

Norman Broadbent PLC

Interim Results

RNS Number : 2366C
Norman Broadbent PLC
28 September 2018

Norman Broadbent plc
("Norman Broadbent" "NBB" "the Company" or "the Group")
Interim Results

The board (the "Board") of Norman Broadbent plc, is pleased to announce the Groups unaudited interim results for the six months ended 30 June 2018.

Highlights

- Significant progress towards a return to profitability
- Group revenue increased by £1.37m (+42%) to £4.7m
- Net Fee Income ("NFI") increased by £0.7m (+27%) to £3.3m
- Loss after tax reduced by £0.4m (-61%) to a H1 2018 loss of £0.3m
- Interim Management NFI increased by £464,000 (+139%) to £799,000
- H1 2018 Group operating performance (loss of £0.2m) a significant improvement on preceding period (H2 2017 loss of £1m)
- Successfully relocated to new Central London offices generating projected annual savings of £0.3m
- H1 2018 Group performance slightly ahead of Board expectations

Mike Brennan, CEO of Norman Broadbent, said:

"As Phase Two of our transformation maintains momentum, we are increasingly and consistently delivering high quality innovative solutions for clients, often combining a number of our different service lines.

From an NFI perspective, we have created a more balanced Group combining recurring annuity revenue, with a range of consulting, research-related and high-quality fully-retained Talent Acquisition fees.

Having posted a loss of £1m in H2 2017, I am pleased with the significant improvement in H1 2018, reducing the loss to £0.3m.

With the Group delivering ahead of Board expectations in the first half, I would like to thank my colleagues for their hard work, innovation and commitment, our clients for placing their continued trust in us, and our supportive shareholders".

For further information please contact:

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About Norman Broadbent plc:

Norman Broadbent plc (AIM: NBB) is a leading Professional Services firm focusing on Talent Acquisition & Advisory Services. Since its formation nearly 40 years ago, NBB has developed a portfolio of complementary service centered on Board & Leadership/Executive Search, Senior Interim Management, Research & Insight, Leadership Consulting & Assessment, and executive level Recruitment Solutions. Unusually, NBB is one of the few businesses of its type offering clients an integrated Executive Search and Interim Management offering. This innovative approach gives clients access to business critical executive-level Talent, meeting both short and longer-term needs.

CEO Review:

The Group, in the six months to 30 June 2018 incurred an operating loss of £234,000 (2017: loss £667,000) on turnover of £4,667,000 (2017: £3,292,000). This improved performance represents a 65% reduction compared with H1 2017. In addition the Group has reduced the operating loss from the preceding period (six months ended 31 December 2017) by £659,000 or 74%.

The results for the previous two six month periods demonstrate the positive and ongoing impact of the transformational changes being made across the Group.

The results evidence how we are creating a more balanced Group made up of complementary high-quality and recurring annuity revenue streams.

Whilst our established Search business (which currently incorporates our growing Research & Insight revenues) contributed 54% of NFI, our Interim, Solutions, Insight, and Consulting brands are increasing their percentage share of Group NFI. As they grow, even greater balance will be created across the Group.

Our diverse portfolio of services continues to gain traction in the market as clients increasingly utilise our more integrated, progressive and sophisticated offerings in addition to our proven 'Search' service.

We are on track to strategically scale the business with further high quality additions to the teams. As our transformation progresses, we will maintain our focus on innovation, client-service, enhancing our established brand, the continued growth of high-quality recurring revenues, and ultimately a return to profitability.

Board Updates

Having served as Non-Executive Chairman since 2016, Frank Carter is stepping down to pursue other interests. On behalf of the Board I would like to thank Frank for his help and insight as we transformed the Company into a more balanced, integrated and innovative Professional Services business. Our Search for a successor is already underway and we will announce the new appointment in due course.

I am pleased to announce the appointment of Fiona McAnena as a Non-Executive Director. Fiona, 54, will join the Board with immediate effect. She will serve alongside long-standing NED, Brian Stephens.

Fiona has a background in strategic marketing and brand consultancy. She is a business adviser and NED with broad expertise in creating and executing consumer and customer led strategies for growth and commercial impact. She has continuous and diverse experience as an NED over twenty years, having sat on committees such as finance, audit and risk, and nominations across three boards. With executive experience in major corporates such as PepsiCo (Vice President, Innovation), WPP (Group Development Director, Kantar Insight & Consulting and CEO of MEC UK), and BUPA (Global Brand Director) she brings a customer and consumer lens to business questions.

