred had the business combination not occurred and a higher or lower spend has no relation on the organic business. They do not relate to the trading of the Group and are added back each year to aid comparability of the Group's profitability year on year.

4 In the current year the Group has incurred restructuring costs which primarily relate to rebranding and redundancy costs taken in respect of the acquisition of Engine Acquisition Limited. These costs related to specific transformational events creating the three new brands from Engine, being MHP, Transform and House 337. They did not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year. These costs are made up of £1.3m staff costs and £1.0m of other costs relating to rebranding and creating the new businesses from the Engine Group which was acquired.

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

6 In the current year the Group has recognised charges relating to the reorganisation of the property space across the Group. The majority of the charge is impairment of right-of-use assets and leasehold improvements less credits as a result of derecognising lease liabilities from surrendering leases. As a result of the acquisition of Engine and understanding of the ongoing office space required, the Group has identified excess property space within the portfolio and therefore taken an impairment charge relating to those offices. The Group has adjusted for this cost, as the additional one-off impairment charge does not relate to the underlying trading of the business and therefore added back to aid comparability.

7 In the prior period the Group acquired a controlling interest in BCA and became a subsidiary of the Group, previously accounted for as an associate. As a result of this change, the Group recognised a gain on the revaluation of the previously held investment in equity-accounted associate of £0.9m. The remaining charge relates to the loss on disposal of a separate controlling interest, whereby the Group retained an associate interest at the year end. The overall credit relates to specific transformational events and do not relate to the trading of the relevant brand and therefore have been added back to aid comparability of the performance year on year.

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

### A3: Measurement of segment net revenue and adjusted operating profit

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges, which reflects the internal reporting measure used by the Board of Directors. Other information provided to them at a Group level is measured in a manner consistent with that in the financial statements. Head Office costs relate to Group costs before allocation of intercompany charges to the operating segments. Inter-segment transactions have not been separately disclosed as they are not material. The Group reports its results split into four divisions: Customer Engagement, Customer Delivery, Customer Insight and Business Transformation. The following tables provides additional information that has been deemed useful to the readers of the financial statements and shows the split of alternative performance measures by operating and geographical segments which have been reconciled elsewhere within this glossary.

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

## A3: Measurement of segment net revenue and adjusted operating profit continued

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

## A4: Reconciliation of adjusted profit before income tax and statutory loss before income tax

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Profit/loss before income tax | **10,109** | (80,139) |
| Unwinding of discount on contingent, deferred consideration and additional contingent incentive (note 17)[1] | **21,460** | 7,488 |
| Unwinding of discount on share purchase obligation (note 17)[1] | **1,425** | 811 |
| Total adjusting items in operating profit | **48,327** | 40,405 |
| Change in estimate of future contingent consideration payable and additional contingent incentive (note 17)[2] | **35,000** | 106,805 |
| Change in estimate of future share purchase obligation (note 17)[2] | **(3,783)** | 3,898 |
| Adjusted profit before income tax | **112,538** | 79,268 |

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

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

## Glossary – Alternative performance measures continued
for the 12-month period ended 31 January 2023 (unaudited)

### A5: Reconciliation of adjusted staff costs

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Staff costs | **391,798** | 258,945 |
| Reorganisation costs | **(960)** | — |
| UK furlough grant | **—** | (1,396) |
| Charges associated with equity transactions accounted for as share-based payments | **(596)** | (1,928) |
| Charges associated with other employee incentive schemes | **—** | (3,896) |
| Employment-related acquisition payments | **(11,971)** | (15,167) |
| **Adjusted staff costs** | **378,271** | 236,558 |

### A6: Reconciliation of adjusted earnings per share

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. The adjusted earnings per share is the performance measure used for the vesting of employee share options and performance shares.

