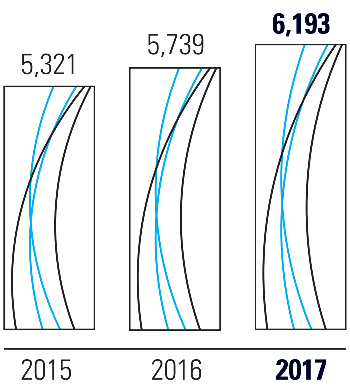
NAKAMA GROUP PLC

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

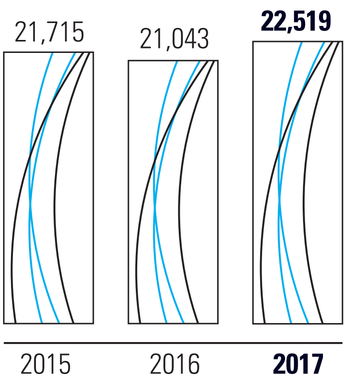
NAKAMA

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

NET FEE INCOME
£'000



REVENUE
£'000



Financial Highlights

- Group revenue increased by 7 per cent. to £22.5m (2016: £21.0m)
- Net fee income improved by 8 per cent. to £6.19m (2016: £5.73m)
- Net fee income percentage increased to 27.5 per cent. (2016: 27.3 per cent.)
- Revenue across the APAC region increased by 27 per cent. to £8.82m (2016: £6.92m)

	2017 £'000	2016 £'000
Revenue	**22,519**	21,043
NFI (Net fee income)	**6,193**	5,739
EBITDA *	**25**	257
Operating (loss)/profit for the financial year	**(211)**	37
(Loss)/profit for the financial year before tax	**(270)**	–
Net current assets	**720**	902
Equity	**1,414**	1,796
(Loss)/profit per share	**(0.25)p**	(0.13)p

* EBITDA – Earnings before interest, tax, depreciation and amortisation

CONTENTS

Group at a glance

Our markets

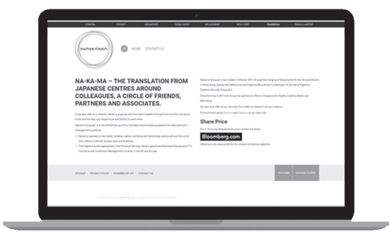
Nakama Group plc is a recruitment group of two branded solutions placing people into specialist and management positions; the Nakama businesses operate in the digital, creative, media, marketing and technology sectors all over the world from offices in the UK, Asia, USA and Australia. The UK also specialises in the Financial Services sector, specifically Business Change and IT in Insurance and Investment Management currently in the UK. At Nakama, we're in the business of people solutions & consultancy and OUR VISION is to be the best people business on the planet. Recruitment – permanent & contract, Search, Outsourcing & RPO, Project Management, Research & insights, Consultancy - change management; people development; EVP, are solutions / apps. – talent, payroll, Education, training & learning

Our consultants, contractors and applicants

Our speciality is finding excellent career opportunities and assignments for senior digital,IT, business and professional services talent. We are constantly developing our relationships and networks to ensure we obtain the best available positions for such talent, whilst ensuring that their skills and personalities are compatible with the needs of our clients. OUR WHY – ultimately, it's people who transform, improve & grow business

Our people

At Nakama, we work hard to develop and maintain long-term relationships with our clients, contractors and applicants. To do this, we focus on the development and retention of our experienced staff to ensure they are among the most knowledgeable in the industry, both in terms of recruitment best practice and the niche markets in which Nakama operates. OUR HOW – Specialisation, Technology, Network – all with the right people



Visit us online for further information at **www.nakamagroupplc.com**

CHAIRMAN'S STATEMENT

Financial results

Group revenue for the year ended 31 March 2017 increased by 7 per cent. to £22.5m (2016: £21.0m) whereas Net Fee Income ("NFI") improved on the prior year by 8 per cent to £6.19m (2016: £5.73m). The results over the past year have seen lower than expected performance at a Group level. The investment in staff training and development and the introduction of a new CRM system will enhance the results going forward but had a direct effect on the Group results to March 2017.

Whilst organic growth in the short to medium term will serve the business well for the business to meet our long-term objectives, the Board also continues to focus on identifying suitable businesses to join the Group to enhance profitability, add new service lines and geographies.

Strategy

Nakama Group's strategy has continued to concentrate on providing staffing solutions with two highly specialised businesses: Nakama within the digital, creative, media, marketing and technology sectors and the UK business within the financial services sector. The approach focuses on delivering a local, regional and global solution. The business continues to maintain this as fundamental but will look to broaden the service offerings across the Group with an emphasis on providing digital solutions to clients across recruitment, outsourcing, on site and consultancy through the use of technology. It is the strategy of the Board and management team to be a leading international specialist within staffing, delivering a quality service to our customers and candidates whilst creating a sustainable business for the long-term benefit of all stakeholders.

The management team has stabilized over the past year and is now in a position to focus on delivering value to clients and shareholders going forward. We continue to look to recruit further excellent, driven individuals to meet our client and candidate needs.

There are currently no new offices planned for the next financial year as the Board intends to concentrate on improving the performance of the current operations.

Executives and staff

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

Outlook

Trading in the first quarter has been in line with expectations. Whilst the market sectors in which Nakama operates are in high demand, the business needs stable local economies in the current trading locations, stability in current staff numbers and the continued hiring of new sales staff to deliver against less specialised but much larger competitors. The Board looks to 2018 as a year in which the Group will seek to grow organically and review other options to grow in terms of net fee income and profit.

Ken Ford
Chairman
3 August 2017

CEO'S REPORT

Financial review

	2017 £'000	2016 £'000
Revenue	**22,519**	21,043
NFI (Net fee income)	**6,193**	5,739
EBITDA *	**25**	257
Operating (loss)/profit for the financial year	**(211)**	37
(Loss)/profit for the financial year before tax	**(270)**	–
Net current assets	**720**	902
Equity	**1,414**	1,796
(Loss)/profit per share	**(0.25)p**	(0.13)p

* EBITDA – Earnings before interest, tax, depreciation and amortisation

Group revenue for the year ended 31 March 2017 increased by 7 per cent. to £22.5m (2016: £21.0m) whereas Net Fee Income ("NFI") improved on the prior year by 8 per cent to £6.19m (2016: £5.73m). The NFI percentage has increased to 27.5 per cent. (2016: 27.3 per cent). APAC revenue increased to £8.82M from £6.92m last year. In the same period revenues in the UK decreased from £14.1m to £13.7m mainly due to a slowdown in the contractor market.

EBITDA was £25,000 for the year (2016: £257,000) mainly as a result of a slowdown in the UK market and continued investment into the USA, a market entered into for the first time last year. Although revenue grew in APAC, the continued investment in training and technology meant that the region made a loss for the year. The region has been through a year of restructuring and it is now in a position to grow the bottom line going forward. The year-end balance sheet showed borrowings increase from £1.2m to £1.5m to help fund the increase in revenue. This also had the effect of increasing the year end trade receivables to £3.9m (2016:£3.4m).

There was an operating loss for the year of £211,000 (2016: profit of £37,000). The Directors are not recommending the payment of a dividend for the year but resumption of dividend payments will be kept under review.

The 2017 result shows that we have maintained staff levels at 80 after a period of attrition during the year.

Our clients need to feel confident before making a permanent or contract hire and political events during the last financial year, including Brexit and the US presidential election caused a slowdown in decision making in some sectors.

UK operations

UK operations continue to see existing markets come under pressure from in-house recruitment and externally managed service providers. The UK business was restructured from a service provision and operational standpoint in Q3 last year. Headcount remained stable but the business did not meet its hiring targets internally. Over the last year the market has become more heavily brokered and fragmented and the ability to generate value in traditional digital sectors has been eroded.

In response to this, Nakama London has continued to increase its capacity to deliver within the expanding data and analytics markets across both corporate and agency clients. The data and analytics service line is complementary and relevant to the existing client base both within the UK and globally. Margins and rates are healthy in this sector and senior level candidates and clients are suited to the consultative and pro-active approach to recruitment that is at the core of Nakama's delivery. The business will look to grow its capabilities in this area whilst continuing to look at the implementation of technology to create efficiency and higher margins through the automation of lower value work.

CEO'S REPORT
CONTINUED

The UK financial services sector experienced a tougher environment with Recruitment Process Outsourcing (RPO) challenges affecting contract margins within the sector. Overall there has been an increase in permanent billings, with demand for mid and senior level hires.

The UK general insurance market saw increased competition by RPO companies impacting on contract delivery and margins. The focus for Highams is on the business analyst/product and transformation markets within insurance as that is where we see the growth. During the year there have been new technology platform programmes and digital distribution activity requiring specialist skills. Regulatory legislation in insurance, wealth management and pensions is a necessary requirement and demand for skills in this area has been steady.

