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Nakama Group plc (AIM: NAK)

("Nakama" or "the Group")

"The AIM quoted recruitment consultancy working across UK, Europe, Asia and Australia providing staff for the Web, Interactive, IT and Digital media sectors, announces its interim results for the six months ended 30 September 2012".

INTERIM RESULTS

Highlights

- Revenue grew by 81% to £8.64m (2011: £4.78m), primarily reflecting additional revenue following the acquisition of Nakama in Oct 2011
- EBITDA before exceptional items increased to £191,411 (2011:156,080)
- Net fee income (NFI) rose by 134% to £2,078,782,(2011: £887,000)
- NFI percentage increased to 24% (2011: 18.6%)
- Net profit decreased to £11,000 (2011: £152,000)
- New offices opened in Singapore and Munich with the Singapore office being profitable in the year to date and performing well and the recently opened Munich office expected to make a contribution next year
- The half year outcome has been substantially reduced by £120,000 relating to significant mismanagement and misappropriation of funds in our Hong Kong office. All other Nakama offices were profitable.

Stefan Ciecierski, CEO of Nakama, commented:

"We report on our interim results to 30 September 2012, which have shown encouraging resilience, in the face of a tough market and with the disruption following our acquisition last year and of our continuing group integration. Activity in our UK markets has held firm and provides us with a continuingly strong platform. Our overseas offices have grown organically and I am pleased to report the opening of our two new offices in Singapore and Munich."

"Whilst events regarding the Hong Kong office have impacted upon the group's performance, we continue to make good progress elsewhere and we now move into the second half of the year with a solid platform on which to continue to develop the enlarged Group. Nakama's international presence has helped retain and develop relationships with many blue chip global digital companies and we remain well positioned to take advantage of an upturn in the UK."

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Notes to Editors:

Nakama Group plc

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Following the acquisition of Nakama by Nakama Group plc (formerly Highams Systems Services Group plc) in October 2011, the Group now has an international platform, operating from offices in London, Melbourne, Sydney, Hong Kong and most recently, now in Singapore and Munich, with a specialism in recruitment for the digital technology and interactive media industry.

The company places emphasis on providing excellent levels of service and industry knowledge to deliver single or multiple solutions for its clients. The directors of Nakama believe that whilst companies may continually try to reduce their supplier base, they demand wider fulfilment and services from their recruitment partners. Nakama was formed to take advantage of an opportunity the founders saw to provide services across the spectrum of the digital technology and interactive media industry on an international level.

CEO STATEMENT

Interim results

Introduction

We report on our interim results to 30 September 2012, which have shown encouraging resilience, in the face of a tough market and with the disruption following our acquisition last year and of our continuing group integration. Activity in our UK markets has held firm and provides us with a continuingly strong platform. Our overseas offices have grown organically and I am pleased to report the opening of our two new offices in Singapore and Munich.

It is with considerable regret that I must advise that the board recently uncovered the significant misappropriation of company funds and of misreporting from the Hong Kong office. Its manager has been instantly dismissed and related debtors are being vigorously pursued. We will pursue all avenues to ensure we recoup what can be recovered. It is a real shame to see the group's creditable performance and the hard work put in by all at Nakama tarnished as a consequence of these events.

Financials

We are pleased to report an encouraging increase in revenue of 81% to £8.64m (2011: £4.78m) on the same period last year, following the acquisition of Nakama. We also saw an increase in net fee income (NFI) across the group, reflecting improved profit margins along with improved earnings before interest, tax, depreciation and amortisation. In the last six months, 59 per cent of group NFI came from the UK and 41 per cent came from overseas. Activity in the UK has held firm whilst the overseas offices have grown organically, and with two new offices in Singapore and Munich.

As detailed below and owing to costs of the misappropriation of funds in the Hong Kong office, I do not believe the financial results for the six-month period accurately reflect the underlying encouraging and solid performance of the Group on a number of fronts during the period. With that one exception, I believe the rest of the Group has performed in line with expectations and I strongly believe the future potential of the Group is excellent.

