



28 November 2017

Nakama Group plc (AIM: NAK)

("Nakama" or the "Group")

Half-Year Report

Nakama Group plc, the AIM quoted recruitment consultancy working across UK, Europe, Asia, North America and Australia providing recruitment and related services for the web, interactive, digital media, IT and business change sectors, announces its half year report for the six months ended 30 September 2017.

Highlights

- Net fee income ("NFI") of £2.7 million (2016: £2.9 million)
- Permanent placement revenue increased by 11 per cent to £1.7 million (2016: £1.5 million)
- Contractor revenue decreased by 30% to £6.5 million (2016: £9.2 million)
- Loss before tax £437,000 (2016: loss £63,000)

Angus Watson, CFO and interim CEO of Nakama, commented:

"The results for the first six months are disappointing and it has taken longer than expected to see the benefits from the changes to the business that have taken place in past months. The restructuring of the Group though is now almost complete and we are in a better position going forward and are able to feel more confident about the future.

"In June 2017, we announced the substantial investment by Sheffield Haworth into the share capital of the Group. Collaboration with Sheffield Haworth is continuing to develop and beginning to unlock opportunities that were formerly closed to us. In addition, we continue to concentrate our efforts on mitigating any slowdown in contractor revenue with a focus on tighter cost control, higher margin work and an increase in permanent placement revenues. To this end, we are therefore optimistic of a better second half and of being able to report a turnaround in the results."

-ENDS-

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NOTES TO EDITORS

About Nakama Group plc

Nakama Group plc is the AIM-quoted recruitment consultancy which places people into specialist and management positions; the Nakama businesses operate in the digital, data analytics, creative, media, marketing and technology sectors all over the world from offices in the UK, Asia, US and Australia. The UK also specialises in the financial services sector, specifically business change and IT, for the insurance and investment management sectors.

The Group's speciality is finding excellent career opportunities and assignments for senior digital, IT, business and professional services talent. Nakama staff seek to consistently 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 needs of its clients.

Nakama staff work hard to develop and maintain long-term relationships with their clients, contractors and applicants. To do this, the Group focuses on the development and retention of experienced staff to ensure they are among the most knowledgeable in the industry, both in terms of recruitment best practice and for the niche markets in which the Company operates.

CHIEF EXECUTIVE OFFICER'S STATEMENT

I present the unaudited results of Nakama Group plc for the first six months to 30 September 2017. The first half year showed a loss before tax of £437,000 (2016: loss £63,000) on turnover of £8.25 million (2016: £10.86 million).

Financial results

The Group revenue of £8.25 million shows a decrease of 24 per cent from the prior period. This decrease was entirely due to a reduction in contractor revenues. In APAC, performance was impacted following a large contract coming to an end and in the UK, we experienced a softer contracting market as technology has reduced the need for multiple contractors. Permanent revenue however of £1.75 million was up substantially by 11 per cent from the £1.58 million achieved last year and our efforts to grow this permanent placement side of our business have been largely successful, as we sought to close the gap caused by a softening in the contracting market.

Segmental analysis shows that revenue in the APAC region of £3.05 million dropped by £1.24 million, representing a 28.9 per cent fall on the £4.3 million revenue achieved last year. This impact was almost entirely due to the cancellation of a contract that was starting to become uneconomic to the Sydney business and as a result, the APAC business moved from a local profit of £139,999 in 2016 to a loss of £257,000 for this year.

Net Fee Income ("NFI") for the first six months was £2.72 million compared to £2.89 million last year. The reduction in contractor revenue was mitigated somewhat by higher margin work and an increase in permanent placement revenues.

Administrative costs for the Group increased 7 per cent from £2.93 million last year to £3.13 million. £0.1m of the increase related to an adverse foreign exchange variance.

Our markets

Market conditions in the period became softer for some of our APAC businesses. This has been addressed by a focus on new service lines within APAC and in the other business units. The Highams business in the UK and the Hong Kong businesses continue to perform well.

Board changes

On 13 September 2017, we announced the resignation of the CEO, Rob Sheffield, with immediate effect. Rob was a founding partner of Nakama and had been CEO since August 2015. The Board has asked me to act as interim CEO. I have since conducted a review of the operating divisions and their markets and have identified a number of areas where we could improve performance and to that end, I have implemented a process of change.

Outlook

After a period of reorganisation, we are now in a better position going forward and feel more confident about the future. On 26 June 2017, we announced the acquisition by Sheffield Haworth of 24.1% of the issued share capital of the Group. Collaboration with Sheffield Haworth is continuing to develop and is unlocking markets that were formerly

closed to us. Tim Sheffield (no relation) has joined the Board as a non-executive director and is helping us to re-establish the long-term potential of Nakama. In addition, we continue to concentrate our efforts on mitigating any slowdown in contractor revenue with a focus on higher margin work and an increase in permanent placement revenues. To this end, we are therefore optimistic of a better second half and of being able to report a turnaround in the results.

