For release at 07:00 on 28 October 2014

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, Digital media, IT and Business Change sectors announces its interim results for the six months ended 30 September 2014".

INTERIM RESULTS

Highlights

- Revenue increased by 29% to £11.1 million (2013: £8.63 million)
- Profit before tax increased substantially to £222,000 (2013: loss £25,000)
- Net fee income (NFI) rose by 27% to £2.71 million (2013: £2.13 million)
- NFI percentage stable at 25% (2013: 25%)
- Permanent recruitment fees increased by 32% to £1.33 million (2013: £1.01 million)
- Revenue across APAC region increased by 20% driven by the continuing shortage of skilled talent within specialised markets.
- Revenue across UK increased by 32% following increased demand for both contract and permanent business.

Ken Ford, Chairman of Nakama, commented:
"There is an increasing feeling of confidence in the digital recruitment market at the moment, which is demonstrated by the number of requirements released by both corporate and agency clients being at a 5 year high."

"The Group has improved its financial position overall and begun to generate some creditable momentum during the period under review, despite a still challenging and competitive marketplace. Looking forward, we are optimistic for the second half and expect to continue to build on these foundations across the Group and further grow net fee income over forthcoming trading periods."

- ENDS -

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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 (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.

CHAIRMAN'S STATEMENT

Interim results

Introduction

Nakama provides a range of specialist recruitment services to its clients, providing staff for the Web, Interactive, Digital Media, IT and Business Change 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 2014 show an increase in revenue for the Group as a whole and an increase in both Net Fee Income (NFI) and profit for the period, with Nakama benefiting from a strong performance across both contract and permanent recruitment in the UK and from an especially strong performance in Australia with permanent hiring.

Financials

The Group saw a 29 per cent increase in revenue of £11.1 million (2013: £8.63 million) and a 27 per cent increase in Net Fee Income (NFI) to £2.71 million (2013: £2.13 million). The NFI percentage remained stable on prior periods to average 25 per cent over the past few years. We have continued to reduce our borrowings on invoice discounting as anticipated, but this has had a negative impact on cash flow for the period.

Segmental analysis shows that we have increased our revenue in the APAC region by 20 per cent, and have grown our UK revenues by 32 per cent. Permanent revenue has again increased and this has led to the increased NFI overall. Staff levels across the Group also rose.

We are currently in line with our expectations for the first half of the year and we anticipate the second half continuing to be in line, provided that we remain focused on quality of service and the professional delivery of our products, with a view to improving revenues and NFI whilst growing our headcount and providing industry specific training.

APAC

The first half of the year has seen growth in revenue, net profit and head count across the APAC business, alongside the launch of new service lines, which include data, analytics and business change for technology. Our core aims though, encompass continued investment in the training and development of our existing staff, an increase in the volume of contractor and permanent business and ensuring the continued increase in conversion rates across the business.

One trend we have seen across the region is for larger enterprises now to convert to digital business, whereas previously, many had been slow to embrace new technology. Driving this trend are technologies encompassing the analytics, mobile, cloud and social media space, however the focus of change lies now on how these technologies can be adopted to facilitate change in the next generation of business enterprise and strategy.

We expect steady growth across the Asia and Australasia markets over the next six months with the depth of specialisation being a key differentiator for us. There is still a shortage of skilled talent in our specialised market and we see this shortage continuing, based on the speed of evolution in the digital industry. The continued increase in restrictions on migrant workers across the region will also prove a challenge.

We believe that our strategy of *'working local and thinking global'*, through the pooling of talent from different geographies, will stand us in good stead in the second half year, as we focus the APAC operation on identifying new geographies to expand into. The business will concentrate on our CRM, social and marketing presence to identify new business opportunities and leads and we will continue to monitor competitors and disruptors within our industry. Recruitment across our space over the next six months will see companies and organisations continue to embrace technology in the way they conduct business and this will act as a catalyst in the creation of new products, new markets and new areas of growth and revenue. Our aim is to be at the forefront of this change, despite the market remaining competitive with managed service providers and internal recruiters challenging in the space.

