



4 August 2017

Nakama Group PLC (AIM: NAK)

("Nakama" or "the Group")

"The AIM quoted recruitment consultancy working across the UK, Europe, Asia, USA and Australia providing staff for the Web, Interactive, Digital Media sectors, IT and Business Change"

Preliminary Results

For the year ended 31 March 2017

Highlights

- Group revenue increased by 7 per cent. to £22.5m (2016: £21.0m)
- Net fee income improved by 8 per cent. to £6.19m (2016: £5.73m)
- Net fee income percentage increased to 27.5 per cent. (2016: 27.3 per cent.)
- Revenue across the APAC region increased by 27 per cent. to £8.82m (2016: £6.92m)
- Loss for the year of £270,000 (2016: breakeven)

Rob Sheffield, CEO of Nakama, commented:

"As we advised on 20 June, we had been expecting a stronger second half performance, however fluctuations in headcount that we had seen in the first half and inconsistency in some of the global markets of our businesses meant that it regrettably took longer than expected to correct and the knock-on effect led to a slower than anticipated recovery, as reflected in the results. The business has benefitted from the infrastructure improvements over the past 12 months and we have seen improvements in efficiency of operations. The business will continue to invest in improving and increasing the consistency and output of its sales staff globally and ensuring that cost savings and improvements are implemented through the use of technology."

"From a wider perspective, however and whilst organic growth in the short to medium term will serve the business well for it to meet long-term objectives, we will and have continued our efforts to identify suitable businesses to join the Group, so as to enhance profitability, add new service lines and expand into new geographies. This includes identifying businesses within the staffing and technology space that provide the use of technology platforms and Human Capital services".

"Trading in the first two months of the current financial year is ahead of the same period last year. Whilst the market sectors in which Nakama operates are in high demand, the business needs stable local economies in the current trading locations, stability in current staff numbers and the continued hiring of new sales staff, to deliver against less specialised, but much larger competitors. The Board looks to 2018 as a year in which the Group will continue to grow organically in terms of net fee income and profit, whilst reviewing other options to build scale in its core markets".

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NOTES TO EDITORS

About Nakama Group plc

Nakama Group plc is the AIM-listed recruitment consultancy of two branded solutions placing people into specialist and management positions; the Nakama businesses operate in the digital, creative, media, marketing and technology sectors all over the world from offices in the UK, USA, Asia and Australia. The UK also specialises in the Financial Services sector, specifically Business Change and IT in Insurance and Investment Management currently in the UK. At Nakama, we're in the business of people solutions & consultancy and our vision is to be the best people business on the planet.

Our speciality is finding excellent career opportunities and assignments for senior digital, IT, business and professional services talent. We are constantly developing our relationships and networks to ensure we obtain the best available positions for such talent, whilst ensuring that their skills and personalities are compatible with the needs of our clients.

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

CHAIRMAN'S STATEMENT

Financial results

Group revenue for the year ended 31 March 2017 increased by 7 per cent. to £22.5m (2016: £21.0m) whereas Net Fee Income ("NFI") improved on the prior year by 8 per cent to £6.19m (2016: £5.73m). The results over the past year have seen lower than expected performance at a Group level. The investment in staff training and development and the introduction of a new CRM system will enhance the results going forward, but had a direct effect on the Group results to March 2017.

Whilst organic growth in the short to medium term will serve the business well for the business to meet our long-term objectives, the Board also continues to

focus on identifying suitable businesses to join the Group to enhance profitability, add new service lines and expand into new geographies.

Strategy

Nakama Group's strategy has continued to concentrate on providing staffing solutions with two highly specialised businesses: Nakama, within the digital, creative, media, marketing and technology sectors and the UK business within the financial services sector. The approach focuses on delivering a local, regional and global solution. The business continues to maintain this as fundamental, but will look to broaden the service offerings across the Group with an emphasis on providing digital solutions to clients across recruitment, outsourcing, on site and consultancy through the use of technology. It is the strategy of the Board and management team to be a leading international specialist within staffing, delivering a quality service to our customers and candidates, whilst creating a sustainable business for the long-term benefit of all stakeholders.

The management team has stabilised over the past year and is now in a position to focus on delivering value to clients and shareholders going forward. We continue to look to recruit further excellent, driven individuals to meet our client and candidate needs.

There are currently no new offices planned for the next financial year as the Board intends to concentrate on improving the performance of the current operations.

Executives and staff

The Group retains a strong team of very knowledgeable and long-serving staff and we look forward to continuing to build the Nakama Group. The Board would like to acknowledge the loyalty and commitment of all the staff to the Group and we are extremely grateful for their efforts. Again, we extend a very warm welcome to all new members of the team.

Outlook

Trading in the first two months of the current financial year is ahead of the same period last year. Whilst the market sectors in which Nakama operates are in high demand, the business needs stable local economies in the current trading locations, stability in current staff numbers and the continued hiring of new sales staff to deliver against less specialised, but much larger competitors. The Board looks to 2018 as a year in which the Group will seek to grow organically and review other options to grow, in terms of net fee income and profit.