APAC operations

Operating conditions across the APAC region remain similar to the previous year. A mix of economic environments, financial periods and local cultures can prove challenging. We continue to address this by ensuring that businesses focus on servicing high value verticals in their current markets. All businesses have continued to drive retained services and consultancy offerings relevant to their markets. We have a key focus on training and development so that the right skills are developed along with an onboarding and talent attraction programme to ensure that the business attracts and retains the right talent in an increasingly competitive market. External competition is increasing and it is still Nakama's key objective to invest in and build a strong management team to enable us to continue to pursue a consistent and clear strategy in multiple markets in line with the Group's vision.

The APAC offices have again experienced an increase in turnover. This has yielded a 27% increase in revenue to £8.82m compared to £6.92m last year. However, investment in training and technology in the region during the year in order to future proof the business meant that the region made a loss this year of £20,000 compared to a profit of £189,000 last year.

The economic outlook in APAC is stable and the economy is in growth mode. Hiring restrictions in the Australian markets due to changes in legislation will put pressure on salaries and attracting consultants to the business. It is likely to have an ongoing effect on the permanent hiring outlook within Australia.The digital and technology disruption is beneficial in the sectors Nakama provides staff to, specifically within analytics, data, digital and transformation. Traditional non digital businesses have taken or started to undertake wholesale reviews of where to position themselves. There has been an appetite for the range of human resource consultancy services that Nakama is starting to provide in the region and we see this as an essential differentiator of Nakama's product offering going forward.

Projects are being adopted by organisations across many industries which are driving demand for digital skills, a high proportion of which are not in the local market. Clients are focusing on a customer first digital strategy involving service and product design, the strengthening of their data and "big" data and analytics functions and we are continuing to see clients evolve their digital customer acquisition strategies.

The business has seen demand from the traditional consultancies that are now pursuing digital strategies to compete with the traditional advertising networks. In the new "gig economy" talent is increasingly more mobile than ever before and businesses are continuing to adapt to having more flexible staffing solutions. This is evident in the Asian markets where the contracting market has started to move from low value, low skill to high value, high skill within our sectors.

The client base across our APAC businesses has seen the business become more involved with corporate clients whilst continuing to service the advertising and digital agency businesses.

We continue to leverage our global networks to deliver against these demands. We see a natural cap on the Australian market due to its size and location but we still feel that the market has a high level of growth over the next financial year, specifically around the range of onsite and consultancy services Nakama is providing. The Asia businesses have continued to add revenue despite a mixed year where we saw changes and challenges in the South East Asia market. They have also been key in the introduction of new business across the wider region.

Singapore focuses on the South East Asian corridor into Malaysia and Thailand, with Hong Kong continuing to build market share and experiencing high demand from China and the wider region. The businesses benefit from a collaborative approach to business development and creating opportunity throughout the region based on this approach. We see the growth of both these business units as essential to our strategy within the region.

All the APAC businesses continue to have a healthy balance of repeat business based on the areas of specialisation, new service lines and expertise within the local and increasingly global markets.

The market continues to be competitive; the businesses have seen a higher than expected turnover of staff this year in our South East Asia market and one of the Australian businesses and finding good quality candidates is difficult. The business has addressed this by refocusing its internal talent acquisition strategy and approach across all regions.

The business does benefit from having global operations and is focused on a sector that is in high demand, which has been beneficial to attracting staff from a variety of industries and locations.

The factors to success in APAC continue to remain similar to last year: increased competition, a highly mobile workforce that is increasingly looking for change, overcoming language barriers, restrictions on hiring staff in regions due to changes in legislation and financial constraints have the potential to force business costs to unsustainable levels and prevent businesses being able to hire.

Retaining high performing staff is critical and ensuring the business creates high performing staff in all regions is a key area of focus. The skillsets the business is looking to attract to deliver on the group strategy will add value to the group as a whole both regionally and globally. We maintain our outlook that a strong understanding of local and global technology, digital and consultancy markets and our ability to work across these from a local, regional and global perspective is essential in achieving the growth we seek and delivering to our shareholders.

Rob Sheffield
Chief Executive Officer
3 August 2017

DIRECTORS

Eric Kenelm (Ken) Ford
Non-Executive Chairman

Ken was previously Chief Executive of Teather and Greenwood, the investment bank, and brings a strong understanding of shareholder value, strategic planning and corporate transactions. His previous roles include Aberdeen Asset Management, Morgan Grenfell and Wedd Durlacher. Ken is currently Chairman of AIM-listed companies System 1 Group, Scientific Digital Imaging and Gear4music as well as being a Fellow of the Chartered Securities Institute.

Robert James Sheffield
Chief Executive Officer

Rob is a founding member of Nakama and joined the Group as Managing Director International as part of the listing of the Company in 2011. He was appointed to Chief Executive Officer, Nakama PLC APAC in 2014 and Group CEO in August 2015. Residing in Australia he is responsible for Nakama PLC group operations from a strategic, operational & financial perspective, developing the global & regional strategy for growth across the business and the global network of clients.

Angus Watson
Chief Financial Officer

Angus joined the Group as CFO at the end of November 2015. Angus has extensive experience in both the technology and recruitment sectors and has held senior and board positions at a number of private and AIM listed companies. Previously, he was Group Finance Director at First Point Group Limited, a global telecoms recruitment business and prior to that he was Finance Director of AIM listed Cornwell Management Consultants plc, which was acquired by Serco Group plc.

Angus trained as a chartered accountant at Grant Thornton in London before spending a substantial part of his early corporate career at IMS Health Inc. a leading global provider of information solutions and marketing services to the pharmaceutical and healthcare industries.

Paul Jonathan Goodship
Managing Director of Nakama London

Paul Goodship joined the Group as MD Nakama London along with the acquisition of Nakama having also been a founding member of that company. Paul worked alongside Rob Sheffield for many years in Aquent where he built their digital marketing recruitment team through both organic growth and acquisition. London is the leader for many parts of the digital world and it is Nakama's largest digital recruitment team and Paul is able to drive the Company's strategy for market coverage which can be replicated in other parts of the Group.

Mark de Lacy
Sales Director of Highams

Mark de Lacy has been employed by Nakama (previously Highams) since 1990. Originally brought in for his sales experience, Mark rapidly progressed to a senior role, responsible for the development of the Group's major accounts within the Life and Pensions and Insurance sectors. He moved into recruiting and developing successful sales teams before being appointed in 2007 to Sales Director. Mark continues to actively develop new strategic accounts within specialist vertical markets.

John Edward Higham
Non-Executive Director and Deputy Chairman

John founded Highams (now Nakama) in 1983 after many years gaining experience of the insurance market from an IT and business perspective, both within insurance company and software house environments. John was Chief Executive of the Group until April 2000 when he took up his current role. He has been a director of the Company since 1 February 1983.

DIRECTORS AND ADVISERS

Country of incorporation of parent company: England and Wales

Company number: 1700310

Principal place of business: United Kingdom, United States of America and Asia Pacific region

Principal activities: Recruitment consultants

Directors:
EK Ford (Non-executive Chairman)
R Sheffield (CEO)
A Watson (CFO)
P Goodship (Managing Director Nakama London)
M de Lacy (Sales Director Highams)
JE Higham (Non-executive and Deputy Chairman)

Secretary: A Watson

Registered office
Quadrant House
33/45 Croydon Road
Caterham
Surrey
CR3 6PB

Auditors
BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Nominated adviser and brokers:
WH Ireland
24 Martin Lane
London
EC4R 0DR

Registrars:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors:
Eversheds LLP
1 Wood Street
London
EC2V 7WS

Bankers:
HSBC Bank plc
28 Borough High Street
London
SE1 1YB

STRATEGIC REPORT

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2017.

Business model

The Group provides recruitment services and solutions to its specialist niche market clients in global geographical locations where there is both growing demand and a skills shortage.

Recruitment services include permanent staff placements and contract staff placed on a fixed term assignment.

The UK is represented by two UK offices: the Nakama brand operating from London and the Highams brand operating from Caterham. We work closely together to explore opportunities to cross-sell services into our respective client bases.

APAC is represented by two Nakama offices in Australia, one in Hong Kong and an office in Singapore. We serve digital media markets across a broad spectrum of clients ranging from corporates to digital marketing agencies.

Last year we opened an office in New York in order to increase the global footprint of the Group.

Strategy

At Nakama, we're in the business of people solutions & consultancy. And OUR VISION is to be the best people business on the planet.

OUR WHY – ultimately it's people who transform, improve & grow business.

OUR HOW – Specialisation, Technology, Network – all with the right people.

OUR WHAT -

- Recruitment – permanent & contract
- Search
- Outsourcing & RPO
- Project Management
- Research & insights
- Consultancy - change management; people development; EVP etc.
- Software solutions / apps. – talent, payroll etc.
- Education, training & learning

We aim to target those sectors where we can secure profitable business and where we can differentiate ourselves from our competitors by providing a bespoke and specialist quality service and can deliver incremental value to our clients to assist them in managing their businesses. Our increasing ability to cross-sell our service to our international clients is also key to our strategic ambition to become "The Global Specialist Recruitment Business".

