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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 2013”.

INTERIM RESULTS

Highlights

- Revenue was stable at £8.63m (2012: £8.64m)
- PBTAE* £61,235 (2012: £141,029)
- Net fee income (NFI) rose by 3% to £2.13m, (2012: £2.08m)
- NFI percentage increased to 25% (2012: 24%)
- Permanent recruitment fees increased by 27% to £1.01m (2012: £800k)
- Revenue across APAC region increased by 38%
- London office Launched a new Marketing Interim Division

**PBTAE – Profit before tax, amortisation and exceptional items.*

Ken Ford, Chairman of Nakama, commented:

“Whilst trading conditions in the UK remain challenging, we have pleasingly made some important strategic hires and increased our ability to deliver within a broader set of digital markets. We expect to continue to build on these foundations across the board and grow net fee incomes over forthcoming trading periods”.

“Furthermore, we have seen client growth across the APAC regions, with increased demand in the media and technology spaces, e-commerce, Search Engine Management /Search Engine Optimisation (SEM/SEO) throughout the region. Pleasingly the digital market continues to grow, as clients all look to expand their internal capabilities”.

“We are therefore optimistic for the second half and look forward to meeting head on, what is still a challenging marketplace, but one on which we feel we are strategically well placed to capitalise“.

Enquiries:

KenFord. Chairman | Tel: 07884 313191

Nakama Group plc

Andrew Kitchingman | Tel: 0113 394 6619

Nick Field | Tel: 0207 220 1658

W H Ireland

Tarquin Edwards | Tel: 07879 458 364

Peckwater PR

Notes to Editors:

About Nakama Group plc

Nakama Group plc is a recruitment group of two branded solutions placing people into specialist and management positions;

- Nakama operates in the digital, creative, media, marketing and technology sectors all over the world from offices in the UK, Asia and Australia.
- The Highams brand specialises in the Financial Services sector, specifically Business Change and IT in Insurance and Wealth Management currently in the UK and Europe.

Nakama Group plc was created in October 2011 through the merging of Nakama ltd UK and its subsidiaries in Hong Kong, Sydney and Melbourne and Highams Recruitment Limited part of (formerly Highams Systems Services Group plc).

Since forming in 2011 the Group has opened an office in Singapore for Digital, Creative, Media and Marketing

Our aim is to offer all our services from both our brands in all our locations

CHAIRMANS' STATEMENT

Interim results

Introduction

Nakama provides a range of specialist recruitment services to its clients, providing staff for the Web, Interactive, IT and Digital Media sectors through the placement of contract and permanent staff across the UK, Europe, Asia and Australia.

The interim results for the half-year to 30 September 2013, show a stable revenue stream for the Group as a whole and a small increase in Net Fee Income (NFI) for the period along with a small loss.

We continue to work hard on hiring new staff into the teams in all offices and at all levels, on the back of the increased level of requirements from our existing and new clients since the beginning of our financial year. Competition remains challenging, both on hiring new staff internally and for clients alike and candidates are still reluctant to change roles in the current market.

Financials

We report steady revenue of £8.63m (2012: £8.64m) and a 3 per cent increase in Net fee income (NFI) to £2.13m (2012: £2.08m). The NFI percentage improved on prior periods to average 25% compared to 24% at the year end and previous interims, which is as a result of increased permanent placement fees overall.

As shown in the segmental analysis in note 3, we have increased our revenue in the APAC region by 38%, although UK revenues have decreased as a result of there being fewer contractors on site compared to the first half of last year. Permanent revenue has however pleasingly increased, which has led to the increased NFI overall. Staff levels in APAC also rose as per our expectations and whilst the UK staff levels have not increased overall, we have hired new team members during the period.

Along with our international competitors the strengthening of the pound, particularly over the last quarter has impacted the results in APAC mainly from the Australian dollar exposure, and an exchange loss of £47k, which is included in administrative expenses and relates to intercompany debt currency translation, which is a non cash item.

We are currently in line with our expectations for the first half of the year and anticipate an improved second half. The Munich office, which was small and unprofitable, was closed during the period.

Outlook

APAC

The first half of this trading year in APAC has been positive. We have continued to focus on our core objectives, namely business development across the corporate and agency sector encompassing a local, regional and global strategy. We aim to concentrate our efforts on expanding new and existing client relationships, cross-selling services globally, the continued hiring of staff in key locations, the training and development of existing staff and increasing the volume of business and conversion rates across the business.

Mobile and advertising revenue has continued to grow alongside visual and social media. We see social conversion becoming more integrated and more multi-channel, which pushes the demand for skills in this area. The need for skill sets in and around "big data" is also a driver for increased demand across the region.