As we seek to further enhance our brands, and refine our messaging into the markets, Fiona's experience will be a great asset to the Group.

Further disclosures as required under Schedule 2(g) of the AIM Rules are set out below.

Present Directorships/Partnerships

Clearhound
British Rowing
City West Homes
Meadway (Esher) Residents' Association
CS Healthcare

Previous Directorships/Partnerships

Stagecoach Performing Arts
PK Food concepts Ltd

Summarised Financial Results:

The table below summarises the results for the Group.

	Six months to 30 June 2018 £000's	Six months to 30 June 2017 £000's	Year ended 31 Dec 2017 £000's
Continuing operations			
Revenue	4,667	3,292	6,523
Cost of sale	(1,377)	(696)	(1,484)
Gross profit / Net Fee Income	3,290	2,596	5,039
Operating expenses	(3,524)	(3,263)	(6,599)
Group operating loss	(234)	(667)	(1,560)
Net finance cost	(31)	(12)	(42)
Loss before tax	(265)	(679)	(1,602)
Income tax	-	-	-
Loss after tax	(265)	(679)	(1,602)

Norman Broadbent Executive Search ("NBES")

NBES continued to recover momentum after the significant restructure of the last 12 months. Net Fee Income for H1 2018 was £1,775,000, an increase of £356,000 from H1 2017 (+25%), and up £199,000 (+13%) from H2 2017. NBES made a small loss of £18,000 for H1 2018 compared with a loss of £566,000 in H1 2017.

Research & Insight ("R&I")

NBES revenues above include those generated by our R&I team where we continue to invest. The R&I team not only serves our own internal requirements, but also provides complementary services to our other businesses, and increasingly to external clients who buy stand-alone Research & Insight services.

Norman Broadbent Interim Management ("NBIM")

NBIM was re-launched at the end of 2016 and continues to grow. Net Fee Income for H1 2018 was £799,000, an increase of £464,000 from H1 2017 (+139%), and up £423,000 (+113%) from H2 2017. NBIM has reported a profit of £118,000 for H1 2018 compared to a loss of £113,000 in H1 2017. NBIM made a loss of £124,000 in H2 2017.

NB Solutions ("NBS")

NBS Net Fee Income for H1 2018 was £618,000, an increase of £245,000 from H1 2017 (+66%), and up £174,000 (+39%) from H2 2017. NBS posted a Profit Before Tax of £66,000 compared with a loss of £62,000 in H1 2017.

Norman Broadbent Leadership Consulting ("NBLC")

NBLC was not able to replicate the success of H1 2017, declining from a profit before tax of £365,000 in H1 2017 to a loss of £44,000 in H1 2018 (NBLC made a loss of £71,000 in H2 17). This reflected a pause in the assessment and development programmes of some of our larger customers.

Financial Position

Equity shareholders' funds were £1,765,000 as at 30 June 2018 (£2,049,000 at 31 December 2017), with net current liabilities of (£39,000) (net current assets £316,000 at 31 December 2017). Cash and cash equivalents at 30 June 2018 amounted to £260,000 (£678,000 at 31 December 2017).

Net cash outflow from operations was £255,000 (£2,079,000 at 31 December 2017) and net cash inflow from financing activities amounted to £20,000 (£1,851,000 at 31 December 2017).

The Group continues to closely manage its costs and with trading improving, the Board looks forward to the Group becoming cash generative.

Outlook

The business is now well positioned and our aim is to continue building on the significant work carried out to date.

These are positive results for us, and evidence our progression. With the Group delivering slightly ahead of Board expectations in the first half, I would like to thank my colleagues for their hard work, innovation and commitment, our clients for placing their continued trust in us, and our supportive shareholders.

Michael J. Brennan

Group Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2018

	Note	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Year ended 31 December 2017 (audited)
		£000	£000	£000
Continuing operations				
Revenue		4,667	3,292	6,523
Cost of Sales		<u>(1,377)</u>	(696)	(1,484)
Gross profit		3,290	2,596	5,039
Operating expenses		(3,524)	(3,263)	(6,599)
Group operating profit / (loss)		(234)	(667)	(1,560)
Net finance cost		(31)	(12)	(42)
Loss on ordinary activities before income tax		(265)	(679)	(1,602)
Income tax expense		-	-	-
Loss for the period		(265)	(679)	(1,602)
Other comprehensive income				
Total comprehensive loss		(265)	(679)	(1,602)
Loss attributable to:				
Owners of the Company		(294)	(651)	(1,543)
Non-controlling interests		29	(28)	(59)
Loss for the period		(265)	(679)	(1,602)
Total comprehensive loss attributable to:				
Owners of the Company		(294)	(651)	(1,543)
Non-controlling interests		29	(28)	(59)
Total comprehensive loss for the period		(265)	(679)	(1,602)