UK

The UK financial sector has experienced increased demand for IT and Change services, which mirrors the upturn in the UK economy during the first half of the financial year. This increased demand has improved the levels of both contract and permanent recruitment across the board and we expect to see continued growth in our markets. We also anticipate various legislative, regulatory and digital changes in future periods to impact positively upon our UK business. These include:

- The latest changes to UK pensions for the over 55's, which will have an impact on the technology required to deal with these changes. Nakama hopes to benefit from the large scale change projects, which are being driven across the sector. These will need innovative solutions, which in turn will drive demand for additional permanent and contract skills.

- In line with these changes, the Wealth Management sector has continued to be highly active for clients and includes reviews to its strategic technology and business platforms so as to deliver customer choice and satisfaction within a competitive market.

- The implementation of Solvency 2 within the insurance markets by January 2016 has prompted fresh activity to complete the reporting challenges that many companies face and will lead to calls for additional contract specialist to meet deadlines.

In the Digital arena, we have taken advantage of the rising demand for advertising technology and specialist software engineering skills across the corporate client base, as companies invest in strengthening their in-house digital capabilities.

It is also expected that the upward trend will continue in programmatic marketing, biddable (target specific and automated) and media requirements across the temporary, contract and permanent teams. The recently launched marketing contracts division is particularly well placed to capitalise on the increasing demand in these sectors, building on its strong performance in its core business areas of performance marketing and analytics.

There is an increasing feeling of confidence in the digital recruitment market at the moment, which is demonstrated by the number of requirements released by both corporate and agency clients being at a 5 year high. We have grown significantly in recent periods and we will continue to increase our headcount to meet the demand for recruitment services across the Marketing, Design, Creative and Technology divisions.

Overall the outlook remains positive with good signs of on-going requirements within our markets with new clients requiring specialist knowledge from their recruitment partners, which fits the Nakama customer offering.

Summary

The Group has improved its financial position overall and begun to generate some creditable momentum during the period under review, despite a still challenging and competitive marketplace. Looking forward, we are optimistic for the second half and expect to continue to build on these foundations and further grow net fee income over forthcoming trading periods.

Ken Ford
Non-Executive Chairman
28 October 2014

Consolidated statement of comprehensive income

for the six months ended 30 September 2014	Note	**6 months to 30 Sep 2014 Unaudited £'000**		6 months to 30 Sep 2013 Unaudited £'000		12 months to 31 Mar 2014 Audited £'000	
Total Revenue	**3**	**11,099**		8,629		17,502	
Cost of sales		**(8,388)**		(6,496)		(13,149)	
Net Fee Income		**2,711**		2,133		4,353	
Administrative costs		**(2,467)**		(2,134)		(4,429)	
Operating profit/(loss)	**3**	**244**		(1)		(76)	
Finance costs		**(22)**		(24)		(45)	
Profit/(loss) on ordinary activities before taxation		**222**		(25)		(121)	
Tax expenses		**2**		(6)		(81)	
Profit/(loss) for the period attributable to equity shareholders		**224**		(31)		(202)	
Basic Profit/(loss) per share		**0.19**	p	(0.02)	p	(0.17)	p
Diluted Profit/(loss) per share		**0.19**	p	(0.02)	p	(0.17)	p

Consolidated statement of recognised income and expense

for the 6 months ended 30 September 2014	**6 months to 30 Sep 2014 Unaudited £'000**	6 months to 30 Sep 2013 Unaudited £'000	12 months to 31 Mar 2014 Audited £'000
Profit/(loss) for the period	**224**	(31)	(202)
Exchange losses/gains arising on translation of foreign operations	**(9)**	19	44
Total recognised income and expense for the period attributable to equity shareholders	**215**	(12)	(158)

Statement of changes in equity
At 30 September 2014

	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 2013	1,602	2,580	90	(61)	29	(2,456)	1,784
Comprehensive income for the year							
Loss for the Year	-	-	-	-	-	(202)	(202)
Other Comprehensive Income	-	-	-	-	44		44
Total Comprehensive loss for the year	-		-	-	44	(202)	(158)
Share based payment credit	-	-	-	-	-	6	6
At 1 April 2014	1,602	2,580	90	(61)	73	(2,652)	1,632
Income for the year	**-**	**-**	**-**	**-**	**-**	224	**224**
Other comprehensive income	**-**	**-**	**-**	**-**	(9)	**-**	(9)
Total Comprehensive income for the year					(9)	**224**	215
Share based payment credit						**5**	5
At 30 September 2014	1,602	2,580	90	(61)	64	(2,423)	1,852