The Group's target market remains the same, but the scope of its geographical spread has expanded over the years The group is also keenly focused on the implementation and investment of technology services to create higher margins through increased efficiency across the group and the potential of reselling these solutions to future clients. A focus on core partnerships globally over the next 12 months will also position the business into a higher value margin market.

By sourcing candidates through our global network we can track specialists by using real time data. We have been able to focus our efforts on building Talent Communities through recommendations, referrals, local advertising and highly specialised peer groups. Each Nakama office has a local and regional talent pool, which in aggregate combines to create an international talent pool. We have the ability to build self- generating communities in this way. We have a number of social media channels and forums that we use to identify local talent looking to relocate internationally. These avenues are typically established in line with the specialisation for which we are recruiting, across local regions and via our global footprint. Linked-in, Twitter, Facebook and Instagram are a few of the channels we currently utilise. This approach gives operational staff a full view of the businesses we are involved with and access to global client and talent lists. As such we will continue to focus on hiring and developing our salesforce to enable them to perform in their local markets. Our vision for the long term is to continue building head count and gaining critical mass in our current markets and to expand and establish more international offices. By doing so we believe we will be well placed to leverage off our niche specialisations and our international footprint to better drive Group profitability.

KPIs	**2017 £'000**	2016 £'000
Revenue	**22,519**	21,043
NFI percentage	**27.5%**	27.3%
Staff cost	**4,343**	3,882
Staff costs as a percentage of NFI	**70.0%**	67.6%

Financial review

A description and review of the performance of the business is included in the CEO's report on page 3.

Key performance indicators

The Board uses a number of key performance indicators in order to monitor the business. These include the number of requirements received and profitability by consultant. Although there has been some attrition in the contracting market in the UK the NFI percentage has increased from 27.3% to 27.5% due to the increase in specialist permanent placements. Staff costs as a percentage of NFI has increased slightly as a result of an investment in training and development.

With the introduction of a new technology platform we are now more easily able to track placements from opportunity to conversion and use these statistics to help run the business.

Key financial risks of the Group

Details of the Group's financial instruments are given in note 20 to the Group financial statements.

Principal risks and uncertainties of the Group

The Board continuously monitors the key risks and uncertainties that may impact the business and the ability to deliver our strategy. These are identified below:

Staff

The business has undergone a review over the past 12 months with a key focus on better performance and an increase in the skills of the staff. This has been across all regions of the business. In a service company it is essential to maintain client relationships and build new business. It is important that high quality staff are recruited and retained. It is however of equal importance that all staff contribute to the profitability of the business. The use of appropriate incentives, focused training and a challenging and supportive environment all work to this end. As opportunities grow, we offer the potential for staff to relocate to any of our offices and experience different cultures and to enhance their position in the Group. We recognise that staff retention is vital to our operation especially in our sector. We continue to recruit new staff, both experienced and non-experienced to ensure that we mitigate any reliance on key individuals and nurture our own sales consultants.

Office locations

Nakama has offices in the UK (2), Australia (2), Hong Kong, Singapore and New York. It is essential that we examine each of our locations for risks of performance and the operations management of these offices, ensuring we are aware of local laws and culture and can secure licences for the employment of our own staff and those of our placements at clients. We continue to recruit new staff to increase the number of consultants to ensure that we are not reliant on key individuals.

Competition

There are many competing recruitment organisations and Recruitment Process Outsourcing (RPO) companies. The changing social media world also creates competition, companies now having moved towards in-house recruitment models continue to drive down margins in sectors that have become more commoditised. Nakama has continued to refine the business focus on highly specialised digital and technology sectors and continue to work with internal recruiters and staffing teams as the specialist agency to support the specific skills needed with its speed of delivery. Nakama maintains and enhances its niche market approach in order to continue to differentiate itself from its competitors.

Competition remains robust and was previously mainly from local SME based businesses but we have now seen more traditional IT businesses compete in the digital space. Competitors are now starting to look closely at the markets we operate in. We have seen a small increase in competition which operates along some of Nakama's service lines within our markets. It is also the case that we have seen some traditional competitors in local markets cease trading due to lack of scale and reach. Our ability to remain specialised within the digital, technology, creative and marketing industry locally and globally continues to provide a significant competitive advantage.

On-line recruiting/other competition

This is an increasingly competitive space and whilst we have seen new service offerings enter the market we have not seen much impact to date. We differentiate ourselves by being highly specialised, delivering a solution to clients' issues globally. We have a reputation for providing quality on-site and embedded solutions, industry expertise and for being a valued partner. Not only are the local and global recruitment markets becoming increasingly saturated with agencies, but also internal teams are taking on the recruitment process. Businesses operating with a transactional recruitment approach of simply sending CVs to a job are increasingly unable to compete. The demand for speed of service, high quality and the delivery of niche talent is more important than ever. Both clients and candidates demand more and will engage with recruitment partners who really understand their business and requirements and offer a premium service.

Clients

Clients may choose not to continue to use Nakama's services if our service fails to meet the required standards. It is therefore essential to harness technology to deliver rapid solutions. We are committed to ensuring the delivery of high standards and to retaining our excellent relationship with clients.

Candidates

Nakama's ability to work in niche, high demand sectors has continued to provide a key reason for candidates to want to be represented by the Group. The quality of support services around payroll, job registration, job search and information will be a key factor to retaining and increasing Nakama's talent pools globally.

Nakama continues to increase its networks and knowledge about their niche business and technical areas by developing a network of clients, contractors and applicants relevant to that niche.

Approval

This strategic report was approved on behalf of the Board on 3 August 2017.

Rob Sheffield
CEO
3 August 2017

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 March 2017.

Review of the business

The results for the year and financial position of the Group are as shown in the attached financial statements and a detailed review is set out in the CEO's Report and the Strategic Report.

Results and dividends

The Group made a loss of £270,000 before taxation for the year (2016: break even before taxation) on a revenue of £22.5m (2016: £21.0m). The Directors do not recommend a final dividend (2016: nil). No interim dividend was paid during the year (2016: nil).

Directors

The Directors of the Company throughout the year were:

E K Ford	Non Executive Chairman
JE Higham	Non Executive Director and Deputy Chairman
R Sheffield	Chief Executive Officer
A Watson	Chief Financial Officer
M de Lacy	Sales Director Highams
P Goodship	Managing Director Nakama London

Substantial shareholders

As at 31 March 2017, the following significant shareholdings have been notified to the Company:

	Number of shares	% of issued share capital
EK Ford	13,499,997	11.46%
R Sheffield	13,006,137	11.04%
P Goodship	13,006,137	11.04%
M Dixon	21,000,000	17.83%
Miton Asset Management	10,425,000	8.85%
JE Higham	9,268,078	7.87%
D & G Hart	8,715,786	7.40%
Edward Andrews	3,750,000	3.18%

Indemnity insurance for Company Officers

The Company has maintained insurance cover (including and up to the date of this report) for the Directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company.

Share option schemes

Information regarding the Company's share option schemes is given in note 21 to the Group financial statements.

Financial instruments

Details of the Group's financial instruments and risk are given in note 20 to the financial statements.

Likely future developments in the business of the Group

Information on likely future developments in the business of the Group has been included in the Strategic Report.

Employee involvement

The Company maintains an intranet site that provides employee with information on matters of concern to them as employees. The intranet site includes information on policies and procedures relating to their employment at Nakama Group plc.

Auditors

All of the Directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Company's auditor is unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the Annual General Meeting.

Approval

This report was approved by the Board of Directors on 3 August 2017.

By order of the Board

Angus Watson
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group. The Directors are also required to prepare financial statements in accordance with rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance so that the Company's management procedures are transparent and clearly understood by those who work within the Company, and by those who invest in it.

The Board

The aim of the Board is to function at the head of the Company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value. Regular strategy meetings are held to review the Group's forward planning - vital in a rapidly changing market and technology environment.

The Board currently consists of four executive directors and two non-executive directors.

The non-executive directors, whilst not independent by virtue of their length of service, do provide an independent challenge. The Company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

The Chairman and the executive directors

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The primary role of the Chairman is to ensure that the Board functions properly, meets its obligations, and has the correct organisation and mechanisms in place to work effectively.

The Chief Executive Officer's primary role is to provide overall leadership and vision in developing, alongside the Board, the strategic direction of the Company.

The Chief Executive Officer is also responsible for the management of the overall business, ensuring strategic and business plans are effectively implemented and the results of which are monitored and reported to the Board to ensure financial and operational objectives are attained.

The Board has a clear understanding as to the split of responsibilities between them, and they meet and communicate regularly so that each is aware of the ideas and actions of the others.

Internal control

The Board has overall responsibility for ensuring that the Group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication, and that the assets are safeguarded.