Angus Watson

CFO and interim CEO

28th November 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to 30 September 2017

	6 Months to 30 Sep 2017 Unaudited £'000	6 Months to 30 Sep 2016 Unaudited £'000	12 Months to 31 Mar 2017 Audited £'000
Revenue	8,255	10,864	22,519
Cost of sales	(5,538)	(7,968)	(16,326)
Net Fee Income	2,717	2,896	6,193
Administrative costs	(3,135)	(2,930)	(6,404)
Operating (loss)/profit	(418)	(34)	(211)
Net finance cost	(19)	(29)	(59)
Profit/(loss) on ordinary activities before taxation	(437)	(63)	(270)
Tax expense/credit	(0)	(0)	(82)
Loss for the period attributable to equity shareholders	(437)	(63)	(352)
Loss per share			
Basic and diluted profit per share from continuing operations	(0.36)p	(0.05)p	(0.25)p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months to 30 September 2017

	6 Months to 30 Sep 2017 £'000	6 Months to 30 Sep 2016 £'000	12 Months to 30 Mar 2017 £'000
Loss/(profit) for the period	(437)	(63)	(352)
Exchange gains/(losses) arising on translation of foreign operations	(107)	(87)	(30)
Total recognised income and expense for the period attributable to equity shareholders	(544)	(150)	(382)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Currency reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016							
Comprehensive income for the year	1,602	2,580	90	(61)	56	(2,471)	1,796
Loss for the year						(352)	(352)
Other comprehensive income					(30)		(30)
Total comprehensive loss for the year					(30)	(352)	(382)
At 1 April 2017							
Comprehensive income for the year	1,602	2,580	90	(61)	26	(2,823)	1,414
Loss for the period						(437)	(437)
Other comprehensive income					(107)		(107)
Total comprehensive loss for the period					(107)	(437)	(544)
At 30 September 2017	1,602	2,580	90	(61)	(81)	(3,260)	870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	6 months to 30 Sep 2017 Unaudited	6 months to 30 Sep 2016 Unaudited	12 months to 31 Mar 2017 Audited
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	0	114	37
Property, plant and equipment	62	100	86
Goodwill	487	487	487
Deferred tax asset	85	108	84
Total	634	809	694
Current assets			
Trade and other receivables	2,816	3,917	3,885
Cash and cash equivalents	236	383	259
Total	3,052	4,300	4,144
Total assets	3,686	5,109	4,838
Current liabilities			
Trade and other payables	(1,816)	(2,170)	(1,953)
Borrowings	(1,000)	(1,293)	(1,471)
Total current liabilities	(2,816)	(3,463)	(3,424)
Net assets	870	1,646	1,414
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	(60)	(61)	(61)
Currency reserve	(81)	(31)	26
Retained earnings	(3,260)	(2,534)	(2,823)
Total equity	870	1,646	1,414

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 September 2017

	6 months to 30 Sep 2017 Unaudited	6 months to 31 Sep 2017 Audited	12 months to 31 Mar 2016 Audited
	£'000	£'000	£'000
Cash flows from operating activities			
Profit before taxation	(437)	(63)	(270)
Depreciation of property, plant and equipment	33	16	80
Amortisation of intangible assets	37	79	156
Net finance costs	19	29	59
Tax paid	0	-	(1)
Foreign exchange	(107)	(87)	(127)
Changes in trade and other receivables	1,068	(503)	(445)
Change in trade and other payables	(137)	322	105
Net cash generated in operating activities	476	(207)	(443)
Cash flows from investing activities			
Purchase of property plant and equipment	(9)	(9)	(45)
Net cash generated in investing activities	(9)	(9)	(45)
Financing activities			
Increase/(decrease) in borrowings	(471)	46	224
Finance cost paid	(19)	(29)	(59)
Net cash from financing activities	(490)	17	165
Net changes in cash and cash equivalents	(23)	(199)	(323)
Cash and cash equivalents, beginning of year	259	582	582
Cash and cash equivalents at end of period	236	383	259

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

Cash and cash equivalents	236	383	259
Bank overdrafts	0	0	0
	236	383	259

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”). September 2017 is unaudited and 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 2018. The comparative financial information for the full year ended 31 March 2017 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements 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. Loss per share

	6 months to 30 Sep 2017 Unaudited			6 months to 30 Sep 2016 Unaudited			12 Months to 31 March 2017Audited		
	Loss <u>£'000</u>	Weighted average number of shares '000	Loss per share p	Loss <u>£'000</u>	Weighted Average number of shares '000	Loss per share p	Loss <u>£'000</u>	Weighted average number of shares '000	Loss per share p
Basic and diluted loss per share	(437)	117,791	(0.36)	(63)	117,791	(0.05)	(296)	117,791	(0.25)

3. Segmental Analysis

The Group has three main reportable segments based on the location from which revenue is derived:

Asia Pacific – This segment includes Australia, Hong Kong and Singapore.

UK - The UK Segment includes candidates placed in the UK.

USA –This consist of the New York operation.

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 offerings, 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 30 Sep 17 £'000	UK 30 Sep 17 £'000	USA 30 Sep 17 £'000	Total 30 Sep 17 £'000
Revenue from external customers	3,055	5,196	4	8,255
Segment loss before tax	(257)	(28)	(32)	(317)

	Asia Pacific 30 Sep 16 £'000	UK 30 Sep 16 £'000	USA 30 Sep 16 £'000	Total 30 Sep 16 £'000
Revenue from external customers	4,297	6,533	34	10,864
Segment profit/(loss) before tax	139	(12)	(54)	73

Reconciliation of reportable segment profit/(loss) to the Group's corresponding amounts:

	30 Sep 17 £'000	30 Sep 16 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	(317)	73
PLC costs not cross charged (restated)	(37)	(30)
Amortisation of intangibles	(83)	(106)
Loss before income tax expense	(437)	(63)
Corporation taxes	-	-
Loss after income tax expense	(437)	(63)