Consolidated statement of financial position
As at 30 September 2014

	6 months to 30 Sep 2014 Unaudited £'000	6 months to 30 Sep 2013 Unaudited £'000	12 months to 31 Mar 2014 Audited £'000
Assets			
Non-current assets			
Intangible assets	**940**	1,101	1,037
Property, plant and equipment	**40**	34	46
Deferred tax asset	**226**	301	226
Total	**1,206**	1,436	1,309
Current assets			
Trade and other receivables	**3,927**	2,784	3,206
Cash and cash equivalents	**194**	139	114
Total	**4,121**	2,923	3,320
Total assets	**5,327**	4,359	4,629
Liabilities			
Current liabilities			
Trade and other payables	**(2,273)**	(1,741)	(1, 678)
Borrowings	**(1,202)**	(846)	(1,319)
Total	**(3,475)**	(2,587)	(2,997)
Net assets/(liabilities)	**1,852**	1,772	1,632
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	**64**	48	73
Retained earnings	**(2,423)**	(2,487)	(2,652)
Total equity	**1,852**	1,772	1,632

Consolidated Cash Flow Statement
As at 30 September 2014

	6 months to 30 Sep 2014 Unaudited £'000	6 months to 30 Sep 2013 Unaudited £'000	12 months to 31 Mar 2014 Audited £'000
Operating activities			
Profit /(loss)before taxation	**222**	(25)	(121)
Depreciation of property, plant and equipment	**17**	17	35
Amortisation of intangible assets	**96**	86	177
Net finance costs	**22**	24	45
Tax paid	**2**	(6)	(6)
Changes in trade and other receivables	**(721)**	61	(363)
Changes in trade and other payables	**595**	(55)	(117)
Net cash used in operating activities	**233**	102	(350)
Cash flows from investing activities			
Purchase of property plant and equipment	**(10)**	(7)	(35)
Purchase of intangible asset	**-**	(40)	(66)
Net cash used in investing activities	**(10)**	(47)	(101)
Financing activities			
Increase/(decrease) in borrowings	**(117)**	82	555
Finance cost paid	**(22)**	(24)	(45)
Net cash from financing activities	**(139)**	58	510
Net changes in cash and cash equivalents	**84**	113	59
Cash and cash equivalents, beginning of period	**114**	7	7
Exchange losses, cash and cash equivalent	**(4)**	19	48
Cash and cash equivalents at end of period	**194**	139	114

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 2015 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 March 2014, except that in the current financial year, the Group had adopted a number of revised standards and interpretations. However, none of these has had a material impact on the Group's reporting.

The financial information for the six months ended 30 September 2014 and 30 September 2013 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 2014 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 2014 Unaudited			6 months to 30 Sept 2013 Unaudited			12 Months to 30 March 2014 Audited		
	Profit £'000	Weighted average number of shares '000	Profit per share p	Loss £'000	Weighted average number of shares '000	Loss per share p	Loss £'000	Weighted average number of shares '000	Loss per share p
Basic earnings per share	224	117,791	0.19	(31)	117,791	(0.02)	(202)	117,791	(0.17)
Diluted earnings per share	224	117,791	0.19	(31)	117,791	(0.02)	(202)	117,791	(0.17)

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 14 £'000	UK 30 Sep 14 £'000	Total 30 Sep14 £'000
Revenue from external customers	3,163	7,936	11,099
Segment profit before tax	203	249	452

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

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

Profit or loss after income tax expense	**30 Sept 14 £'000**	30 Sept 13 £'000	31 Mar 14 £'000
Total profit or loss for reportable segments	**452**	160	178
PLC costs not cross charged	**(139)**	(99)	(116)
Amortisation of intangibles	**(86)**	(86)	(177)
Share based payments	**(5)**	0	(6)
profit/(loss) before income tax expense	**222**	(25)	(121)
Corporation taxes	**2**	(6)	(81)
Profit/loss after income tax expense	**224**	(31)	(202)