Each business has defined financial performance plans that are agreed by the Board at the beginning of each financial year to meet Group objectives. These plans contain measurable performance targets which are continuously monitored to identify shortfalls, so that corrective actions can be taken.

An ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews the process.

Audit Committee

The Board collectively undertakes the functions of the Audit Committee which is chaired by John Higham.

The terms of reference for the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the Company's auditors, keeping under review the scope and results of the audit and its effectiveness.

The Audit Committee has sole responsibility for assessing the independence of the external auditors, BDO LLP. The Committee has had due regard to the document published in November 2003 by the Institute of Chartered Accountants in England and Wales (ICAEW) "Reviewing Auditors Independence: guidance for audit committee". Each year the Committee undertakes to seek reassurance that the external auditors are independent.

Remuneration Committee

This Committee (Remcom), which meets at least twice a year, is chaired by Ken Ford; the Board collectively undertakes the function of Remcom. The Board has adopted a set of operational rules for Remcom which will be available for inspection at the AGM.

Going concern

After making appropriate enquiries, as disclosed in note 2, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Angus Watson
Company Secretary

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration policies for the Group's executive directors. It should be read in conjunction with details of directors' remuneration in note 7 which forms part of the audited financial statements. The members of the Remuneration Committee (Remcom) are identified on page 12.

The members of Remcom are independent of conflicts of interest arising from day to day running of the business. Remcom makes recommendations to the Board.

Remuneration policies

Remcom recommends to the Board a framework for executive remuneration. Remcom determines specific packages for each executive director including pension rights and compensation payments.

The general philosophy underlying the Group's remuneration policy for executive directors is the same as that applied to all senior employees in order to encourage performance. The basic components of remuneration are: salary and benefits, cash bonuses, share schemes and pensions.

Salary and benefits

Remcom studies independent reports and market trends in considering the level of salary and benefits. It also takes into account experience, responsibility and performance.

Bonuses

Bonuses may be awarded at Remcom's discretion depending on Group performance and profits within the relevant business area.

Share schemes

Details of all Company share schemes appear in note 21 to the financial statements.

Mark de Lacy was granted options on 2,070,530 shares exercisable at 1.25p per share pursuant to the Highams EMI Share Option Scheme. The vesting of 50% (2,070,530) of these options was contingent on the following condition; the gross profit of the Group for the year ended 31 March 2011 exceeds the gross profit for the year ended 31 March 2009 by 10%. The balance of the options are exercisable following the approval of the audited consolidated accounts of the Company for the financial year ended 31 March 2011. 50% of these options have now lapsed as the condition of increased gross profit was not met for the year. The options were granted by Remcom on 21 November 2008; the share price was 1.25p.

Mark de Lacy was granted options on 690,184 shares exercisable at 2.75p per share pursuant to the Highams EMI Share Option Scheme. These options are exercisable following the approval of the audited consolidated accounts for the financial year ending 31 March 2012 and were granted by Remcom on 7 September 2010; the share price was 2.75p.

Mark de Lacy was also granted options on 345,100 shares exercisable at 3.00p per share pursuant to the Highams EMI Share Option Scheme. These options are exercisable following the approval of the audited consolidated accounts for the financial year ended 31 March 2013 and were granted by Remcom on 7 July 2011; the share price was 3.00p. Mark de Lacy was granted options on 500,000 shares at 1.12p granted by Remcom on 1st August 2013. Mark de Lacy was also granted options on 500,000 shares exercisable at 2.88p per share granted by Remcom on 31 July 2014.

Pensions

The Group operates a defined contribution pension scheme, the contributions to which are set out in note 6 to the financial statements.

Service contract of the executive directors

Rob Sheffield, Angus Watson, Mark de Lacy and Paul Goodship have service agreements terminable by the Company or by the executives of not less than six months notice.

Non-executive directors

Non-executive directors receive an annual fee in respect of their duties. The fees are reviewed annually and are set by the Board. Their contracts are immediately terminable.

By order of the Board

Angus Watson
Company Secretary
3 August 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NAKAMA GROUP PLC

We have audited the financial statements of Nakama Group PLC for the year ended 31 March 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the financial Reporting Council's website at www.frc.org.uk/auditscopeprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anna Draper (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom
3 August 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017 £'000**	2016 £'000
Revenue	4	**22,519**	21,043
Cost of sales		**(16,326)**	(15,304)
Net fee income		**6,193**	5,739
Administrative costs		**(6,404)**	(5,702)
Operating (loss)/profit		**(211)**	37
Finance costs	5	**(59)**	(37)
(Loss)/profit before tax		**(270)**	–
Tax expenses	9	**(82)**	(70)
Loss for the period attributable to owners of the parent		**(352)**	(70)
Loss per share			
Basic and diluted loss per share from continuing operations	10	**(0.25)p**	(0.13)p

All of the above relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Loss for the year	**(352)**	(70)
Items that will or may be reclassified to profit or loss		
Exchange losses arising on translation of foreign operations	**(30)**	(9)
Total comprehensive loss for the period attributable to owners of the parent	**(382)**	(79)

The notes on pages 19 to 35 form a part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

Company number 1700310

	Note	**2017 £'000**	2016 £'000
Assets			
Non-current assets			
Intangible assets	11	**524**	680
Property, plant and equipment	13	**86**	106
Deferred tax asset	18	**84**	108
Total		**694**	894
Current assets			
Trade and other receivables	14	**3,885**	3,415
Cash and cash equivalents		**259**	582
Total		**4,144**	3,997
Total assets		**4,838**	4,891
Current Liabilities			
Trade and other payables	15	**(1,953)**	(1,848)
Borrowings	16	**(1,471)**	(1,247)
Total		**(3,424)**	(3,095)
Net Assets		**1,414**	1,796
Equity			
Share capital	22	**1,602**	1,602
Share premium account		**2,580**	2,580
Merger reserve		**90**	90
Employee share benefit trust reserve		**(61)**	(61)
Currency reserve		**26**	56
Retained earnings		**(2,823)**	(2,471)
Total equity attributable to the shareholders of the Company		**1,414**	1,796

The financial statements were approved and authorised for issue by the Board of Directors on

Angus Watson
Chief Financial Officer
3 August 2017

Rob Sheffield
Chief Executive Officer

The notes on pages 19 to 35 form a part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2017

	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 2015	1,602	2,580	90	(61)	65	(2,401)	1,875
Loss for the year	–	–	–	–	–	(70)	(70)
Other comprehensive income	–	–	–	–	(9)	–	(9)
Total comprehensive income for 2016	–	–	–	–	(9)	(70)	(79)
At 1 April 2016	1,602	2,580	90	(61)	56	(2,471)	1,796
Comprehensive income for the year							
Loss for the year	–	–	–	–	–	(352)	(352)
Other comprehensive income	–	–	–	–	(30)	–	(30)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(30)**	**(352)**	**(382)**
At 31 March 2017	**1,602**	**2,580**	**90**	**(61)**	**26**	**(2,823)**	**1,414**

The notes on pages 19 to 35 form a part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017 £'000**	2016 £'000
Operating activities			
Loss for the year before tax		**(270)**	–
Depreciation of property, plant and equipment	13	**80**	51
Amortisation of intangible assets	11	**156**	169
Net finance costs		**59**	37
Tax paid		**(1)**	–
Foreign exchange		**(127)**	(43)
Changes in trade and other receivables		**(445)**	114
Changes in trade and other payables		**105**	111
Net cash generated by operating activities		**(443)**	439
Cash flows from investing activities			
Purchase of property, plant and equipment		**(45)**	(91)
Net cash generated by investing activities		**(45)**	(91)
Financing activities			
Increase in invoice discounting facility		**224**	176
Finance cost paid		**(59)**	(37)
Net cash from financing activities		**165**	139
Net changes in cash and cash equivalents		**(323)**	487
Cash and cash equivalents, beginning of year		**582**	95
Cash and cash equivalents at end of year		**259**	582

Cash and cash equivalents for the purpose of the statement of cash flows comprises:

Cash at bank		**259**	582
Bank overdrafts		**–**	–
Cash and cash equivalents at end of year		**259**	582

The notes on pages 19 to 35 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. Nature of operations and general information

Nakama Group includes Nakama; a global recruitment consultancy for the digital technology and interactive media industry and also Highams; a technology and business information recruitment consultancy for the insurance and investment management industry.

Nakama Group plc, a public limited company, is the Group's ultimate parent company. It is registered in England and Wales. The address of Nakama Group plc's registered office, which is also its principal place of business, is Quadrant House, 33/45 Croydon Road, Caterham, Surrey CR3 6PB. The details of subsidiary undertakings are listed in note 5 to the Company Financial Statements.

Nakama Group plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM). Nakama Group plc's consolidated full year financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

2. Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the group are set out below.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements.

