

13 December 2019



**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 2019.

**Highlights**

- Progress made towards gaining financial stability and winning new business by leveraging client relationships
- Progress made to making the business more stable, particularly from a personnel perspective
- Net fee income ("NFI") of £1.5 million (2018: £2.7 million; \*Adjusted: £2.2 million)
- Permanent placement revenues of £1.0 million (2018: £1.7 million; \*Adjusted £1.4 million)
- Contractor revenues were £3.7 million (2018: £6.3 million; \*Adjusted £5.6 million)
- Overall headcount reduced by 30% to 40, reducing the Company's cost base
- H1 performance was a significant reduction on H1 2018, however a marked improvement on H2 2018
- Profit before tax of £20,000 (2018: profit of £186,000; \*Adjusted £223,000)
- Challenges ahead due to the Group's tight cash position, caused primarily by debtor collection issues in Hong Kong
- The Board are considering restructuring options

\*Adjusted figures exclude discontinued operations of Nakama Melbourne and Nakama Sydney

**Robert Thesiger, Chief Executive Officer of Nakama Group, commented:** "The first half of 2019/20 has seen numerous challenges across the Group. However, I am encouraged with the results and resultant relative stability that the business is now displaying compared to H2 2018."

**Enquiries:**

|   |  |
|---|--|
| <b>Nakama Group plc</b>                                     | <a href="http://www.nakamaglobal.com">www.nakamaglobal.com</a>     |
| Robert Thesiger, Chief Executive Officer                    | 00 44 18 8334 1144   |
| Tim Sheffield, Chairman                                     | 00 44 20 7236 2400   |
| <b>Allenby Capital Limited</b> (Nominated Adviser & Broker) | <a href="http://www.allenbycapital.com">www.allenbycapital.com</a> |
| Nick Naylor / Nicholas Chambers                             | 00 44 20 3328 5656   |

**About Nakama Group plc:**

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.

### **Chief Executive's review**

The main challenge that the Group inherited from 2018 related to employee engagement and, as a result of several factors, we made some key decisions relating to staff. We have replaced both Managing Directors of our London and Hong Kong offices in the first three months of H1 and furthermore, with the implementation of a robust performance management program, we have seen several staff exit the business due to underperformance. Staff headcount has been somewhat supplemented by the hiring of experienced consultants, particularly in Hong Kong and London and headcount has been further increased with the recruitment of dedicated researchers across the Group. Overall headcount has decreased year on year as we continue to manage the cost base in line with revenues to ensure the business returns to profitability.

The business has seen a marked increase in communication across the Group and this has led to leveraging client relationships across our offices. Furthermore, we have introduced a more regional focus in Asia so that our business units can diversify into new locations and better leverage existing client relationships. We have seen success from this, particularly from our Hong Kong office that has generated revenue both within Japan and Singapore. In addition, our Highams business has been leveraging its relationships for our Nakama London business.

Our Highams business continues to deliver solid results and it is now key that we grow this business into other of the Group's existing locations, specifically Asia. Our Nakama London office has continued to find trading challenging but with a renewed focus on client delivery we have begun to see more stability in recent months.

Overall, the business has seen many challenges in H1 but compared to H2 2018/19, we have gained stability in personnel, greater leverage of our client base and communication between offices and a renewed focus on our core markets.

### **Outlook**

The UK remains a particularly challenging recruitment environment with the general election, BREXIT and proposed changes to IR35 all combining to produce an uncertain outlook for the Group. The political unrest in Hong Kong remains a concern but, as yet, we have not seen this have a material impact on trading.

The Asia region, as a whole, remains highly attractive and future growth of the business will be focussed on developing our Highams brand in to both Hong Kong and Singapore whilst also expanding our Nakama business more regionally. We will continue to manage the business in accordance with driving profitability and shareholder value.

Whilst trading in the first half of the current year has been broadly in line with management's expectations for the year to date, the Group's financial stability has come under increasing pressure as a result of several recent cash squeezes. The primary cause of this is as a result of the political and economic unrest in Hong Kong which has led to unscheduled delays in the Group receiving customer payments. This has had a knock on impact on the Group's cash position.

It is the Board's belief that the Group requires an injection of capital in order for it to continue to implement its short-term growth plans. Discussions in recent months with Nakama's major shareholders have led the Board to conclude that an equity fundraise would be difficult to complete. Consequently, the Board are considering a number of restructuring options to improve the Group's cash position.

The Board will make further announcements in due course.

