**Nakama Group Plc**

**Half-year Report**



RNS Number : 4597I

Nakama Group Plc

14 December 2020

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

14 December 2020

**Nakama Group plc**

("Nakama" or the "Group")

**UNAUDITED HALF YEAR RESULTS**

Nakama Group plc (AIM: NAK), the AIM quoted recruitment consultancy working across UK and Asia, providing recruitment services for the web, interactive, digital media, IT and business change sectors, announces its half year report for the six months ended 30 September 2020.

**Overview**

·     The Group has experienced unprecedented trading conditions in H1 2020 due to the impact of the COVID 19 pandemic

· Net fee income ("NFI") of £0.83m (H1 2019: £1.5m)

· Permanent placement revenues of £0.49m (H1 2019: £1m)

· Contractor revenues were £2.65m (H1 2019: £3.7m)

· Overall headcount reduced by 31% to 27, reducing the Company's cost base

· Loss before tax of £99k (H1 2019: profit of £20k)

· The Group has taken advantage of various government support schemes in the UK and elsewhere but has failed to raise additional capital (debt or equity) to allow the business to continue trading in the medium term

· Proposed sale of the Company's operating businesses to Sanderson Group announced on 9 December 2020

**Robert Thesiger, Chief Executive Officer of Nakama Group, commented:**"2020 has been an unprecedented year with the onset of a global pandemic and as such the business has seen a marked decrease in trading across all of its geographical locations. The health and safety of all our staff and clients has been of paramount importance and I would like to thank all our staff for their sterling efforts during this time"

"On 9 December we announced the sale of our trading businesses to Sanderson and this will allow them to grow under a well-capitalised parent. I believe this disposal is in the best interests of our clients and staff.  Nakama will, should the proposed disposal be approved by shareholders, become an AIM cash shell and we will update shareholders on our plans in due course."

|  |  |
| --- | --- |
| **Enquiries:**    **Nakama Group plc** | www.nakamaglobal.com |
| Robert Thesiger, Chief Executive Officer | 01883 341 144 |
| Tim Sheffield, Chairman | 020 7236 2400 |
|  |  |
| **Allenby Capital Limited**(Nominated Adviser & Broker) | www.allenbycapital.com |
| Nick Naylor / Liz Kirchner | 020 3328 5656 |

**About Nakama Group plc:**

**Chief Executive's review**

Nakama Group plc (AIM: NAK) is a recruitment consultancy which places people into specialist and management positions in the digital, data, creative, media, marketing and technology disciplines with offices in the UK and Asia. The UK operation also specialises in the insurance and wealth management sectors, specifically in business change and IT, through the brand Highams Recruitment.

The Group's speciality is finding excellent career opportunities and assignments for senior digital, IT, business and professional services talent. The team at Nakama seek to develop their relationships and networks to ensure the Group obtains the best available positions for such talent, whilst ensuring that the skills and personalities of its staff are compatible with the need of its clients.

Nakama Group plc was created in October 2011 through the acquisition of Nakama Ltd UK and its subsidiaries in Hong Kong, Singapore and Sydney by AIM listed Highams Systems Services Group plc.

The onset of COVID 19 has had an immediate impact on the group and has seen our trading decline accordingly. As a business we took immediate and decisive action which saw us take advantage of the various government support schemes. We immediately implemented a working from home strategy and reduced our cost base in line with our reduced levels of trading.

In the UK the proposed changes to IR35 (since revised) also had a big impact on our contractor business and the deferral of these changes came too late. As a result, our UK contractor business declined.

2020 has been an incredibly challenging year, however, I am very proud of the way we have met these challenges and continued to trade. We have recently announced a sale of our trading businesses to Sanderson Group as it has become increasingly clear that without an injection of capital the Group may not be able to continue to trade.  Further details of the proposed disposal are set out in a circular sent to shareholders on 10 December 2020.  Should the proposed disposal, which is subject to shareholder approval, proceed the Company will become an AIM Rule 15 cash shell. As such, the Company , will either be required to make an acquisition or acquisitions constituting a reverse takeover under AIM Rule 14 on or before the date falling six months from the date of becoming a cash shell or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million) failing which, Nakama's Shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Admission to trading on AIM would be cancelled six months from the date of any suspension should the suspension not have been lifted beforehand.