The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Going concern

The financial statements have been prepared on a going concern basis. As at 31 March 2017 the Group had net assets of £1,414,000 (2016: £1,796,000) and made a loss for the year of £352,000 (2016: loss of £70,000). In considering the appropriateness of the going concern assumption the Directors have taken into consideration:

1. Monthly operating and cash flow forecasts; and
2. Facilities available to the Group.

The Group has funding arrangements with its principal bankers, linked to receivables, which are on a revolving basis.

The cash flow forecasts are based on historical results, taking in to account a small level of growth for those subsidiaries that are in their early years of trading. The current economic conditions and competition in the market create uncertainty over the level of placements and the forecasts take account for possible changes in trading performance but with regular income on contractor payments, all the funding arrangements in place give us the opportunity to grow the contract base within the headroom of the facility, adjusting where required.

The Directors are therefore confident that the Group will be able to continue as a going concern.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2017. Subsidiaries are entities controlled by the Group. The Company controls a subsidiary if all three of the following elements are present: power over the subsidiary; exposure to variable returns from the subsidiary; and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations

Business combinations of subsidiaries are dealt with by the purchase method. The equity method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Direct costs of acquisition are recognised immediately as an expense.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies continued

Revenue

Revenue is measured at the fair value of consideration received or receivable for services provided during the accounting period net of trade discounts and value added tax. Revenue in respect of contract placements is recognised in the period in which the contractor undertakes the work. Revenue in respect of permanent placements is recognised in the period in which a candidate commences employment. A provision is made against any potential rebates that may become due on permanent placements, should the employee leave within a specified period of time. These provisions are reversed once this period has expired.

Goodwill

Goodwill represents any excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired for acquisitions after 31 March 2006, together with goodwill recognised on transition to IFRS on 1 April 2006.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses.

Other intangible assets

Computer software included at cost is amortised on a straight line basis over its useful economic life of two years. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Identified intangible assets comprise of customer relationships and candidate database, which are amortised over a six and five-year period, respectively.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of property, plant and equipment over their estimated useful lives at the following rates:

Leasehold improvements	– over remaining period of lease on a straight-line basis
Computer equipment	– 50% per annum on a straight-line basis
Furniture, fittings and office equipment	– 25% per annum on a straight-line basis

Impairment testing of goodwill, other intangible assets and property, plant and equipment

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually on 31 March. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount the asset is written down immediately to its recoverable amount.

Leased assets

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term. All of the Group's current leases are operating leases.

Taxation

Current tax is the tax currently payable based on taxable profit for the year. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax assets are recognised in the statement of financial position only where it is probable that suitable taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Foreign currencies
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

On consolidation the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at rates of exchange ruling on the statement of financial position date. Exchange differences arising from this policy are recognised directly in the currency reserve via other comprehensive income.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Pension costs
The Group operates a defined contribution pension scheme. The pension cost expensed to the income statement represents contributions payable by the Group to the pension scheme in the period.

Financial assets
All of the Group's financial assets are categorised as loans and receivables.

The Group's financial assets comprise trade receivables, cash and cash equivalents. Trade and other receivables are measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired, (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, and an interest bearing confidential invoice discounting facility. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in the current liabilities on the consolidated statement of financial position.

Employee share benefit trust
The cost of the Company's shares held by the employee share benefit trust is deducted from equity in the consolidated statement of financial position. Any gain or loss received by the employee share benefit trust on disposal of the shares it holds is also recognised directly in equity. Other assets and liabilities of the employee share benefit trust (including borrowings) are recognised as assets and liabilities of the Group. Any shares held by the employee share benefit trust are treated as cancelled for the purposes of calculating earnings per share.

Share based payments
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies continued

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares.
- "Merger reserve" represents the difference between the value of shares and the nominal value in accordance with the requirements of Merger Relief under the Companies Act.
- "Employee share benefit trust reserve" represents the cost of the Company's shares held by the employee share benefit trust.
- "Currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Retained earnings" represents retained profits less accumulated losses.

New standards, interpretations and amendments effective from 1 April 2016

The new standards, interpretations and amendments, effective from 1 April 2016, have not had a material effect to the financial statements.

Standards and interpretations to existing standards that are not yet effective and have not yet been adopted by the Group

The amendments and interpretations to published standards that have an effective date for accounting periods on or after 31 March 2017 or later periods have not been adopted early by the Group and assessment of the impact of these standards is currently under review.

International Accounting Standards (IAS/IFRS)	Effective date:
• IFRS 9 Financial Instruments	01/01/2018
• IFRS 15 Revenue from Contracts with Customers	01/01/2018
• IFRS 16 Leases	01/01/2019

3. Critical accounting judgements and estimates

In preparing the financial statements it is necessary for the Directors to make estimates and judgements about the future. The key assumption made by the Directors in the preparation of the financial statements this year concerns the consideration of deferred tax asset. The Group has again made profits before depreciation and amortisation and is able to relieve some of its losses in determining its current tax payable for the year, which is why it is anticipated there will be no current tax liability. Furthermore, because the Directors are confident of continued profitability it is still considered appropriate to recognise a deferred tax asset for the future relief of the Group's remaining losses, with the amount recognised based on formalised budgets. However, the actual amount of losses that will be relieved in future will be driven by the Group's actual profitability (including periods beyond those for which formal budgets are prepared) and therefore the amount of the deferred tax asset recognised this year may be greater or smaller than the actual benefit accruing to the Group. Details of the Group's provided and unprovided deferred tax position are shown in notes 9 and 18.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment (see note 12). The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

4. Operating segments

Operating segments are reported on a geographical basis.

The Group has three 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.
- USA – This start up includes candidates placed in the USA.

These segments are monitored by the Board of Directors and are reported in a manner consistent with the internal reporting provided to them The Board of Directors are considered to be the chief operating decision makers. All revenue is derived from the supply of recruitment and human resource services.

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 2017 £'000	**USA 2017 £'000**	**UK 2017 £'000**	**Total 2017 £'000**
Revenue from external customers	**8,825**	**79**	**13,615**	**22,519**
Segment profit/(loss) before income tax	**(20)**	**(78)**	**42**	**(56)**

The comparisons for 2016:

	Asia Pacific 2016 £'000	USA 2016 £'000	UK 2016 £'000	Total 2016 £'000
Revenue from external customers	6,924	9	14,110	21,043
Segment profit/(loss) before income tax	189	(100)	63	152

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

Profit or loss after income tax expense	**2017 £'000**	2016 £'000
Total profit or loss for reportable segments	**(56)**	152
PLC costs not cross charged	**(58)**	17
Amortisation of intangibles	**(156)**	(169)
Share based payments	**–**	–
(Loss)/profit before income tax expense	**(270)**	–
Corporation taxes	**(82)**	(70)
Loss after income tax expense	**(352)**	(70)

The Group makes sales to Europe, Asia, USA and Australasia. All revenue is derived from the provision of services. An analysis of sales revenue by country is given below:

Revenue by country	**2017 £'000**	2016 £'000
United Kingdom	**13,223**	13,771
Europe	**392**	339
Hong Kong	**1,121**	764
Singapore	**630**	736
Australia	**7,074**	5,424
USA	**79**	9
	22,519	21,043

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

5. Finance costs

	2017 **£'000**	2016 £'000
Interest expense on invoice discounting facility	**59**	40
Interest received	**–**	(3)
	59	37

6. Employees' remuneration

(a) Staff costs

Staff costs, including executive directors, during the year were as follows:

	2017 **£'000**	2016 £'000
Wages and salaries	**4,004**	3,522
Social security	**315**	331
Other pension costs	**24**	29
Share based payment expense	**–**	–
	4,343	3,882

(b) Staff numbers

The average number of persons employed during the year was as follows:

	2017 **Number**	2016 Number
Sales	**57**	60
Finance and administration	**10**	12
Management	**13**	8
	80	80

7. Directors' remuneration

Aggregate remuneration

The total amounts for Executive Directors' remuneration of the Group and other benefits were as follows:

	2017 £'000	2016 £'000
Emoluments	**520**	550
Money purchase pension contributions	**9**	18
	529	568

(a) Directors' remuneration

	Fees/basic salary 2017 £'000	**Taxable benefits 2017 £'000**	**Total emoluments 2017 £'000**	**Money purchase pension contributions 2017 £'000**	**National insurance contributions**	**Total 2017 £'000**	Total 2016 £'000
Executive							
M de Lacy	**91**	**13**	**104**	**5**	**11**	**120**	122
K Sayers (resigned 29 February 2016)	**–**	**–**	**–**	**–**		**–**	106
P Goodship	**114**	**5**	**119**	**1**	**14**	**134**	117
A Watson	**105**	**9**	**114**	**3**	**13**	**130**	48
R Sheffield	**170**	**4**	**148**	**–**		**174**	148
Non-executive							
J Higham	**15**	**–**	**15**	**–**	**1**	**16**	12
K Ford	**20**	**–**	**20**	**–**	**2**	**22**	15
Aggregate emoluments	**515**	**31**	**546**	**9**	**41**	**596**	568

The highest paid director was Robert Sheffield (2016: Robert Sheffield).