Robert Thesiger  
Chief Executive Officer

**CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME**  
For the six months to  
30 September 2019

|  | 6 Months to<br>30-Sep-19 | 6 Months to<br>30-Sep-18 | 6 Months to<br>30-Sep-18<br><i>*Adjusted</i> |
|--|--------------------------|--------------------------|--|
|  | £'000                    | £'000                    | £'000  |
| Revenue  | 4,767                    | 8,031                    | 7,010  |
| Cost of sales  | (3,237)                  | (5,366)                  | (4,829)                                      |
| <b>Net Fee Income</b>  | <b>1,530</b>             | <b>2,665</b>             | <b>2,181</b>                                 |
|  | 32%                      | 33%                      | 31%  |
| Administrative cost  | (1,503)                  | (2,454)                  | (1,947)                                      |
| <b>Operating profit</b>  | <b>27</b>                | <b>211</b>               | <b>234</b>                                   |
| Finance costs  | (7)                      | (25)                     | (11)   |
| <b>Profit on ordinary activities before<br/>taxation</b>         | <b>20</b>                | <b>186</b>               | <b>223</b>                                   |
| Tax expense  | (8)                      | -                        | -  |
| Profit for the period attributable to<br>equity shareholders     | <b>12</b>                | <b>186</b>               | <b>223</b>                                   |
| <b>Profit per share</b>  |                          |                          |  |
| Basic and diluted profit per share<br>from continuing operations | <b>0.01 p</b>            | 0.16 p                   | 0.19 p                                       |

*\*Adjusted figures exclude discontinued operations of Nakama Melbourne and Nakama Sydney*

**CONSOLIDATED STATEMENT OF  
RECOGNISED INCOME AND EXPENSE**  
For the six months to 30 September 2019

|   | 6 Months to<br>30-Sep-19 | 6 Months to<br>30-Sep-18 | 6 Months to<br>30-Sep-18<br><i>*Adjusted</i> |
|---|--------------------------|--------------------------|--|
|   | £'000                    | £'000                    | £'000  |
| Profit for the period   | 12                       | 162                      | 223  |
| Foreign currency translation difference   | (6)                      | 24                       | 24   |
| <b>Total recognised income and expense for<br/>the period attributable to equity<br/>shareholders</b> | <b>6</b>                 | <b>186</b>               | <b>247</b>                                   |

*\*Adjusted figures exclude discontinued operations of Nakama Melbourne and Nakama Sydney*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

As at 30 September 2019

|  | Share capital | Share premium | Merger reserve | Employee share benefit reserve | Currency reserve | Retained earnings | Total equity |
|--|---------------|---------------|----------------|--------------------------------|------------------|-------------------|--------------|
|  | £'000         | £'000         | £'000          | £'000                          | £'000            | £'000             | £'000        |
| At 1 April 2018                                    | 1,602         | 2,580         | 90             | (61)                           | (13)             | (4,337)           | (139)        |
| Profit for the year                                |               |               |                |                                |                  | 323               | 323          |
| Other comprehensive Loss                           |               |               |                |                                | 18               |                   | 18           |
| Total Comprehensive loss for the year              |               |               |                |                                | 18               | 323               | 341          |
| <b>At 1 April 2019</b>                             | <b>1,602</b>  | <b>2,580</b>  | <b>90</b>      | <b>(61)</b>                    | <b>5</b>         | <b>(4,014)</b>    | <b>202</b>   |
| <b>Profit for the six months</b>                   |               |               |                |                                |                  | <b>12</b>         | <b>12</b>    |
| <b>Other comprehensive Income</b>                  |               |               |                |                                | <b>(6)</b>       |                   | <b>(6)</b>   |
| <b>Total Comprehensive profit for the 6 months</b> |               |               |                |                                | <b>(6)</b>       | <b>12</b>         | <b>6</b>     |
| <b>At 30 September 2019</b>                        | <b>1,602</b>  | <b>2,580</b>  | <b>90</b>      | <b>(61)</b>                    | <b>(1)</b>       | <b>(4,002)</b>    | <b>208</b>   |

**Consolidated balance sheet**  
**As at 30 September 2019**

|                                      | <b>30 Sep 2019</b> | 31 Mar 2019    |
|--------------------------------------|--------------------|----------------|
|                                      | <b>£'000</b>       | £'000          |
| <b>Assets</b>                        |                    |                |
| <b>Non-current Assets</b>            |                    |                |
| Property, plant and equipment        | 17                 | 8              |
| Deferred Tax asset                   | 18                 | 18             |
| <b>Total</b>                         | <b>35</b>          | <b>26</b>      |
| <b>Current assets</b>                |                    |                |
| Trade and other receivables          | 1,677              | 1,599          |
| Cash and cash equivalents            | 8                  | 166            |
| <b>Total</b>                         | <b>1,685</b>       | <b>1,765</b>   |
| <b>Total assets</b>                  | <b>1,720</b>       | <b>1,791</b>   |
| <b>Liabilities</b>                   |                    |                |
| <b>Current Liabilities</b>           |                    |                |
| Trade and other payables             | (991)              | (1,151)        |
| Borrowings                           | (521)              | (438)          |
| <b>Total</b>                         | <b>(1,512)</b>     | <b>(1,589)</b> |
| <b>Net assets</b>                    | <b>208</b>         | <b>202</b>     |
| <b>Equity</b>                        |                    |                |
| Ordinary shares                      | 1,602              | 1,602          |
| Share premium                        | 2,580              | 2,580          |
| Merger reserve                       | 90                 | 90             |
| Employee share benefit trust reserve | (61)               | (61)           |
| Currency reserve                     | 12                 | 18             |
| Retained earnings                    | (4,015)            | (4,027)        |
| <b>Total equity</b>                  | <b>208</b>         | <b>202</b>     |