Loss per share	4			
- Basic		(0.55p)	(1.56)p	(3.52)p
- Diluted		(0.55p)	(1.56)p	(3.52)p
Adjusted loss per share				
- Basic		(0.53p)	(1.53)p	(3.48)p
- Diluted		(0.53p)	(1.53)p	(3.48)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 (unaudited) £000	As at 30 June 2017 (unaudited) £000	As at 31 December 2017 (audited) £000
Non-current assets				
Intangible assets		1,363	1,363	1,363
Property, plant and equipment		174	60	47
Trade and other receivables		168	201	195
Deferred tax		69	69	69
Total non-current assets		1,774	1,693	1,674
Current assets				
Trade and other receivables		2,597	1,935	2,093
Cash and cash equivalents		260	304	678
Total current assets		2,857	2,239	2,771
Total assets		4,631	3,932	4,445
Current Liabilities				
Trade and other payables		(1,599)	(1,208)	(1,179)
Provisions	5	(125)	(125)	(125)
Loan Note		(300)	-	(300)
Bank overdraft and interest bearing loans		(872)	(833)	(851)
Total current liabilities		(2,896)	(2,166)	(2,455)
Net current assets		(39)	73	316
Total liabilities		(2,896)	(2,166)	(2,455)
Total assets less total liabilities		1,735	1,766	1,990
Equity				
Issued share capital		6,266	6,143	6,266
Share premium account		13,706	12,685	13,706
Retained earnings		(18,207)	(17,034)	(17,923)
Equity attributable to owners of the Company		1,765	1,794	2,049
Non-controlling interests		(30)	(28)	(59)
Total equity		1,735	1,766	1,990

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 2018

CONSOLIDATED GROUP	Attributable to owners of the Company					
	Share Capital	Share Premium	Retained Earnings	Total Equity	Non-controlling interests	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2017	6,143	12,685	(16,394)	2,434	-	2,434
Loss for the period	-	-	(651)	(651)	(28)	(679)
Adjustment for discontinued operation	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(651)	(651)	(28)	(679)
Transactions with owners of the Company, recognised directly in equity:						
Issue of ordinary shares	-	-	-	-	-	-
Credit to equity for share based payments	-	-	11	11	-	11
Total transactions with owners of the Company, recognised directly in equity	-	-	11	11	-	11
Balance at 30 June 2017	6,143	12,685	(17,034)	1,794	(28)	1,766
Balance at 1 July 2017	6,143	12,685	(17,034)	1,794	(28)	1,766
Loss for the period	-	-	(892)	(892)	(31)	(923)
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(892)	(892)	(31)	(923)
Transactions with owners of the Company, recognised directly in equity:						
Issue of ordinary shares	123	1,021	-	1,144	-	1,144
Credit to equity for share based payments	-	-	3	3	-	3
Total transactions with owners of the Company, recognised directly in equity	123	1,021	3	1,147	-	1,147
Changes in ownership interest in subsidiaries						
Disposal of non-controlling interests with change of control	-	-	-	-	-	-

Total transactions with owners of the company	123	1,021	3	1,147	-	1,147
Balance at 31 December 2017	6,266	13,706	(17,923)	2,049	(59)	1,990
Balance at 1 January 2018	6,266	13,706	(17,923)	2,049	(59)	1,990
Loss for the period	-	-	(294)	(294)	29	(265)
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(294)	(294)	29	(265)
Transactions with owners of the Company, recognised directly in equity:						
Credit to equity for share based payments	-	-	10	10	-	10
Balance at 30 June 2018	6,266	13,706	(18,207)	1,765	(30)	1,735

CONSOLIDATED STATEMENT OF CASH FLOW For the six month period ended 30 June 2018

	Notes	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Net cash used in operating activities	(i)	(255)	(1,024)	(2,079)
Cash flows from investing activities and servicing of finance				
Net finance cost		(31)	(12)	(42)
Payments to acquire tangible fixed assets		(152)	(11)	(16)
Disposal of discontinued operation, net of cash disposed of	6	-	-	-
Net cash used in investing activities		(183)	(23)	(58)
Cash flows from financing activities				
Repayment of borrowings		-	-	300
Net cash inflows from equity placing		-	-	1,144
Increase in invoice discounting		20	388	407
Net cash from financing activities		20	388	1,851
Net (decrease)/increase in cash and cash equivalents		(418)	(659)	(286)
Net cash and cash equivalents at beginning of period		678	963	963
Effects of exchange rate changes on cash balances held in foreign currencies		-	-	1
Net cash and cash equivalents at end of period		260	304	678
Analysis of net funds				
Cash and cash equivalents		260	304	678
Borrowings due within one year		(1,171)	(832)	(1,151)

