

DRAFT

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"

Preliminary Results

For the year ended 31 March 2014

Highlights

Financial

- Group revenue increased by 5 per cent. to £17.5m (2013: £16.7m)
- PBTAE* £56,000 (2013: £9,000)
- Group loss before taxation £121,000 (2013: Loss £219,000)
- Net fee income improved by 9 per cent. to £4.4m (2013: £4.0m)
- Net fee income percentage increased to 25 per cent. (2013: 24 per cent.)
- No dividend recommended, but a resumption in dividend payments will be kept under review

** PBTAE – Profit before tax, amortisation and exceptional items (no exceptional items in the year (2013: £68,000)).*

Operational

- Global networks growing global client base creating increased blue chip clients
- Contractors on client sites and permanent placements increased overall
- Revenue across APAC region increased by 39 per cent. to £5.3m (2013: £3.8m)
- Regional managing directors have been appointed in the Hong Kong and Singapore offices

Ken Ford, Chairman of Nakama, commented:

"Our stated strategy of expanding into our specialist areas internationally is proving successful, but tough UK market conditions have had an impact on UK profits. Digital media recruitment both into agencies and into corporate global clients continues to grow and Highams' traditional business of providing technology, business and professional services staff to the insurance and financial services sector remains firm.

With regard to APAC, 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.

We look to 2014/2015 as a year in which the improved economic environment and a renewed and changing workforce will provide new and exciting opportunities. We look forward to leveraging off our specialism and brand and further developing our service offering with existing and new clients."

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NOTES TO EDITORS

About Nakama Group plc

Nakama Group plc, is the AIM quoted recruitment consultancy and leading niche provider of technology, business and professional services to the insurance and financial services sectors and recruitment for the digital technology and interactive media industry.

Following the acquisition of Nakama Limited by Nakama Group plc (formerly Highams Systems Services plc) in October 2011, the Group now has an international platform, operating from offices in London, Melbourne, Sydney, Hong Kong and most recently, in Singapore, 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.

In response to this, Nakama supplies staff through the whole chain of technology lifecycle, where other IT or technology recruiters might supply only one part of the chain. Nakama was formed to take advantage of an opportunity to provide services across the spectrum of the digital technology and interactive media industry on an international level.

Chairman's Statement

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 in the UK, Asia and Australia.

The market conditions during the year under review were mixed, with tough market conditions being experienced during 2013, but with an improvement being seen at the start of 2014 with a more active market and the level of staff requirements increasing. Despite margins being under pressure during the period, they pleasingly have held steady.

Financial Results

Group revenue for the year ended 31 March 2014 increased by 5 per cent. overall to £17.5m (2013: £16.7m). Net Fee Income ("NFI") improved on the prior period by 9 per cent. to £4.35m (2013: £3.98m). Our NFI percentage improved slightly to 25 per cent. (2013: 24 per cent), which is as a result of increased permanent niche supply, though we saw UK revenue reduce in the period to £12.2m from £12.9m due to a reduction in contractors on site in the first half of the year. With increased staff costs and related fees, this resulted in a reduced UK profit performance to £157,000 from £329,000 in 2013.

As reported at the interim stage, we significantly increased our revenue in APAC. With the recruitment of additional staff in the region during the previous period, we are now starting to see some of the rewards of this investment bear fruit in the year under review. For APAC, this expansion delivered a 39 per cent. increase in revenue to £5.3m compared to revenue in the prior period of £3.8m. This performance now gives APAC a 30 per cent. share of total Group revenue compared to 23 per cent. in the previous year.

The strengthening of the pound has impacted the results in APAC, particularly from Australian dollar exposure, and an exchange loss of £94,000 was recorded, which is included in administrative expenses and relates to intercompany debt currency translation, which is a non cash item.

Operating profit before amortisation, tax and exceptional items grew to £56,000 (2013: profit of £9,000) and as stated above, the restructuring and investment in Australia and Hong Kong during the previous year has had a very pleasing and positive impact on the APAC region's performance. The Directors are not recommending the payment of a final dividend for the year to 31 March 2014 (2013: nil), but a resumption in dividend payments will be kept under review.