All executive directors are employed under a service agreement which can be terminated at any time by either the director or the Company giving six months' prior notice. The services of K Ford and JE Higham are secured by letters of appointment, and these appointments can be terminated by the Company in general meeting at any time.

(b) Directors' pension entitlements

During the year, three directors were members of money purchase pension schemes (2016: two). Contributions paid by the Company in respect of such directors are shown in part (a) of this note.

(c) Directors' share options and interests

Details of directors' share options and interests are shown in the directors' remuneration report on page 13.

The key management personnel of the Group consist exclusively of the directors named above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

8. Operating profit

The profit on ordinary activities before taxation is stated after charging:

	2017 £'000	2016 £'000
The analysis of auditor's remuneration is as follows:		
Remuneration received by Company's auditor or an associate of the Company's auditor:		
Company annual accounts	**5**	6
Group annual accounts	**10**	10
	15	16
Other fees payable to the Company's auditors:		
Audit of subsidiary companies	**28**	31
Other audit related fees		1
Tax compliance	**13**	18
	56	66
Amortisation of intangibles	**156**	169
Depreciation of property, plant and machinery	**80**	51
Foreign exchange gain	**(127)**	(43)
Operating lease rentals:		
Property	**202**	241
Plant and equipment	**24**	15
Staff costs	**4,343**	3,882

9. Income tax expense

Comprising:	**2017 £'000**	2016 £'000
Current tax charge	**58**	–
Prior year period adjustment		
Deferred tax asset movement	**24**	70
	82	70

The relationship between the expected tax expense based on the effective tax rate of the Group at 20% (2016: 20%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2017 £'000	2016 £'000
Result for the year before taxation	**(270)**	–
Expected tax expense	**(54)**	–
Expenses not deductible for tax purposes	**20**	44
Change in tax rates	**–**	17
Unrecognised deferred tax	**116**	22
Difference in tax rates between UK and overseas	**–**	(13)
Total income tax expense	**82**	70

Please refer to note 18 for information on the entity's deferred tax assets and liabilities.

10. Loss per share

	2017			2016		
	Loss £'000	**Weighted average number of shares '000**	**Loss per share p**	Loss £'000	Weighted average number of shares '000	Earnings per share p
Basic and diluted loss per share	**(296)**	**117,791**	**(0.25)**	(70)	117,791	(0.13)

The weighted average number of shares excludes 183,953 (2016: 183,953) shares held by the Employee Share Benefit Trust.

11. Intangible assets

The amounts recognised in the statement of financial position relate to the following:

	Software £'000	Goodwill £'000	Customer relationships £'000	Database £'000	Total £'000
Software					
Cost:					
At 1 April 2016	167	487	647	227	1,528
Additions	–	–	–	–	–
At 31 March 2017	167	487	647	227	1,528
Amortisation/impairment:					
At 1 April 2016	163	–	485	200	848
Charge for year	4	–	125	27	156
At 31 March 2017	167	–	610	227	1,004
Net book amount:					
At 31 March 2017	**–**	**487**	**37**	**–**	**524**
At 31 March 2016	4	487	162	27	680
At 31 March 2015	20	487	270	72	849

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

12. Goodwill

The Goodwill arose on the acquisition of Nakama Group in October 2011. The business formed part of the Group with effect from the date of acquisition of Nakama offices in London, Australia and Hong Kong.

The carrying amount of goodwill is allocated to the cash generating units (CGU's) as follows:

	Goodwill carrying amount 2017 and 2016 £'000
Nakama London	**255**
Nakama Hong Kong	**28**
Nakama Sydney	**168**
Nakama Melbourne	**36**
	487

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. Impairment tests are undertaken annually on 31 March using value in use calculations for each CGU. The value in use calculations are based on cash flow projections from formally approved budgets covering a five year period plus a terminal value. The key assumptions within the calculations are considered to be revenue growth and the discount rate. The average revenue growth rate is 32% in the next financial year (2016: 30%) and 5% per annum thereafter (2016: 6%). The large revenue growth rate in the next financial year is based on: historical staff performance, a more focused strategy, new business from new hires and a more diversified portfolio of offerings. The discount rate used in the impairment review was 12% (2016: 12%). The recoverable amount calculated for all CGUs exceeds the carrying amounts by £6,223,000 (2016: £2,447,001).

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal:

- If the revenue growth rate for the first year reduced by 33.05% to 107.1% for Nakama Melbourne
- If the revenue growth rate for the first year of 5.5% reduced to 3.7% for Nakama London

13. Property, plant and equipment

	Improvements to property £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost:				
At 1 April 2016	**109**	**268**	**134**	**511**
Additions	**8**	**26**	**11**	**45**
Disposals	**–**	**(2)**	**–**	**(2)**
Foreign exchange difference	**7**	**29**	**4**	**40**
At 31 March 2017	**124**	**321**	**149**	**594**
Depreciation:				
At 1 April 2016	**92**	**230**	**83**	**405**
Charge for the year	**18**	**36**	**26**	**80**
Disposals	**–**	**(2)**	**–**	**(2)**
Foreign exchange difference	**–**	**23**	**2**	**25**
At 31 March 2017	**110**	**287**	**111**	**508**
Net book value 31 March 2017	**14**	**34**	**38**	**86**

	Improvements to property £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost:				
At 1 April 2015	95	237	89	421
Additions	14	32	45	91
Disposals	–	(1)	–	(1)
Foreign exchange difference	–	–	–	–
At 31 March 2016	109	268	134	511
Depreciation:				
At 1 April 2015	80	203	71	354
Charge for the year	12	27	12	51
Foreign exchange difference	–	–	–	–
At 31 March 2016	92	230	83	405
Net book value 31 March 2016	17	38	51	106
Net book value 31 March 2015	15	34	18	67

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

14. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**3,508**	3,100
Other receivables	**35**	27
Prepayments and accrued income	**342**	288
	3,885	3,415

All amounts are receivable within one year. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment and no provision (2016: £nil) has been considered necessary.

Some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2017 £'000	2016 £'000
More than one month but not more than 3 months	**1,165**	1,165
More than 3 months but not more than 6 months	**85**	97
More than 6 months but not more than 1 year	**–**	28
	1,250	1,290

15. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**933**	789
Other taxes and social security costs	**750**	813
Accruals and deferred income	**270**	246
	1,953	1,848

All amounts are payable within one year. The carrying values are considered to be a reasonable approximation of fair value. The contractual maturity of trade payables is as follows:

	2017 £'000	2016 £'000
0 to 30 days	**852**	645
31 to 60 days	**42**	129
61 to 120 days	**39**	15
	933	789

All other financial liabilities including borrowings are repayable on demand.

16. Borrowings

Current liabilities	**2017 £'000**	2016 £'000
Invoice discounting	**1,471**	1,247
	1,471	1,247

The Group has confidential invoice discounting facilities of £2,500,000 (2016: £2,500,000). The facilities are secured by cross guarantees and debentures. The carrying values are to be considered to be a reasonable approximation of fair value. £930,000 of the borrowings relate to the UK operations and £541,000 relate to the Australian operations, which is denominated in Australian Dollars.

17. Commitments

The total future value of minimum lease payments is due as follows:

	2017		2016	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Not later than one year	**247**	**17**	252	10
Later than 1 year and not later than 5 years	**283**	**25**	187	3
Later than 5 years	**–**	**–**	–	1
	530	**42**	439	14

Lease payments recognised as an expense during the year amount to £226,000 (2016: £256,000). No sublease income is expected as all assets held under lease agreements are used exclusively by the Group. All leases relate to offices and office equipment.

The rental contract for the office building rented since July 2000 at Caterham was renewed in March 2013 for a period of five years. As at February 2016 we have taken leased office space in Singapore on a three year lease, a three year lease in Melbourne in September 2016 and a two year lease in Sydney for two years.

Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing.

18. Deferred tax

Deferred tax recognised in the financial statements is set out below.

	2017 £'000	2016 £'000
Movement on deferred taxation balance in the period		
As at 1 April	**108**	178
(Charge)/credit to profit and loss	**(24)**	(70)
As at 31 March	**84**	108

	2017 £'000	2016 £'000
Available trading losses	**(68)**	(88)
Accelerated capital allowances	**(16)**	(20)
Deferred tax asset	**(84)**	(108)

In accordance with IAS 12 "Income Taxes", the deferred tax asset has been recognised to the extent that trade losses will be recoverable against profits in the foreseeable future. A deferred tax asset has been recognised in relation to the trading losses in Highams Recruitment Limited only and based on current utilisation of the losses and future forecasts it is expected this asset will be fully utilised in the next four years. The temporary differences for which the deferred tax asset has not been provided in the financial statements are set out below:

	2017 £'000	2016 £'000
Losses	**531**	401
Accelerated capital allowances	**64**	62
	595	463

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

19. Related party transactions and controlling related party

The Group's related parties include its Board of Directors. Details of the Directors' remuneration are given in note 7. There were no other related party transactions.