Ken Ford

Chairman

4 August 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	£'000	£'000
Revenue	22,519	21,043
Cost of sales	(16,326)	(15,304)

Net fee income	6,193	5,739
Administrative costs	(6,404)	(5,702)
Operating (loss)	(211)	37
Finance costs	(59)	(37)
(Loss)/profit before tax	(270)	–
Tax expenses	(82)	(70)
Loss for the period attributable to owners of the parent	(352)	(70)
Loss per share		
Basic and diluted loss per share from continuing operations	(0.25)p	(0.13)p

All of the above relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	£'000	£'000
Loss for the year	(352)	(70)
Items that will or may be reclassified to profit or loss		
Exchange losses on translation of foreign operations	(30)	(9)
Total comprehensive loss for the period attributable to owners of the parent	(382)	(79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

Company number 1700310

	2017	2016
	£'000	£'000
Assets		
Non-current assets		
Intangible assets	524	680
Property, plant and equipment	86	106
Deferred tax asset	84	108
Total	694	894
Current assets		
Trade and other receivables	3,885	3,415
Cash and cash equivalents	259	582
Total	4,144	3,997
Total assets	4,838	4,891
Current Liabilities		
Trade and other payables	(1,953)	(1,848)
Borrowings	(1,471)	(1,247)
Total	(3,424)	(3,095)
Net Assets	1,414	1,796
Equity		
Share capital	1,602	1,602
Share premium account	2,580	2,580
Merger reserve	90	90
Employee share benefit trust reserve	(61)	(61)
Currency reserve	26	56
Retained earnings	(2,823)	(2,471)
Total equity attributable to the shareholders of the Company	1,414	1,796

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 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 2015	1,602	2,580	90	(61)	65	(2,401)	1,875
Loss for the year	–	–	–	–	–	(70)	(70)
Other comprehensive income	–	–	–	–	(9)	–	(9)
Total comprehensive income for 2016	–	–	–	–	(9)	(70)	(79)
At 1 April 2016	1,602	2,580	90	(61)	56	(2,471)	1,796
Comprehensive income for the year							
Loss for the year	–	–	–	–	–	(352)	(352)
Other comprehensive income	–	–	–	–	(30)	–	(30)
Total comprehensive loss for the year	–	–	–	–	(30)	(352)	(382)
At 31 March 2017	1,602	2,580	90	(61)	26	(2,823)	1,414

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Operating activities		
Loss for the year before tax	(270)	–
Depreciation of property, plant and equipment	80	51
Amortisation of intangible assets	156	169
Net finance costs	59	37
Foreign exchange	(127)	(43)
Tax paid	(1)	–
Changes in trade and other receivables	(445)	114
Changes in trade and other payables	105	111
Net cash generated by operating activities	(443)	439
Cash flows from investing activities		
Purchase of property, plant and equipment	(45)	(91)
Net cash generated by investing activities	(45)	(91)
Financing activities		
Increase in invoice discounting facility	224	176
Finance cost paid	(59)	(37)
Net cash from financing activities	165	139
Net changes in cash and cash equivalents	(323)	487
Cash and cash equivalents, beginning of year	582	95
Cash and cash equivalents at end of year	259	582
Cash and cash equivalents for the purpose of the statement of cash flows comprises:		
Cash at bank	259	582
Bank overdrafts	–	–
Cash and cash equivalents at end of year	259	582

Basis of Preparation

The financial information set out above does not constitute the company's statutory accounts for 2017 or 2016. Statutory accounts for the years ended 31 March 2017 and 31 March 2016 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for the years ended 31 March 2017 and 31 March 2016 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2017 will be delivered to the Registrar in due course.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention.

The preparation of Financial Statements in conformity with IFRS require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Copies of the statutory accounts for the year ended 31 March 2017 will be posted to all shareholders. Additional copies will be available from the Company Secretary, Nakama Group plc, Quadrant House, 33/45 Croydon Road, Caterham, Surrey, CR3 6PB and will be available to download from the investor relations section on the Company's website www.nakamagroupplc.com

1. Loss per share

	2017			2016		
	Loss £'000	Weighted average number of shares '000	Loss per share p	Loss £'000	Weighted average number of shares '000	Earnings per share p
Basic and diluted loss per share	(352)	117,791	(0.25)	(70)	117,791	(0.13)

The weighted average number of shares excludes 183,953 (2016: 183,953) shares held by the Employee Share Benefit Trust.

2. Operating segments

Operating segments are reported on a geographical basis.

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

- Asia Pacific—This segment includes Australia, Hong Kong and Singapore.
- UK—The UK segment includes candidates placed in the UK and Europe.
- USA—This start up includes candidates placed in the USA.

These segments are monitored by the Board of Directors and are reported in a manner consistent with the internal reporting provided to them. The Board of Directors are considered to be the chief operating decision makers. All revenue is derived from the supply of recruitment and human resource services.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that, although supplying the same product 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 accounts policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including overhead costs incurred by the head office such as plc AIM related costs not recharged, exceptional items, amortisation and share based payments.

The Board does not review assets and liabilities by segment.

	Asia Pacific 2017 £'000	USA 2017 £'000	UK 2017 £'000	Total 2017 £'000
Revenue from external customers	8,825	79	13,615	22,519
Segment profit/(loss) before income tax	(20)	(78)	42	(56)

The comparisons for 2016:

	Asia Pacific 2016 £'000	USA 2016 £'000	UK 2016 £'000	Total 2016 £'000
Revenue from external customers	6,924	9	14,110	21,043
Segment profit/(loss) before income tax	189	(100)	63	152

Reconciliation of reportable segment profit to the Group's corresponding amounts:

	2017 £'000	2016 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	(56)	152
PLC costs not cross charged	(58)	17
Amortisation of intangibles	(156)	(169)
Share based payments	–	–
(Loss)/profit before income tax expense	(270)	–
Corporation taxes	(82)	(70)
(Loss) after income tax expense	(352)	(70)

The Group makes sales to Europe, Asia, USA and Australasia. All revenue is derived from the provision of services. An analysis of sales revenue by country is given below:

Revenue by country	2017 £'000	2016 £'000
United Kingdom	13,223	13,771
Europe	392	339
Hong Kong	1,121	764
Singapore	630	736
Australia	7,074	5,424
USA	79	9
	22,519	21,043