The Group invested in its IT infrastructure during the year under review with computer equipment, software and a new version of the Group's website. All offices are now using the same IT systems and software and the Board anticipates that this will produce cost savings and benefits of scale going forward. Headcount increased by 30 per cent. during the period to 68 staff across all the offices, with the largest increase being seen in the Australian offices. We expect our new hires to make a full contribution to increasing revenue during the 2014/2015 period.

Board changes

We are very pleased to welcome Rob Sheffield (Managing Director of Nakama APAC) and Paul Goodship (Managing Director of Nakama London) who were appointed to the Board on 11 June 2013. Stefan Ciecierski left the company on 7 May 2013.

Strategy

Our stated strategy of expanding into our specialist areas internationally is proving successful, but tough UK market conditions have had an impact on UK profits. Digital media recruitment both into agencies and into corporate global clients continues to grow and Highams' traditional business of providing technology, business and professional services staff to the insurance and financial services sector remains firm.

With regard to APAC, 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.

We look to 2014/2015 as a year in which the improved economic environment and a renewed and changing workforce will provide new and exciting opportunities. We look forward to leveraging off our specialism and brand and further developing our service offering with existing and new clients.

As well as developing our staff from within we are always looking to recruit further excellent, driven individuals to enhance the current team globally to meet the needs of our clients and the delivery of our specialist services. We believe that the Nakama Group offering and quality of our service is based upon our staff's professional understanding and knowledge of our clients' requirements and their markets.

We intend to concentrate on our strengths and we are focused on growing each office organically to ensure we are making full use of the infrastructure, which is now in place. We will continue to look at other opportunities to grow, whether by acquisition of teams or companies. Our Board remains very firmly aligned to our strategy and goals, as we look to create more activity as a team, by developing increased brand awareness and by solid client and candidate focused delivery.

Executives and Staff

The Company retains a strong team of very knowledgeable and long serving staff and we look forward to continuing to build the Nakama Group. I would like to acknowledge the loyalty and commitment of all the staff to the Group and I am extremely grateful for their efforts. Again I extend a very warm welcome to all new members of the team and I look forward to their development and the future success of Nakama.

Outlook

Trading in the first quarter of our financial year has improved in terms of both Net Fee Income and profitability. Finding good quality candidates is still challenging, but candidates are now more willing to consider changing employers so as to progress their careers and they also now have more opportunities to choose from. We continue to focus on ensuring continuity of performance in each office. The Board looks to the 2014/2015 year as one in which the Group will benefit from a still improving market environment and will work to increase revenue and profit performance from the strengthened infrastructure and international offices now securely in place.

Ken Ford

29 July 2014

Consolidated income statement

For the year ended 31 March 2014

	2014 £'000	2013 £'000
Revenue	17,502	16,668
Cost of sales	(13,149)	(12,679)
Net fee income	4,353	3,989
Administrative expenses		
Administrative costs excluding exceptional items	(4,429)	(4,095)
Exceptional items	-	(68)
Total administrative expenses	(4,429)	(4,163)
Operating loss	(76)	(174)
Finance costs	(45)	(45)
Loss before tax	(121)	(219)
Tax expenses	(81)	(7)
Loss for the period attributable to equity shareholders	(202)	(226)
Loss per share		
Basic loss per share from continuing operations	(0.17)p	(0.19)p
Diluted loss per share from continuing operations	(0.17)p	(0.19)p

All of the above relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 March 2014

	2014 £'000	2013 £'000
Loss for the year	(202)	(226)
Items that will or may be reclassified to profit or loss		
Foreign currency translation difference	44	25
Total comprehensive loss for the year attributable to equity shareholders	(158)	(201)