20. Financial risk management objectives and policies

Financial instruments

The Group uses various financial instruments; these include cash and cash equivalents, and various items such as trade receivables, trade payables that arise directly from its operations and an invoice discounting arrangement. The main purpose of these financial instruments is to raise finance for the Company's operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances its operations through a mixture of retained profit, bank borrowings and invoice discounting. The Group borrows in Pounds Sterling and Australian Dollars through the invoice discounting facility.

Cash deposits are non-interest bearing unless placed on money markets at overnight rates. The overdraft balances are offset against cash deposits in accordance with the facility and is managed such that no interest cost is incurred. The invoice discounting facilities are charged at 1.5% above the UK base rate for Sterling and Euro borrowing and 1% above base on the Australian facility. The Group is therefore exposed to changes in interest rates primarily through its invoice discounting facility.

Liquidity risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands including on a day-to-day and week-to-week basis, as well as on a monthly basis. As at 31 March 2017 all of the Group's financial liabilities are contractually due within six months of the statement of financial position date. The majority of working capital is provided through the invoice discounting facility; additional draw down of these payments are directly related to the trade receivables. The Group's liquidity needs are assessed periodically.

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing its offerings commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Capital for the reporting years under review is summarised on the next page.

Although Nakama Group plc is not constrained by any externally imposed capital requirements, its goal is to maximise its capital to overall financing structure ratio.

The Group sets the amount of capital in proportion to its overall financing structure and manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Capital	2017 £'000	2016 £'000
Total equity	**1,470**	1,796
Overall financing		
Total equity	**1,470**	1,796
Plus net borrowings	**1,471**	1,247
	2,941	3,043
Capital-to-overall financing ratio	**50.0%**	59.0%

Net borrowings comprise invoice financing borrowings. The change in the capital to overall financing ratio this year is due to the loss sustained in the year and the increased usage of the invoice financing facility.

Credit risk

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are low as they are held at banks with high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The Group has historically not suffered from significant bad debt problems. The Group's principal bankers are HSBC Bank plc, the Group's invoice discounting facility is also held with HSBC Commercial Finance.

Currency risk

The Group trades within international markets. These transactions are generally priced and invoiced in Euros, Hong Kong Dollar, Singapore Dollar, US Dollar and Australian Dollar.

The table below shows the Group's currency exposures. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in its functional currency of the transactions concerned. The exposures which relate only to the sales ledger balance, purchase ledger balance and cash at bank were as follows:

	2017 £'000	2016 £'000
Euro	**37**	50

The foreign subsidiaries operate only in their functional currency.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

20. Financial risk management objectives and policies continued

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	Cash, loans and receivables 2017 £'000	**Non financial assets 2017 £'000**	**Financial liabilities at amortised cost 2017 £'000**	**Non financial liabilities 2017 £'000**	**Total for statement of financial position heading 2017 £'000**
Statement of financial position headings					
Trade receivables	**3,508**	**–**	**–**	**–**	**3,508**
Cash at bank	**259**	**–**	**–**	**–**	**259**
Other receivables	**–**	**35**	**–**	**–**	**35**
Prepayments	**–**	**342**	**–**	**–**	**342**
Trade payables	**–**	**–**	**(933)**	**–**	**(933)**
Other taxes and social security costs	**–**	**–**	**–**	**(750)**	**(750)**
Accruals	**–**	**–**	**(270)**	**–**	**(270)**
Borrowings	**–**	**–**	**(1,471)**	**–**	**(1,471)**
Total	**3,767**	**377**	**(2,674)**	**(750)**	**720**

	Cash, loans and receivables 2016 £'000	Non financial assets 2016 £'000	Financial liabilities at amortised cost 2016 £'000	Non financial liabilities 2016 £'000	Total for statement of financial position heading 2016 £'000
Statement of financial position headings					
Trade receivables	3,100	–	–	–	3,100
Cash at bank	582	–	–	–	582
Other receivables	–	20	–	–	20
Prepayments	–	288	–	–	288
Trade payables	–	–	(788)	–	(788)
Other taxes and social security costs	–	–	–	(812)	(812)
Other payables	–	–	–	–	–
Accruals	–	–	(245)	–	(245)
Borrowings	–	–	(1,247)	–	(1,247)
Total	3,682	308	(2,280)	(812)	898

The fair values of the financial assets and liabilities at 31 March 2017 and 31 March 2016 are not materially different from their book values.

21. Employee share schemes

(a) EMI option scheme

The EMI option scheme was amended with effect from 29 March 2007 in order to reflect legislative changes since the scheme's creation in 2000. Options over 4,141,060 ordinary shares were granted on 21 November 2008 at an exercise price of 1.25 pence per share. 50% of these options have since lapsed leaving 2,070,530 under option.

Options over 1,380,368 ordinary shares were granted on 7 September 2010 at an exercise price of 2.75p per share. Options over 690,200 ordinary shares were granted on 7 July 2011 at an exercise price of 3.00p per share. Options over 513,900 ordinary shares were granted on 11 December 2012 at an exercise price of 1.88p. Options over 1,500,000 ordinary shares were granted on 1 August 2013 at an exercise price of 1.12p. Options over 2,150,000 ordinary shares were granted on 31 July 2014 at an exercise price of 2.88p

There are no share based payment expenses for the period or the prior period and therefore no further IFRS 2 disclosures are given.

(b) Employee Share Benefit Trust

An Employee Share Benefit Trust was established in November 1995 and its Trustees have the power to grant options to eligible employees over shares in the Company at the Trust's expense, and the Company's discretion, upon such terms as they think fit and to purchase such shares to be acquired by the eligible employees.

The Company did not make any contributions to the Trust during the year (2016: £nil). The Trust holds 183,953 shares in the Company, with a market value of £3,396 (2016: 183,953 shares at a market value of £3,672). These shares were purchased at a cost of £61,000.

No shares have been transferred to employees or were under option as at 31 March 2017. The Trust's only other asset at 31 March 2017 was cash at bank of £2,111 (2016: £2,111) which is included in the Group's statement of financial position as part of cash and cash equivalents. The Trust had no liabilities.

All other options granted in prior years have lapsed and no other types of options were granted in the year.

22. Share capital

	At 31 March 2017 £'000	At 31 March 2016 £'000
Authorised		
5,554,741,568 Ordinary 0.01p shares	**555**	555
31,875,568 Deferred shares at 4.99p	**1,590**	1,590
48,773,016 New ordinary 0.01p shares issued	**5**	5
	2,150	2,150

	At 31 March 2017 £'000	At 31 March 2016 £'000
Allotted, called up and fully paid		
69,018,425 Ordinary 0.01p shares	**7**	7
31,875,568 Deferred shares at 4.99p	**1,590**	1,590
48,773,016 New ordinary 0.01p issued	**5**	5
	1,602	1,602

	Number	Number
Movement in Ordinary shares		
Total number of shares in issue	**117,791,441**	117,791,441
Deferred shares		
Deferred shares of 4.99p	**31,875,568**	31,875,568

The Deferred shares do not carry any voting rights and do not entitle the holders to receive any dividend or other distribution.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	Note	**2017 £'000**	2016 £'000
Fixed assets			
Tangible assets	4	**1**	2
Investments	5	**1,176**	1,346
		1,777	1,348
Current assets			
Debtors: amount due within one year	6	**1,143**	1,252
Cash at bank and in hand		**5**	1
		1,148	1,253
Creditors: amount falling due within one year	7	**(58)**	(103)
Net current assets		**1,090**	1,150
Total assets less current liabilities being net assets		**2,267**	2,498
Capital and reserves			
Called up share capital	9	**1,602**	1,602
Share premium account	9	**2,580**	2,580
Merger reserve	9	**297**	297
Employee share benefit trust reserve	9	**(61)**	(61)
Profit and loss account	9	**(2,151)**	(1,920)
Shareholders' funds		**2,267**	2,498

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss in these financial statements and is reporting under FRS 101. The loss for the financial year was £230,872 (2016: Profit of £339,447).

The financial statements were approved by the Board of Directors and authorised for issued on 3 August 2017.

Angus Watson
Chief Financial Officer

Rob Sheffield
Chief Executive Officer

The notes on pages 38 to 42 form a part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2015	1,602	2,580	297	(61)	(2,259)	**2,159**
Profit for the year	–	–	–	–	339	**339**
Total comprehensive income for the year	–	–	–	–	339	**339**
Share based payment / credit	–	–	–	–	–	
At 1 April 2016	1,602	2,580	297	(61)	(1,920)	**2,498**
Comprehensive income for the year						
Loss for the year	–	–	–	–	(231)	(231)
Other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	(231)	**(231)**
Share based payment credit						
At 31 March 2017	**1,602**	**2,580**	**297**	**(61)**	**(2,151)**	**(2,267)**

The notes on pages 38 to 42 form a part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. Principal accounting policies

Basis of preparation

The parent company financial statements are prepared under the historical cost convention. The particular accounting policies adopted are described below.