Following the recent acquisition and on-going integration of the two businesses, the Board of Nakama is not in a position to recommend the payment of an interim dividend. However, the Board will keep its future dividend policy closely under review and will consider a return to recommending dividend payments as and when the Company's trading position and performance permits

Recent News

Nakama APAC

At the beginning of the period, Rob Sheffield, one of the founding directors of Nakama, moved to Australia to accelerate the growth of Nakama APAC and to help the existing teams there grow the business further and build foundations for future development. This has enabled us to expand our Australian offices and from Sydney and Melbourne, the Company has experienced over the past year very rapid growth across its international client portfolio. This in turn has required an equally fast scale-up and growth of the teams there in order to keep pace with the demands of the developing digital, interactive media and mobile sectors.

It has also enabled us to open a business in Singapore, which has made a small profit year to date.

Hong Kong

The Board was alerted on 21 October 2012 that a significant misappropriation of company funds and misreporting to cover poor trading at the Hong Kong office had arisen. This was investigated immediately and as a consequence the manager has been dismissed for gross misconduct and he and related debtors are being pursued in an attempt to make some recovery. In the meantime, we have taken the precaution of making an exceptional item provision of (£68,000) for potential bad debt and have written off (£52,000) of misreported sales .The misreporting at the Hong Kong office has had an impact on the interim results as a whole, with lost anticipated revenue and profits and increased spend resulting in the Hong Kong office making a loss for the period of £102,000. We do not believe that any of the amounts relate to prior periods.

Operations

We are very pleased to report that a new Highams office was opened in Munich in September 2012 and the board believes its prospects are encouraging. It is expected that the first placements in Germany will be billed early next year.

Nakama operates under the Highams, Nakama London and Nakama International brands. Both Highams and Nakama London have consistently maintained their numbers of contractors and the number of permanent placements has been variable month on month with demand high, but with much lower numbers of people changing jobs compared to the previous period.

The Australian offices have grown steadily and the Singapore office, which, opened in April, is profitable during the year to date and is performing well. The Munich office has been opened very recently and is expected to make a contribution next year. The Highams brand is now present in Munich and will be extended to Singapore and Hong Kong next year.

Nakama's international presence has helped retain and develop relationships with many blue chip global digital companies and we remain well positioned to take advantage of an upturn in the UK.

Summary and Outlook

Whilst we have suffered with the recent events regarding the Hong Kong office, we continue to make good progress elsewhere and we now move into the second half of the year with a solid platform on which to continue to develop the enlarged Group.

We have, over the past few months, recruited more personnel into the company to expand delivery and I welcome all new joiners to the Group. I am particularly pleased to welcome our new colleagues in Singapore and Munich.

Stefan Ciecierski
CEO
15 November 2012

Consolidated statement of comprehensive income for the six months ended 30 September 2012

	Note	6 months to 30 Sep 2012 Unaudited £'000		6 months to 30 Sep 2011 Unaudited £'000		12 months to 31 Mar 2012 Audited £'000	
Total Revenue		8,636		4,779		13,298	
Cost of sales		(6,557)		(3,892)		(10,555)	
Net fee income		2,079		887		2,743	
Other administrative costs		(1,974)		(732)		(2,591)	
Exceptional Items	3	(68)		-		(237)	
Total administrative expenses		(2,042)		(732)		(2,828)	
Operating profit		37		155		(85)	
Finance costs		(26)		(3)		(95)	
Profit on ordinary activities before taxation		11		152		(180)	
Tax credit		-		-		-	
Profit and total comprehensive income for the period attributable to equity shareholders		11		152		(180)	
Basic earnings per share	2	0.01	p	0.22	p	(0.20)	p
Diluted earnings per share	2	0.01	p	0.21	p	(0.20)	p

Consolidated statement of recognised income and expense for the six months ended 30 September 2012

	6 months to 30 Sep 2012 Unaudited	6 months to 30 Sep 2011 Unaudited	12 months to 30 Sep 2012 Audited
Profit/loss for the period	11	152	(180)
Foreign exchange losses on translation of overseas operations	(2)	-	-
Total recognised income and expense for the period attributable to equity shareholders	9	152	(180)