Robert Thesiger

Chief Executive Officer

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** |  | | |  | |  | |  | |  | | |  | | |  | |  | | | |
| **For the six months to**  **30 September 2020** | |  |  | | **6 Months to** | | |  | 6 Months to | | | | |  | Year ended | | | | |  | |
|  | |  |  | | **30 Sep 20** | | |  | 30 Sep 19 | | | | |  | 31 Mar 20 | | | | |  | |
|  | |  |  | | **Unaudited** | | |  | Unaudited | | | | |  | Audited | | | | |  | |
|  | |  |  | | **£'000** | | |  | £'000 | | | | |  | £'000 | | | | |  | |
|  | |  |  | |  | | |  |  | | | | |  |  | | | | |  | |
| Revenue | |  |  | | **3,139** | | |  | 4,767 | | | | |  | 9,719 | | | | |  | |
| Cost of sales | |  |  | | **(2,307)** | | |  | (3,237) | | | | |  | (6,805) | | | | |  | |
| **Net Fee Income** | |  |  | | **832** | | |  | 1,530 | | | | |  | 2,914 | | | | |  | |
|  | |  |  | | ***27%*** | | |  | *32%* | | | | |  | *31%* | | | | |  | |
| Administrative cost | |  |  | | **(928)** | | |  | (1,503) | | | | |  | (3,125) | | | | |  | |
| **Operating profit** | |  |  | | **(96)** | | |  | 27 | | | | |  | (211) | | | | |  | |
| Finance costs | |  |  | | **(3)** | | |  | (7) | | | | |  | (14) | | | | |  | |
| Exceptional item | |  |  | | **-** | | |  | - | | | | |  | 82 | | | | |  | |
| **Profit on ordinary activities before taxation** | |  |  | | **(99)** | | |  | 20 | | | | |  | (143) | | | | |  | |
| Tax expense | |  |  | | **-** | | |  | (8) | | | | |  | (8) | | | | |  | |
| Profit for the period attributable to equity shareholders | |  |  | | **(99)** | | |  | 12 | | | | |  | (151) | | | | |  | |
|  | |  |  | |  | |  | | | |  |  | | |  | |  | | | | |
| **(Loss)/Profit per share** | |  |  | |  | |  | | | |  |  | | |  | |  | | | | |
| Basic and diluted profit per share from continuing operations |  | | | **(0.08) p** | | | |  | 0.01 p | | | |  | | (0.13) p | | | |  | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE** | | |  |  |  |  |  |  |
| **For the six months to 30 September 2020** |  |  | **6 Months to 30 Sep 20** |  | 6 Months to  30 Sep 19 |  | Year ended 31 Mar 20 |  |
|  |  |  | **Unaudited** |  | Unaudited |  | Audited |  |
|  |  |  | **£'000** |  | £'000 |  | £'000 |  |
|  |  |  |  |  |  |  |  |  |
| Profit for the period |  |  | **(99)** |  | 12 |  | (151) |  |
| Foreign currency translation difference |  |  | **(2)** |  | (6) |  | 36 |  |
| **Total recognised income and expense for the period attributable to equity shareholders** |  |  | **(101)** |  | 6 |  | (115) |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** | | |  | |  | |  |  |  |  |
| **As at 30 September 2020** | |  |  | |  | |  |  |  |  |
|  | | **Share capital** | **Share premium** | | **Merger reserve** | | **Employee share benefit reserve** |  |  | **Total equity** |
| **Currency reserve** | **Retained earnings** |
|  | | **£'000** | **£'000** | | **£'000** | | **£'000** | **£'000** | **£'000** | **£'000** |
|  | |  |  | |  | |  |  |  |  |
| At 1 April 2019 | | 1,602 | 2,580 | | 90 | | (61) | 5 | (4,014) | 202 |
|  | |  |  | |  | |  |  |  |  |
| Profit for the year | | - | - | | - | | - | - | (151) | (151) |
| Other comprehensive Loss | | - | - | | - | | - | 36 | - | 36 |
| Total Comprehensive loss for the year | | - | - | | - | | - | 36 | (151) | (115) |
| **At 31 March 2020** | | **1,602** | **2,580** | | **90** | | **(61)** | **41** | **(4,165)** | **87** |
| At 1 April 2019 | | 1,602 | 2,580 | | 90 | | (61) | 5 | (4,014) | 202 |
|  | |  |  | |  | |  |  |  |  |
| Profit for the year | | - | - | | - | | - | - | 12 | 12 |
| Other comprehensive Loss | | - | - | | - | | - | (6) | - | (6) |
| Total Comprehensive loss for the year | | - | - | | - | | - | (1) | 12 | 6 |
| **At 30 Sept 2019** | | **1,602** | **2,580** | | **90** | | **(61)** | **41** | (4,002) | 208 |
|  | |  |  | |  | |  |  |  |  |
| **At 1 April 2020** | | **1,602** | **2,580** | | **90** | | **(61)** | **41** | **(4,165)** | **87** |
|  | |  |  | |  | |  |  |  |  |
| **Profit for the six months** | | - | - | | - | | - | **-** | **(99)** | **(99)** |
| **Other comprehensive Income** | | - | - | | - | | - | **2** | **-** | **2** |
| **Total Comprehensive profit for the 6 months** | | - | - | | - | | - | **2** | **(99)** | **(97)** |
| **At 30 September 2020** | | **1,602** | **2,580** | | **90** | | **(61)** | **43** | **(4,264)** | **(9)** |
| **Consolidated balance sheet** |  | | |  | |  | |
| **As at 30 September 2020** |  | | |  | |  | |
|  |  | | |  | |  | |
|  | **30 Sep 2020** | | | 30 Sep 2019 | | 31 Mar 2020 | |
|  | **Unaudited** | | | Unaudited | | Audited | |
|  | **£'000** | | | £'000 | | £'000 | |
| **Assets** |  | | |  | |  | |
| **Non-current Assets** |  | | |  | |  | |
| Property, plant and equipment | **13** | | | 17 | | 13 | |
| Deferred Tax asset | **18** | | | 18 | | 18 | |
| Total | **31** | | | 35 | | 31 | |
|  |  | | |  | |  | |
| **Current assets** |  | | |  | |  | |
| Trade and other receivables | **771** | | | 1,677 | | 1,497 | |
| Cash and cash equivalents | **253** | | | 8 | | 190 | |
|  |  | | |  | |  | |
| Total | **1,024** | | | 1,685 | | 1,687 | |
| **Total assets** | **1,055** | | | 1,720 | | 1,718 | |
|  |  | | |  | |  | |
| **Liabilities** |  | | |  | |  | |
| **Current Liabilities** |  | | |  | |  | |
| Trade and other payables | **(770)** | | | (991) | | (830) | |
| Borrowings | **(294)** | | | (521) | | (801) | |
| Total | **(1,064)** | | | (1,512) | | (1,631) | |
| **Net assets** | **(9)** | | | 208 | | 87 | |
|  |  | | |  | |  | |
|  |  | | |  | |  | |
| **Equity** |  | | |  | |  | |
| Ordinary shares | **1,602** | | | 1,602 | | 1,602 | |
| Share premium | **2,580** | | | 2,580 | | 2,580 | |
| Merger reserve | **90** | | | 90 | | 90 | |
| Employee share benefit trust reserve | **(61)** | | | (61) | | (61) | |
| Currency reserve | **43** | | | 12 | | 41 | |
| Retained earnings | **(4,264)** | | | (4,015) | | (4,165) | |
| **Total equity** | **(9)** | | | 208 | | 87 | |