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Profit/(loss) attributable to ordinary shareholders | **1,623** | (69,219) |
| Unwinding of discount on contingent and deferred consideration | **21,460** | 7,488 |
| Unwinding of discount on share purchase obligation | **1,425** | 811 |
| Change in estimate of future contingent consideration payable | **35,000** | 106,805 |
| Change in estimate of share purchase obligation | **(3,783)** | 3,898 |
| Costs associated with the current period restructure | **2,302** | — |
| Charge for employee incentive schemes | **596** | 5,891 |
| Property impairment | **4,749** | 233 |
| Deal costs | **5,521** | 486 |
| Employment-related acquisition payments | **11,971** | 15,167 |
| UK furlough grant | **—** | 1,396 |
| Gains on investment activities | **—** | (455) |
| Amortisation of acquired intangibles | **23,188** | 17,687 |
| Tax effect of adjusting items above | **(19,131)** | (31,629) |
| Adjusted earnings attributable to ordinary shareholders | **84,921** | 58,559 |

### **A6: Reconciliation of adjusted earnings per share** continued

| | **2023 Number** | 2022 Number |
|---|---|---|
| Weighted average number of Ordinary Shares | **97,635,507** | 92,395,619 |
| Dilutive LTIP shares | **2,279,528** | 2,389,017 |
| Dilutive growth deal shares | **2,373,445** | 916,215 |
| Other potentially issuable shares | **3,392,207** | 2,386,786 |
| Diluted weighted average number of Ordinary Shares | **105,680,687** | 98,087,637 |
| Adjusted earnings per share | **87.0p** | 63.4p |
| Diluted adjusted earnings per share | **80.4p** | 59.7p |

### **A7: Reconciliation of tax expense in the Consolidated Income Statement to adjusted tax expense**

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Income tax (credit)/expense reported in the Consolidated Income Statement | **7,123** | (14,475) |
| Add back tax on adjusting items: | | |
| Costs associated with the current period restructure and office moves | **1,210** | 1,422 |
| Unwinding of discount on and change in estimates of contingent and deferred consideration (note 17) | **12,978** | 27,287 |
| Share-based payment charge | **—** | 414 |
| Amortisation of acquired intangibles | **4,943** | 2,507 |
| Adjusted tax expense | **26,254** | 17,155 |
| Adjusted profit before income tax | **112,538** | 79,268 |
| Adjusted effective tax rate | **23.3%** | 21.6% |

## Glossary – Alternative performance measures continued

for the 12-month period ended 31 January 2023 (unaudited)

### A8: Reconciliation of net debt

| | **Year ended 31 January 2023 £'000** | Year ended 31 January 2022 £'000 |
|---|---|---|
| Total loans and borrowings | **21,250** | 22,478 |
| Less: cash and cash equivalents | **(47,320)** | (58,216) |
| Net cash | **(26,070)** | (35,738) |
| Share purchase obligation (note 17) | **8,984** | 11,252 |
| Contingent consideration (note 17) | **189,406** | 161,541 |
| Deferred consideration (note 17) | **—** | 133 |
| Additional contingent incentive (note 17) | **6,309** | 5,202 |
| Net debt plus earn-out liabilities | **178,629** | 142,390 |

## Five-year financial information

for the 12-month period ended 31 January 2023 (unaudited)