Application of FRS 100 and 101

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101, therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with wholly owned members of Nakama Group plc group of companies.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share based payments;
- financial instruments; and
- fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	– over period of lease
Computer equipment	– 50% on cost per annum
Furniture, fittings and office equipment	– 25% on cost per annum
Motor vehicles	– 25% on written down value per annum

Investments

Investments are stated at cost less provision for impairment.

Leased assets

Rentals payable under operating leases being leases which do not result in the transfer to the Company of substantially all the risks and rewards of ownership of the assets, are charged to the profit and loss on a straight line basis over the lease term.

Current taxation

Current taxation represents corporation tax payable on the taxable profits for the year or prior periods and is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and

- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Share based payments
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss over the remaining vesting period.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss.

Financial guarantee contracts
Where the Company enters into financial guarantee contracts and guarantees the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time that it becomes probable that the Company will be required to make a payment under the guarantee.

Critical accounting judgements and estimates
In preparing the financial statements it is necessary for the Directors to make estimates and judgements about the future. The key assumptions made by the Directors in the preparation of the financial statements this year concern the value of the investments and intercompany balances in the financial statements.

The Group is required to consider, on an annual basis, whether there are indications of impairments over investments and whether the intercompany receivables are recoverable. For the investments, the Directors considered there to be indications of impairment as some of the subsidiaries are loss making and as such have performed an impairment review. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. For the receivables the budgets for the next five years are reviewed.

2. Directors' remuneration

Directors' remuneration has been disclosed within the directors' remuneration report and note 7 of the Group financial statements.

3. Auditors' remuneration

Auditors' remuneration attributable to the Company is as follows:

	2017 **£'000**	2016 £'000
Audit fees - statutory audit	**5**	6

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

4. Tangible fixed assets

	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost:				
At 1 April 2016	80	92	52	**224**
Additions	–	1	–	**1**
Disposals	–	–	–	**–**
At 31 March 2017	**80**	**93**	**52**	**225**
Depreciation:				
At 1 April 2016	78	92	52	**222**
Provided in the year	1	1	–	**2**
Eliminated on disposals	–	–	–	**–**
At 31 March 2016	**79**	**93**	**52**	**224**
Net book amount:				
At 31 March 2017	**1**	**–**	**–**	**1**
At 31 March 2016	2	–	–	**2**

5. Investments

The amounts recognised in the Company's statement of financial position relate to the following:

	£'000
Cost at 1 April 2016 and 31 March 2017	1,346
Impairment	(170)
Net book amount at 31 March 2017	**1,176**
Net book amount at 31 March 2016	**1,346**

An impairment review was carried out on loss making subsidiaries resulting in an impairment of £170,000.

The value carried relates to the acquisition of Nakama Limited on 14 October 2011.

Subsidiaries	Principal activity	Registered office
Highams Recruitment Limited*	Recruitment	Quadrant House,33-45 Croydon Rd, Caterham, UK
Highams Recruitment BV**, *	Dormant	's-Gravenhage (Den Haag, The Hague), 2501 CK,
RWP Recruitment Services Limited	Dormant	Quadrant House,33-45 Croydon Rd, Caterham, UK
EquationHR Limited	Dormant	Quadrant House,33-45 Croydon Rd, Caterham, UK
Highams Holding BV**, *	Holding company	's-Gravenhage (Den Haag, The Hague), 2501 CK, Netherlands
Highams Share Scheme Trustee Limited*	Trustee of Employee Benefit Trust	Quadrant House,33-45 Croydon Rd, Caterham, UK
Nakama Financial Services Limited	Dormant	Quadrant House,33-45 Croydon Rd, Caterham, UK
Nakama Limited*	Recruitment	Quadrant House,33-45 Croydon Rd, Caterham, UK
Nakama Hong Kong**	Recruitment	Room 2104, K. Wah Centre, 191 Java Road, North Point, Hong Kong
Nakama Sydney pty**	Recruitment	Level 14, 115 Pitt Street Sydney NSW 2000
Nakama Melbourne pty**	Recruitment	Level 2, 94 Elizabeth Street Melbourne VIC 3000
Nakama Singapore pte**, *	Recruitment	80 Raffles Place, #32-01, UOB Plaza, Singapore 048624
Highams Recruitment Services (N.E.) Limited	Dormant	Quadrant House,33-45 Croydon Rd, Caterham, UK
Nakama New York Inc**	Recruitment	175 Varick Street, New York, NY 10014

All subsidiaries marked with ** are incorporated outside the UK.

All subsidiaries marked with * are wholly owned by the Company, all others are indirectly wholly owned.

All shares in subsidiary undertakings are ordinary shares and the percentage owned is 100% either directly or indirectly.

6. Debtors

	2017 £'000	2016 £'000
Prepayments and accrued income	**19**	20
Amounts due from subsidiary undertakings	**1,124**	1,232
	1,143	1,252

7. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	**8**	45
Other taxes and social security costs	**–**	4
Accruals and deferred income	**50**	54
	58	103

8. Commitments

The total future value of minimum lease payments is due as follows:

	Land and buildings 2017 £'000	**Other 2017 £'000**	Land and buildings 2016 £'000	Other 2016 £'000
Not later than one year	**32**	**4**	34	7
Later than 1 year and not later than 5 years	**–**	**–**	34	–
Later than 5 years	**–**	**–**	–	–
	32	**4**	68	7

9. Share capital

For details of the share capital please refer to note 22 of the consolidated accounts.

10. Contingent liabilities

The Company is subject to cross guarantees and debentures in relation to the invoice discounting facility that resides in the subsidiary companies. At the 31 March 2017 the invoice discounting overdraft amounted to£1,471,000 (2016: £1,247,000). The invoice discounting facility resides in the subsidiary companies and not in the parent company balance sheet. At the 31 March 2017 the invoice discounting overdraft amounted to £1,471,000 (2016: £1,247,000).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nakama Group plc (the "Company") will be held at the offices of WH Ireland, 24 Martin Lane, London EC4 0DR on Thursday 7 September 2017 at 11.00am for the following purposes:

Ordinary Business

1. To receive and adopt the financial statements for the year ended 31 March 2017, together with the Reports of the Directors and of the Auditors thereon.
2. To re-appoint BDO LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors to determine the remuneration of the auditors of the Company.
4. To re-elect as a Director Angus Watson who retires by rotation, in accordance with Article 76 of the Company's Articles of Association.
5. To re-elect as a Director Mark de Lacy who retires by rotation, in accordance with Article 76 of the Company's Articles of Association. To transact any other ordinary business of the Company.

Special Business

As special business, to consider and if thought fit pass the following resolutions which will be proposed as to resolution 6 as an ordinary resolution and as to resolutions 7 and 8 as special resolutions:

6. THAT, subject to and in accordance with Article 6.2 of the Articles of Association of the Company, the board be and it is hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (in substitution for any existing authority to allot shares) to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,926 (being approximately one third of the current issued ordinary share capital) provided that such authority shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.
7. THAT, subject to the passing of resolution 6 as set out in the notice of this meeting, and in accordance with Article 6.2 of the Articles of Association of the Company, the board be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the said Act) for cash pursuant to the general authority conferred by resolution 6 as set out in the notice of this meeting as if section 561(1) of the said Act did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:
   (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;
   (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £589.00 and such power shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

8. THAT, the Company be generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006, to make market purchases (as defined in section 693(4) of the Companies Act 2006) of up to 11,779,144 ordinary shares of £0.01 each in the capital of the Company (being approximately 10 per cent. of the current issued ordinary share capital of the Company) on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

   (i) the amount paid for each share (exclusive of expenses) shall not be more than the higher of (1) five per cent. above the average market value for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the trading venue where the purchase was carried out or less than £0.01 per share; and

   (ii) the authority herein contained shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 or the date falling not more than 15 calendar months from the date of this resolution, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

By Order of the Board
Angus Watson
Secretary

Registered Office:
Quadrant House
33/45 Croydon Road
Caterham
Surrey
CR3 6PB

Dated: 3 August 2017

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
3. The right of members to vote at the Annual General Meeting is determined by reference to the register of members. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold shares in uncertificated form) must be entered on the Company's share register at 6 p.m. on 4 September 2017 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of the service contracts and letters of appointment of each of the directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
5. Biographical details of each director who is being proposed for re-election by shareholders are set out at www.nakamagroupplc.com

FINANCIAL CALENDAR

Last date and time for receipt of proxy for the Annual General Meeting	11 a.m. on 5 September 2017
Annual General Meeting	11 a.m. on 7 September 2017

NAKAMA GROUP PLC
QUADRANT HOUSE
33/45 CROYDON ROAD
CATERHAM, SURREY, CR3 6PB

T +44 (0) 1883 341144
F +44 (0) 1883 346699
E hello@nakamaglobal.com
www.nakamaglobal.com