|  |  |  |  |
| --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF CASH FLOWS** |  |  |  |
| **to 30 September 2020** |  |  |  |
|  |  |  |  |
|  | **6 months to**  **30 Sep 2020**  **Unaudited** | 6 months to  30 Sep 2019  Unaudited | Year ended  31 Mar 2020  Audited |
|  | **£'000** | £'000 | £'000 |
| **Cash flows from operating activities** |  |  |  |
| (Loss)/profit before taxation | **(99)** | 20 | (143) |
| Depreciation of property, plant and equipment | **2** | 4 | 8 |
| Net finance costs | **3** | 7 | 14 |
| Tax credit/(paid) | **-** | (8) | (8) |
| Decrease/(Increase) in trade and other receivables | **726** | (78) | 102 |
| Decrease in trade and other payables | **(57)** | (160) | (321) |
| **Net cash generated by operating activities** | **575** | (215) | (129) |
| **Cash flows from investing activities** |  |  |  |
| Purchase of property plant and equipment | **-** | (13) | (13) |
| **Net cash outflow from investing activities** | **-** | (13) | (13) |
| **Financing activities** |  |  |  |
| (Decrease)/Increase in borrowings | **(507)** | 83 | 363 |
| Finance cost paid | **(3)** | (7) | (14) |
| **Net cash outflow from financing activities** | **(510)** | 76 | 349 |
| Net changes in cash and cash equivalents | **65** | (152) | (12) |
| Cash and cash equivalents, beginning of year | **190** | 166 | 166 |
| Effect of foreign exchange rate movements | **(2)** | (6) | 36 |
| **Cash and cash equivalents at end of period** | **253** | 8 | 190 |

**Notes to the Interim Report**

**1. Basis of Preparation**

This unaudited consolidated interim financial information has been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU.  It does not constitute the Group's statutory financial statements for those periods. The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ending 31 March 2021. The comparative financial information for the half year ended 30 September 2019 has not been audited.

A copy of the full year audited statutory financial statements for the year ended 31 March 2020 has been finalised and is due to be delivered to the Registrar of Companies in advance of the reporting deadline. The auditors' report on those accounts was unqualified, with a Material Uncertainty Related to Going Concern paragraph and did not contain a statement under Section 498(2) or Section 498(3) Companies Act 2006.