The market remains competitive with managed service providers and internal recruiters continuing to provide competition across the general recruitment market. Hiring issues do exist across APAC, but these are not to do with mobility of talent, but rather with local regions continuing to increase restrictions on external hires. These restrictions make it difficult to fill highly skilled roles where no local talent possess the skill set and we see this situation as a continued challenge to growth across the recruitment sector in APAC. However, with our global network of talent expanding and with our continued drive to specialise and increase headcount across the region, we are well positioned to continue to grow revenue and NFI and build market share across the region.

UK

The first half of this year has seen growth in terms of internal head count in the London office and NFI. Nakama London has also has seen a significant uplift in temporary, freelance and contract requirements issued by clients and we have become increasingly efficient at converting these requirements, resulting in a positive impact on billings.

We have launched a new Marketing Interim Division in London, which has contributed to revenues in this period. This division is primarily focused on building new commercial relationships with blue-chip consumer brands within their digital and technology teams, by providing high-value senior marketeers, who are required to deliver an immediate impact to these organisations.

Permanent revenues in all markets have shown some improvement and this is most notable within the Performance Marketing, Data and Mobile and E-commerce sectors. We face competition from rival firms in these areas, but with our established brand and a track record of delivery, we will continue to profitably leverage off our brand and competitive advantage.

Highams continues to specialise within the Insurance and Financial Services verticals to provide our clients with the best available talent for complex Business & IT Change and Transformation programmes.

Our contractor services have seen a competitive first half of the year, during which we have worked hard and successfully to develop new accounts and to develop contract placement opportunities, so as to grow our contractor numbers, which declined following the end of client programmes last year.

Our strategy is paying off with new client wins in the Wealth Management, London Market Insurance and the Life & Pensions sectors. These in turn are generating contract opportunities and a demand for high level strategic skills, in addition to the PMO, Business / Systems Analysts, and Test Analysts, for which we are known.

Summary

While trading conditions in the UK remain challenging, we have pleasingly made some important strategic hires and increased our ability to deliver within a broader set of digital markets. We expect to continue to build on these foundations across the board and grow net fee income over forthcoming trading periods.

Furthermore, we have seen client growth across the APAC regions, with increased demand in the media and technology spaces, e-commerce, SEM/SEO throughout the region. Pleasingly the digital market continues to grow, as clients all look to expand their internal capabilities.

We are therefore optimistic for the second half and look forward to meeting head on, what is still a challenging marketplace, but one on which we feel we are strategically well-placed to capitalise.

Consolidated statement of comprehensive income

for the six months ended 30 September 2013	Note	6 months to 30 Sep 2013 Unaudited £'000		6 months to 30 Sep 2012 Unaudited £'000		12 months to 31 Mar 2013 Audited £'000
Total Revenue	3	8,629		8,636		16,668
Cost of sales		(6,496)		(6,557)		(12,679)
Gross profit	3	2,133		2,079		3,989
Administrative costs excluding exceptional items		(2,134)		(1,974)		(4,095)
Exceptional items		-		(68)		(68)
Total administrative expenses		(2,134)		(2,042)		(4,163)
Operating (loss)/profit		(1)		37		(174)
Finance costs		(24)		(26)		(45)
(Loss)/profit on ordinary activities before taxation		(25)		11		(219)
Tax expenses		(6)		-		(7)
(Loss)/profit for the period attributable to equity shareholders		(31)		11		(226)
Basic (loss)/profit per share		(0.02)	p	0.01	p	(0.19)
Diluted (loss)/profit per share		(0.02)	p	0.01	p	(0.19)

Consolidated statement of recognised income and expense

for the 6 months ended 30 September 2013	6 months to 30 Sep 2013 Unaudited £'000	6 months to 30 Sep 2012 Unaudited £'000	12 months to 31 Mar 2013 Audited £'000
(Loss)/profit for the period	(31)	11	(226)
Exchange losses/gains arising on translation of foreign operations	19	(2)	25
Total recognised income and expense for the period attributable to equity shareholders	(12)	9	(201)

Statement of changes in equity
At 30 September 2013

	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 2012	1,602	2,580	90	(61)	4	(2,246)	1,969
Comprehensive income for the year							
Loss for the Year	-	-	-	-	-	(226)	(226)
Other Comprehensive Income	-	-	-	-	25		25
Total Comprehensive loss for the year	-		-	-	29	(226)	(201)
Share based payment credit	-	-	-	-	-	16	16
At 1 April 2013	1,602	2,580	90	(61)	29	(2,456)	1,784
Total comprehensive income to 30 September 2013	**-**	**-**	**-**	**-**	**-**	(31)	**(31)**
Other comprehensive Income	**-**	**-**	**-**	**-**	19	**-**	19
At 30 September 2013	1,602	2,580	90	(61)	48	(2,487)	1,772