| | **Year ended 2023 IFRS £'000** | Year ended 2022 IFRS £'000 | Year ended 2021 IFRS £'000 | Year ended 2020 IFRS £'000 | Year ended 2019 IFRS £'000 |
|---|---|---|---|---|---|
| **Profit and loss** | | | | | |
| Net revenue | **563,799** | 362,103 | 266,886 | 248,469 | 224,093 |
| Staff costs | **391,798** | 258,945 | 189,530 | 171,180 | 153,247 |
| Operating profit | **67,207** | 39,985 | 13,688 | 19,413 | 20,677 |
| Net finance expense | **(57,098)** | (120,335) | (15,425) | (14,061) | (1,917) |
| Profit/(loss) before income tax | **10,109** | (80,139) | (1,306) | 5,556 | 18,825 |
| Income tax (expense)/credit | **(7,123)** | 14,475 | (2,643) | (2,717) | (4,299) |
| Profit/(loss) for the year | **2,986** | (65,664) | (3,949) | 2,839 | 14,526 |
| Non-controlling interests | **1,363** | 3,555 | 989 | 577 | 639 |
| Profit/(loss) attributable to owners of the Parent | **1,623** | (69,219) | (4,938) | 2,262 | 13,887 |
| **Balance sheet** | | | | | |
| Non-current assets | **382,102** | 266,158 | 216,072 | 224,370 | 155,028 |
| Net current (liabilities)/assets | **(26,704)** | (1,651) | (6,128) | 1,780 | 10,792 |
| Non-current liabilities | **(240,998)** | (203,048) | (93,063) | (113,439) | (54,367) |
| Total equity attributable to owners of the Parent | **113,948** | 59,829 | 116,957 | 113,296 | 112,529 |
| Non-controlling interests | **452** | 1,630 | (76) | (585) | (1,076) |
| Total equity | **114,400** | 61,459 | 116,881 | 112,711 | 111,453 |

## **Five-year financial information** continued

for the 12-month period ended 31 January 2023 (unaudited)

| | **Year ended 2023 IFRS £'000** | Year ended 2022 IFRS £'000 | Year ended 2021 IFRS £'000 | Year ended 2020 IFRS £'000 | Year ended 2019 IFRS £'000 |
|---|---|---|---|---|---|
| **Cash flow** | | | | | |
| Profit/(loss) for the year | **2,986** | (65,664) | (3,949) | 2,839 | 14,526 |
| Non-cash adjustments and working capital movements | **92,220** | 154,424 | 76,882 | 46,662 | 23,856 |
| Net cash generated from operations | **95,206** | 88,760 | 72,933 | 49,501 | 38,382 |
| Income tax paid | **(20,301)** | (14,109) | (8,423) | (5,993) | (6,237) |
| Net cash from operating activities | **74,905** | 74,651 | 64,510 | 43,508 | 32,145 |
| Acquisition of subsidiaries net of cash acquired | **(70,268)** | (14,454) | (8,097) | (18,501) | (19,281) |
| Acquisition of property, plant and equipment | **(3,485)** | (3,107) | (1,998) | (3,460) | (5,648) |
| Net cash outflow from investing activities | **(67,462)** | (18,532) | (26,994) | (28,340) | (37,154) |
| Net cash movement in bank borrowings | **(1,514)** | 9,573 | (24,912) | 13,039 | (10,922) |
| Dividends paid to owners of the Parent | **(12,679)** | (9,832) | — | (6,759) | (5,243) |
| Net cash (outflow)/inflow from financing activities | **(21,093)** | (24,741) | (39,126) | (6,826) | 645 |
| (Decrease)/increase in cash for the year | **(13,650)** | 31,378 | (1,610) | 8,342 | (4,364) |
| Dividend per share (p) | **14.6** | 12.0 | 7.0 | 2.5 | 7.56 |
| Basic earnings per share (p) | **1.7** | (74.9) | (5.5) | 2.7 | 17.5 |
| Diluted earnings per share (p) | **1.5** | (74.9) | (5.5) | 2.5 | 16.3 |
| **Key performance indicators and other non-statutory measures** | | | | | |
| Adjusted staff costs as a % of net revenue[1] | **67.1** | 65.3 | 66.8 | 65.6 | 65.9 |
| Adjusted EBITDA[2] | **129,586** | 91,462 | 63,895 | 56,764 | 41,733 |
| Adjusted profit before income tax[3] | **112,538** | 79,268 | 49,117 | 40,237 | 36,004 |
| Diluted adjusted earnings per share (p)[3] | **80.4** | 59.7 | 40.7 | 34.8 | 33.1 |
| Net cash/(debt)[4] | **26,070** | 35,738 | 14,021 | (9,346) | (5,177) |

1 Staff costs excluding restructuring costs. See glossary for further information.

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

3 See glossary for further information.

4 Net debt excludes contingent consideration and share purchase obligations. See glossary for further information.