Net funds	(911)	(528)	(473)
Note (i)			
Reconciliation of operating profit to net cash from operating activities	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Year ended 31 December 2017 (audited)
Operating loss from continued operations	(234)	(667)	(1,560)
Depreciation/ impairment of property, plant and equipment	23	19	37
Share based payment charge	10	11	14
Increase in trade and other receivables	(477)	(555)	(707)
Increase/(decrease) in trade and other payables	423	168	137
Net cash used in operating activities	(255)	(1,024)	(2,079)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified.

The interim financial information for the six months ended 30 June 2018, has been prepared in accordance with the AIM Rules for Companies. The Group has not elected to apply IAS 34 'Interim Financial Reporting'. The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ending 31 December 2018 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2017. The interim financial statements have not been audited.

1.2 Basis of consolidation and business combinations

Group financial statements consolidate those of the Company and of the following subsidiary undertakings:

Principal Group investments:	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the Company
Norman Broadbent Executive Search Ltd	England and Wales	Executive Search	100 per cent ordinary shares
Norman Broadbent Overseas Ltd	England and Wales	Executive Search	100 per cent ordinary shares
Norman Broadbent Leadership Consulting Ltd	England and Wales	Assessment, coaching and Talent Mgmt.	100 per cent ordinary shares
Norman Broadbent Solutions Ltd	England and Wales	Mezzanine Level Search	100 per cent ordinary shares
Norman Broadbent Interim Management Ltd	England and Wales	Interim Management	75 per cent ordinary shares
Norman Broadbent (Ireland) Ltd *	Republic of Ireland	Dormant	100 per cent ordinary shares
Bancomm Ltd	England and Wales	Dormant	100 per cent ordinary shares

* 100 per cent of the issued share capital of this company is owned by Norman Broadbent Overseas Ltd.

2. COPIES OF THE UNAUDITED INTERIM REPORT

Copies of this report are available on request from the Company's registered office at 10th Floor, Portland House, Bressenden Place, London, SW1E 5BH and are also available on the Company's website at www.normanbroadbent.com.

3. SEGMENTAL ANALYSIS

Management has determined the operating segments based on the reports reviewed regularly by the Board for use in deciding how to allocate resources and in assessing performance. The Board considers Group operations from both a class of business and geographic perspective.

Each class of business derives its revenues from the supply of a particular recruitment related service, from retained executive search through to executive assessment and coaching. Business segment results are reviewed primarily to operating profit level, which includes employee costs, marketing, office and accommodation costs and appropriate recharges for management time.

Group revenues are primarily driven from UK operations, however when revenue is derived from overseas business the results are presented to the Board by geographic region to identify potential areas for growth or those posing potential risks to the Group.

i) Class of Business:

The analysis by class of business of the Group's turnover and profit before taxation is set out below:

Six months ended 30 June 2018	BUSINESS SEGMENTS					Total £000
	NBES £000	NBLC £000	NBS £000	NBIM £000	Un allocated £000	
Revenue	1,778	161	618	2,110	-	4,667
Cost of sales	(3)	(63)	-	(1,311)	-	(1,377)
Gross profit				799	-	
	1,775	98	618			3,290
Operating expenses	(1,760)	(139)	(548)	(675)	(379)	(3,501)
Other operating income	-	-	-	-	-	-
Finance costs	(11)	(3)	(3)	(6)	(8)	(31)
Depreciation and amort.	(22)		(1)	-	-	(23)
Profit/(Loss) before tax	(18)	(44)	66	118	(387)	(265)