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**to 30 September 2019**

|  | <b>6 months to<br/>30 Sep 2019</b> | 6 months to<br>30 Sep 2018 |
|--|------------------------------------|----------------------------|
|  | <b>£'000</b>                       | £'000                      |
| <b>Cash flows from operating activities</b>        |                                    |                            |
| Profit before taxation                             | <b>20</b>                          | 186                        |
| Depreciation of property, plant and equipment      | <b>4</b>                           | 18                         |
| Net finance costs                                  | <b>7</b>                           | 25                         |
| Tax credit/(paid)                                  | <b>(8)</b>                         | -                          |
| (Increase)/Decrease in trade and other receivables | <b>(78)</b>                        | 483                        |
| Decrease in trade and other payables               | <b>(160)</b>                       | (154)                      |
| <b>Net cash generated by operating activities</b>  | <b>(215)</b>                       | 558                        |
| <b>Cash flows from investing activities</b>        |                                    |                            |
| Purchase of property plant and equipment           | <b>(13)</b>                        | -                          |
| <b>Net cash outflow from investing activities</b>  | <b>(13)</b>                        | -                          |
| <b>Financing activities</b>                        |                                    |                            |
| Increase/(Decrease) in borrowings                  | <b>83</b>                          | (546)                      |
| Finance cost paid                                  | <b>(7)</b>                         | (25)                       |
| <b>Net cash outflow from financing activities</b>  | <b>76</b>                          | (571)                      |
| Net changes in cash and cash equivalents           | <b>(152)</b>                       | (13)                       |
| Cash and cash equivalents, beginning of year       | <b>166</b>                         | 141                        |
| Effect of foreign exchange rate movements          | <b>(6)</b>                         | 55                         |
| <b>Cash and cash equivalents at end of period</b>  | <b>8</b>                           | 183                        |

## Notes to the Interim Report

### 1. Basis of Preparation

This unaudited consolidated interim financial information has been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (“FRS100”) and Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). 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 2020. The comparative financial information for the half year ended 30 September 2018 has not been audited. A copy of the full year audited statutory financial statements for the year ending 31 March 2019 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-498(3) of the Companies Act 2006.

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. Earnings per share

|   | 6 months to<br>30 Sep 2019<br>Unaudited |   |                                   | 6 months to<br>30 Sep 2018<br>Unaudited |   |                                   |
|---|---|---|-----------------------------------|---|---|-----------------------------------|
|   | Profit<br><u>£'000</u>                  | Weighted<br>average<br>number of<br>shares<br><u>'000</u> | Earnings<br>per share<br><u>p</u> | Profit<br><u>£'000</u>                  | Weighted<br>Average<br>number of<br>shares<br><u>'000</u> | Earnings<br>per share<br><u>p</u> |
| <b>Basic and diluted<br/>earnings per share</b> | 12                                      | 117,791   | 0.01                              | 186                                     | 117,791   | 0.16                              |

### 3. 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, Singapore and Australia.  
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.

|                                  | <b>Asia Pacific</b><br><b>30 Sep 2019</b><br><b>£'000</b> | <b>UK</b><br><b>30 Sep 2019</b><br><b>£'000</b> | <b>Total</b><br><b>30 Sep 2019</b><br><b>£'000</b> |
|----------------------------------|---|---|--|
| Revenue from external customers  | <b>884</b>  | <b>3,883</b>                                    | <b>4,767</b>                                       |
| Segment profit/(loss) before tax | <b>(3)</b>  | <b>15</b>                                       | <b>12</b>  |

|                                 | Asia Pacific<br>30 Sept 18<br>£'000 | UK<br>30 Sept 18<br>£'000 | Total<br>30 Sept 18<br>£'000 |
|---------------------------------|-------------------------------------|---------------------------|------------------------------|
| Revenue from external customers | 2,239                               | 5,792                     | 8,031                        |
| Segment profit before tax       | 190                                 | 37                        | 227                          |

|                                 | Asia Pacific<br>30 Sept 18<br><i>*Adjusted</i><br>£'000 | UK<br>30 Sept 18<br><i>*Adjusted</i><br>£'000 | Total<br>30 Sept 18<br><i>*Adjusted</i><br>£'000 |
|---------------------------------|---|---|--|
| Revenue from external customers | 1,227   | 5,792   | 7,019  |
| Segment profit before tax       | 229   | 37  | 266  |

*\*Adjusted figures exclude discontinued operations of Nakama Melbourne and Nakama Sydney*