Consolidated statement of financial position

At 31 March 2014

Company number 1700310

	2014	2013
	£'000	£'000
Assets		
Non-current assets		
Intangible assets	1,037	1,147
Property, plant and equipment	46	46
Deferred tax asset	226	301
Total	1,309	1,494
Current assets		
Trade and other receivables	3,206	2,843
Cash and cash equivalents	114	7
Total	3,320	2,850
Total assets	4,629	4,344
Current Liabilities		
Trade and other payables	(1,678)	(1,796)
Borrowings	(1,319)	(764)
Total	(2,997)	(2,560)
Net Assets	1,632	1,784
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	73	29
Retained earnings	(2,652)	(2,456)
Total Equity Attributable to the Shareholders of the Company	1,632	1,784

Consolidated statement of changes in equity

As at 31 March 2014

	Share capital	Share premium	Merger reserve	Employee share benefit reserve	Currency reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	1,602	2,580	90	(61)	4	(2,246)	1,969
Loss for the year and total comprehensive loss	-	-	-	-	-	(226)	(226)
Other comprehensive income	-	-	-	-	25	-	25
Total comprehensive income for 2013	-	-	-	-	25	(226)	(201)
Share based payment credit	-	-	-	-	-	16	16
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 31 March 2014	1,602	2,580	90	(61)	73	(2,652)	1,632

Consolidated statement of cash flows

For the year ended 31 March 2014

	2014	2013
	£'000	£'000
Operating activities		
Loss for the year before tax	(121)	(219)
Depreciation of property, plant and equipment	35	40
Amortisation of intangible assets	177	160
Net finance costs	45	45
Tax paid	(6)	(7)
Changes in trade and other receivables	(363)	(303)
Change in trade and other payables	(117)	(204)
Net cash generated by operating activities	(350)	(118)
Cash flows from investing activities		
Purchase of property, plant and equipment	(35)	(48)
Purchase of intangible assets	(66)	(9)
Net cash generated by investing activities	(101)	(57)
Financing activities		
Increase /(decrease) in borrowings	555	(294)
Finance cost paid	(45)	(45)
Net cash from financing activities	510	(339)
Net changes in cash and cash equivalents	59	(279)
Cash and cash equivalents, beginning of year	7	279
Exchange losses, cash and cash equivalent	48	7
Cash and cash equivalents, end of year	114	7

1. Basis of Preparation

The financial information in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 March 2014 or 2013 as defined in section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies and those for the year ended 31 March 2014 will be delivered following the Group's annual general meeting. The auditors have reported on those accounts, their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports. Their report for the year ended 31 March 2014 or 2013 did not contain statements under s498 (2) or (3) of the Companies Act 2006.

Copies of the statutory accounts for the year ended 31 March 2014 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.nakamaglobal.com

2. Loss per share

	2014			2013		
	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 loss per share	(202)	117,791	(0.17)	(226)	117,791	(0.19)
Diluted loss per share	(202)	117,791	(0.17)	(226)	117,791	(0.19)

The weighted average number of shares excludes 183,953 (2013: 183,953) shares held by the Employee Share Benefit Trust.

3. Operating Segments

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 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 2014 £'000	UK 2014 £'000	Total 2014 £'000
Revenue from external customers	5,287	12,215	17,502
Segment profit/loss before income tax	21	157	178

	Asia Pacific 2013 £'000	UK 2013 £'000	Total 2013 £'000
Revenue from external customers	3,794	12,866	16,660
Segment profit/loss before income tax	(262)	329	67

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

	2014 £'000	2013 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	178	67
Exceptional item	-	(68)
PLC costs not cross charged	(116)	(46)
Amortisation of intangibles	(177)	(156)
Share based payments	(6)	(16)
Profit before income tax expense	(121)	(219)
Corporation taxes	81	7
Profit after income tax expense	(202)	(226)

The Group makes sales to Europe, Asia and Australasia. An analysis of sales revenue by country is given below:

Revenue by country:

	2014 £'000	2013 £'000
United Kingdom	11,489	11,683
Europe	726	1,191
Hong Kong	499	462
Singapore	423	228
Australia	4,365	3,104
	17,502	16,668

Transactions with the Group's largest customer equates to 4 per cent of the Group's revenue and relates to the UK segment (2013: 7 per cent).