Statement of changes in equity
at 30 September 2012

	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 2010	1,597	1,239	90	(61)	4	(2,573)	296
Share based payment credit						2	2
Profit to 31 March 2011	-	-	-	-		503	503
At 31 March 2011	1,597	1,239	90	(61)	4	(2,068)	801
New shares issued	5	1,341					1,346
Share based payment credit						2	2
Loss to 31 March 2012	-	-	-	-	-	(180)	(180)
At 31 March 2012	**1,602**	**2,580**	**90**	**(61)**	**4**	**(2,246)**	**1969**
Total comprehensive income to 30 September 2012	-	-	-	-	(2)	**11**	**9**
Profit to 30 September 2012	**1,602**	**2,580**	**90**	**(61)**	**2**	**(2,235)**	**1,978**

Consolidated balance sheet
as at 30 September 2012

	6 months to 30 Sep 2012 Unaudited £'000	6 months to 30 Sep 2011 Unaudited £'000	12 months to 31 Mar 2012 Audited £'000
Assets			
Non-current assets			
Intangible assets	1,269	-	1,297
Property, plant and equipment	48	4	39
Deferred tax asset	301	301	301
Total	1,618	305	1,637
Current assets			
Trade and other receivables	3,027	1,590	3,146
Cash and cash equivalents	20	346	279
Total	3,047	1,936	3,425
Total assets	4,665	2,241	5,062
Liabilities			
Current liabilities			
Trade and other payables	(1,864)	(1,288)	(2,035)
Borrowings	(823)	-	(1,058)
Total	(2,687)	(1,268)	(3,093)
Net assets/(liabilities)	1,978	953	1,969
Equity			
Share capital	1,602	1,597	1,602
Share premium account	2,580	1,239	2,580
Merger reserve	90	90	90
Employee share benefit trust reserve	(61)	(61)	(61)
Currency reserve	2	4	4
Retained earnings	(2,235)	(1,917)	(2,246)
Total equity	1,978	953	1,969

Consolidated Cash Flow Statement
as at 30 September 2012

	6 months to 30 Sep 2012 Unaudited £'000	6 months to 30 Sep 2011 Unaudited £'000	12 months to 31 Mar 2012 Audited £'000
Operating activities			
Profit before taxation	11	152	(180)
Depreciation of tangible assets	18	1	9
Amortisation of intangible assets	77	-	71
Net finance costs	26	3	95
Changes in trade and other receivables	118	2	(893)
Changes in trade and other payables	(191)	15	(16)
Net cash used in operating activities	59	173	(914)
Cash flows from investing activities			
Purchase of property plant and equipment	(25)	-	-
Acquisition of subsidiary cash			52
Purchase of intangible asset	(30)		
Net cash used in investing activities	(55)	-	52
Financing activities			
(decrease)/increase in borrowings	(235)	-	1,058
Interest paid	(26)	(3)	(95)
Net cash from financing activities	(261)	(3)	963
Net changes in cash and cash equivalents	(257)	170	101
Cash and cash equivalents at beginning of period	279	176	176
Exchange losses, cash and cash equivalent	(2)		2
Cash and cash equivalents at end of period	20	346	279

Notes to the Interim Report

1. Basis of Preparation

This unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRSs). The principal accounting policies used in preparing the interim results are those that the Group expects to apply in its financial statements for the year ended 31 March 2013 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 March 2012

The financial information for the six months ended 30 September 2012 and 30 September 2011 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 March 2012 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. Earnings per share

		6 months to 30 Sept 2012 Unaudited			6 months to 30 Sept 2011 Unaudited			12 Months to 30 March 2012 Audited	
	Profit	Weighted average number of shares	Profit per share	Profit	Weighted average number of shares	Profit per share	Profit	Weighted average number of shares	Profit per share
	£'000	'000	p	£'000	'000	p	£'000	'000	p
Basic earnings per share	11	117,791	0.01	152	68,834	0.22	(180)	91,350	(0.20)
Diluted earnings per share	11	121,749	0.01	152	70,976	0.21	(180)	91,350	(0.20)

3. Exceptional items

Exceptional items are those items that in the Directors view are required to be separately disclosed by virtue of its incidence to enable a full understanding of the Group's financial performance. Following the discovery of the misappropriation of funds in the Hong Kong office a provision has been made to cover a potential unrecoverable debt.