Six months ended 30 June 2017	BUSINESS SEGMENTS					Total £000
	NBES £000	NBLC £000	NBS £000	NBIM £000	Un allocated £000	
Revenue	1,430	662	393	807	-	3,292
Cost of sales	(11)	(193)	(20)	(472)	-	(696)
Gross profit				335	-	
	1,419	469	373			2,596
Operating expenses	(1,963)	(102)	(432)	(444)	(303)	(3,244)
Other operating income	-	-	-	-	-	-
Finance costs	(6)	(2)	(1)	(3)	-	(12)
Depreciation and	(16)		(2)	(1)	-	(19)

amort.						
Restructuring costs	-	-	-	-	-	-
Exceptional items	-	-	-	-	-	-
Loss on disposal of investment	-	-	-	-	-	-
Profit/(Loss) before tax	(566)	365	(62)	(113)	(303)	(679)

BUSINESS SEGMENTS

Year ended 31 December 2017	NBES £000	NBLC £000	NBS £000	NBIM £000	Un allocated £000	Total £000
Revenue	3,061	728	842	1,892	-	6,523
Cost of sales	(66)	(212)	(25)	(1,181)	-	(1,484)
Gross profit	2,995	516	817	711	-	5,039
Operating expenses	(3,954)	(215)	(824)	(942)	(627)	(6,562)
Other operating income	-	-	-	-	-	-
Finance costs	(15)	(6)	(3)	(5)	(13)	(42)
Depreciation and amort.	(31)	(1)	(4)	(1)	-	(37)
Restructuring costs	-	-	-	-	-	-
Exceptional items	-	-	-	-	-	-
Profit on disposal of investment	-	-	-	-	-	-
Profit/(Loss) before tax	(1,005)	294	(14)	(237)	(640)	(1,602)

ii) Revenue and gross profit by geography:

	Revenue £'000			Gross Profit £'000		
	Six Months Ended		Year Ended	Six Months Ended		Year Ended
	30 June 2018	30 June 2017	31 Dec 2017	30 June 2018	30 June 2017	31 Dec 2017
United Kingdom	4,486	3,292	6,196	3,119	2,596	4,712
Rest of the World	181	-	327	171	-	327
Total	4,667	3,292	6,523	3,290	2,596	5,039

4. EARNINGS PER ORDINARY SHARE

i) Basic earnings per share:

This is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Year ended 31 December 2017 (audited)
(Loss)/profit attributable to shareholders	(294,000)	(651,000)	(1,543,350)
Weighted average number of ordinary shares	53,885,570	41,633,320	43,882,363

ii) Diluted earnings per share:

This is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has issued share options which are potentially dilutive. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to the outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Year ended 31 December 2017 (audited)
(Loss)/profit attributable to shareholders	(294,000)	(651,000)	(1,543,350)
Weighted average no. of ordinary shares	53,885,570	41,633,320	43,882,363
- assumed conversion of share options	-	-	-
Weighted average number of ordinary shares for diluted earnings per share	53,885,570	41,633,320	43,882,363

iii) Adjusted earnings per share

Adjusted earnings per share has also been calculated in addition to the basic and diluted earnings per share and is based on earnings adjusted to eliminate charges for share based payments. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group.

	Six months ended 30 June 2018		Six months ended 30 June 2017			Year ended 31 December 2017		
	Basic pence per share £000	Diluted pence per share	Basic pence per share £000	Diluted pence per share	Diluted pence per share	Basic pence per share £000	Diluted pence per share	Diluted pence per share
Basic earnings								
(Loss)/Profit after tax	(294)	(0.55)	(651)	(1.56)	(1.56)	(1,543)	(3.52)	(3.52)
Adjustment								
Share based payment charge	10	0.02	11	0.03	0.03	14	0.04	0.04
Adjusted earnings	(284)	(0.53)	(640)	(1.53)	(1.53)	(1,529)	(3.48)	(3.48)

5. PROVISIONS

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Balance at beginning of period	125	125	125
Provisions made during the period	-	-	-
Balance at end of period	125	125	125
Non-current			
Current	125	125	125
	125	125	125

The Company moved offices on the 30th of April 2018. Discussions are underway with the Landlord of St James Square to finalise the dilapidation position, The Group expects to have all negotiations concluded shortly.

6. RELATED PARTY TRANSACTIONS

i) Purchase of services:

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Brian Stephens & Company Limited	12	12	24
Total	12	12	24

Brian Stephens & Company Limited invoiced the Group for the directors' fees and corporate finance services of B Stephens (£10,000) and business related travel costs of £2,000. B Stephens is a director of Brian Stephens & Company Limited.

All related party expenditure took place via "arms-length" transactions.

ii) Period-end payables arising from the purchases of services:

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Brian Stephens & Company Limited	4	2	6
Total	4	2	6

The payables to related parties arise from purchase transactions and are due one month after date of purchase. The payables bear no interest.

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