AIM-quoted companies are not required to comply with IAS34 'Interim Financial Reporting' and the Company has taken advantage of this exemption.

The financial information in the Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

**2. Going concern**

The directors have recently announced the sale of the Group's trading businesses to Sanderson Group as it has become increasingly clear that without an injection of capital the Group may not be able to continue to trade. Further details of the proposed sale are set out in a circular sent to shareholders on 10 December 2020.  Should the proposed sale proceed, which is subject to shareholder approval, the Company will become an AIM Rule 15 cash shell. As such, the Company will either be required to make an acquisition or acquisitions constituting a reverse takeover under AIM Rule 14 on or before the date falling six months from the date of becoming a cash shell or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million) failing which, the Ordinary Shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Admission to trading on AIM would be cancelled six months from the date of any suspension should the suspension not have been lifted beforehand.

Should the sale of the trading businesses not proceed, the directors believe that without additional funding and a material improvement in market conditions it will not be possible to grow the trading businesses further or to maintain the Group as a going concern. Should the sale of the Trading Businesses not proceed, the Directors believe they will be forced to take steps to protect the interests of the Group's creditors. However, the directors are confident that the proposed sale will proceed and subsequently the Company will make an acquisition and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

**3. Earnings per share**

Basic earnings per share are calculated by dividing the profit for the Period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share takes into account the potentially diluting effect of share options.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **6 months to**  **30 Sep 2020**  **Unaudited** | 6 months to  30 Sep 2019  Unaudited | Year ended  31 Mar 2020  Audited |
|  | **£'000** | £'000 | £'000 |
| **Earnings** |  |  |  |
| Net (loss) attributable to equity shareholders | **(99)** | 12 |  |
|  |  |  |  |
| **Number of shares** | **Number '000** | Number '000 | Number '000 |
| Weighted average number of ordinary shares | **177,791** | 177,791 | 177,791 |
|  |  |  |  |
| **Earnings per share** | **p** | p | p |
| Basic | **(0.08)** | 0.01 | (0.13) |
| **Diluted effect of shares options**  Weighted average number of ordinary shares for the purposes of dilutive earnings per shares | **Number '000**  **2,235** | Number '000  2,235 | Number '000  2,235 |
|  |  |  |  |
| **Diluted earnings per share \***  Diluted | **p**  **-** | p  0.01 | p  - |

\* No diluted earnings per share is shown where the effect would be anti-dilutive.

**4. Segmental Analysis**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The Group has 2 main reportable segments based on the location from which revenue is derived: | | | | | |  |  |  |  | |
| Asia Pacific - This segment includes Hong Kong and Singapore. | | | | |  |  |  |  |  | |
| UK - The segment includes candidates placed in the UK. | | | | |  |  |  |  |  | |
| These segments are monitored by the board of directors. | |  |  | |  |  |  |  |  | |
|  |  |  |  | |  |  |  |  |  | |
| **Factors that management used to identify the Group's reportable segments** | | | | |  |  |  |  |  | |
|  |  |  |  | |  |  |  |  |  | |
| The Group's reportable segments are strategic business units that, although supplying very similar service offering, operate in distinct markets and are therefore managed on a day to day basis by separate teams. | | | |  | | | | | | |
|  |  |  |  | |  |  |  |  |  |  |
| **Measurement of operating segment profit or loss, assets and liabilities** | | |  | |  |  |  |  |  |  |
|  |  |  |  | |  |  |  |  |  |  |
| The Group evaluates performance on the basis of profit or loss from operations before tax, head office costs and amortisation. | | | |  | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |

  The Board does not review assets and liabilities by segment.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Asia Pacific** | **UK** | **Total** |
|  | **30 Sep 2020** | **30 Sep 2020** | **30 Sep 2020** |
|  | **£'000** | **£'000** | **£'000** |
|  |  |  |  |
| Revenue from external customers | **415** | **2,724** | **3,139** |
| Segment loss before tax | **(211)** | **112** | **(99)** |
|  |  |  |  |
|  |  |  |  |
|  | Asia Pacific | UK | Total |
|  | 30 Sept 19 | 30 Sept 19 | 30 Sept 19 |
|  | £'000 | £'000 | £'000 |
|  |  |  |  |
| Revenue from external customers | 884 | 3,883 | 4,767 |
| Segment profit/(loss) before tax | (3) | 15 | 12 |
|  |  |  |  |
|  |  |  |  |
|  | Asia Pacific | UK | Total |
|  | 31 Mar 20 | 31 Mar 20 | 31 Mar 20 |
|  | £'000 | £'000 | £'000 |
|  |  |  |  |
| Revenue from external customers | 1,626 | 8,093 | 9,719 |
| Segment profit/(loss) before tax | 100 | 74 | 174 |

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