Consolidated balance sheet
As at 30 September 2013

	6 months to 30 Sep 2013 Unaudited £'000	6 months to 30 Sep 2012 Unaudited £'000	12 months to 31 Mar 2013 Audited £'000
Assets			
Non-current assets			
Intangible assets	**1,101**	1,269	1,147
Property, plant and equipment	**34**	48	46
Deferred tax asset	**301**	301	301
Total	**1,436**	1,618	1,494
Current assets			
Trade and other receivables	**2,784**	3,027	2,843
Cash and cash equivalents	**139**	20	7
Total	**2,923**	3,047	2,850
Total assets	**4,359**	4,665	4,344
Liabilities			
Current liabilities			
Trade and other payables	**(1,741)**	(1,864)	(1,796)
Borrowings	**(846)**	(823)	(764)
Total	**(2,587)**	(1,288)	(2,560)
Net assets/(liabilities)	**1,772**	1,978	1,784
Equity			
Share capital	**1,602**	1,602	1,602
Share premium account	**2,580**	2,580	2,580
Merger reserve	**90**	90	90
Employee share benefit trust reserve	**(61)**	(61)	(61)
Currency reserve	**48**	2	29
Retained earnings	**(2,487)**	(2,236)	(2,456)
Total equity	**1,772**	1,978	1,784

Consolidated Cash Flow Statement
As at 30 September 2013

	6 months to 30 Sep 2013 Unaudited £'000	6 months to 30 Sep 2012 Unaudited £'000	12 months to 31 Mar 2013 Audited £'000
Operating activities			
Profit /(loss)before taxation	**(25)**	11	(219)
Depreciation of property, plant and equipment	**17**	18	40
Amortisation of intangible assets	**86**	77	160
Net finance costs	**24**	26	45
Tax paid	**(6)**	0	(7)
Changes in trade and other receivables	**61**	118	303
Changes in trade and other payables	**(55)**	(191)	(204)
Net cash used in operating activities	**102**	59	118
Cash flows from investing activities			
Purchase of property plant and equipment	**(7)**	(25)	(48)
Purchase of intangible asset	**(40)**	(30)	(9)
Net cash used in investing activities	**(47)**	(55)	(57)
Financing activities			
Increase/(decrease) in borrowings	**82**	(235)	(294)
Finance cost paid	**(24)**	(26)	(45)
Net cash from financing activities	**58**	(261)	(339)
Net changes in cash and cash equivalents	**113**	(257)	(279)
Cash and cash equivalents, beginning of period	**7**	279	279
Exchange losses, cash and cash equivalent	**19**	(2)	7
Cash and cash equivalents at end of period	**139**	20	7

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 2014 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 March 2013

The financial information for the six months ended 30 September 2013 and 30 September 2012 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 2013 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 2013 Unaudited			6 months to 30 Sept 2012 Unaudited			12 Months to 30 March 2013 Audited	
	Loss	Weighted average number of shares	Loss per share	Profit	Weighted average number of shares	Profit per share	Loss	Weighted average number of shares	Loss per share
	£'000	'000	p	£'000	'000	p	£'000	'000	p
Basic earnings per share	(31)	117,791	(0.02)	11	117,791	0.01	(226)	117,791	(0.19)
Diluted earnings per share	(31)	123,762	(0.02)	11	121,749	0.01	(226)	121,749	(0.19)

3. Segmental Analysis

The Group has two 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

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 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 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 30 Sep 13 £'000	UK 30 Sep 13 £'000	Total 30 Sep13 £'000
Revenue from external customers	2,638	5,991	8,629
Segment profit before tax	5	155	160

	Asia Pacific 30 Sept 12 £'000	UK 30 Sept 12 £'000	Total 30 Sept 12 £'000
Revenue from external customers	1,904	6,732	8,636
Segment (loss)/profit before tax	(9)	197	188

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

Profit or loss after income tax expense	**30 Sept 13 £'000**	30 Sept 12 £'000	31 Mar 13 £'000
Total profit or loss for reportable segments	**160**	188	67
Exceptional item	**0**	(68)	(68)
PLC costs not cross charged	**(99)**	(31)	(46)
Amortisation of intangibles	**(86)**	(78)	(156)
Share based payments	**0**	0	(16)
(Loss)/profit before income tax expense	**(25)**	11	(219)
Corporation taxes	**6**	-	7
(Loss)/profit after income tax expense	**(31)**	11	(226)