NAKAMA GROUP PLC

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NAKAMA

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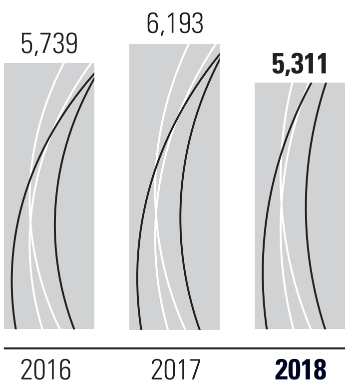
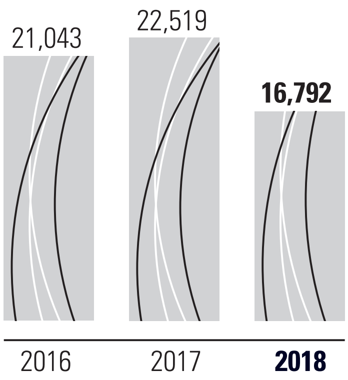
NET FEE INCOME
£'000



REVENUE
£'000



Financial Highlights

- Group revenue decreased by 25.4 per cent. to £16.8m (2017: £22.5m)
- Net fee income reduced by 14.2 per cent. to £5.3m (2017: £6.19m)
- Net fee income percentage increased to 31.6 per cent. (2017: 27.5 per cent.)

	2018 £'000	2017 £'000
Revenue	**16,792**	22,519
NFI (Net fee income)	**5,311**	6,193
EBITDA *	**(845)**	25
Operating (loss)/profit for the financial year	**(1,425)**	(211)
(Loss)/profit for the financial year before tax	**(1,480)**	(270)
Net current assets	**(231)**	720
Equity	**(139)**	1,414
(Loss)/profit per share	**(1.29)p**	(0.30)p

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

Group at a glance

Our markets

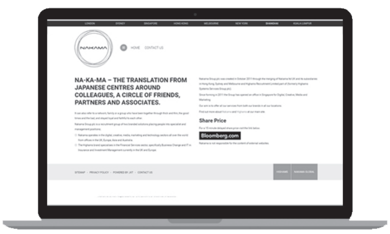
Nakama Group plc is a recruitment group of two branded solutions placing people into specialist and management positions; the Nakama businesses operate in the digital, creative, media, marketing and technology sectors from offices in the UK, Asia and Australia. The UK also specialises in the Financial Services sector, specifically Business Change and IT in Insurance and Investment Management, through the Highams brand. We offer services in recruitment – permanent & contract/ freelance, search and project management.

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. 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. We believe in 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 2018 was lower by 25.4% compared to the prior year at £16.8m (2017: £22.5m) and Net Fee Income ("NFI") was 14.2% lower at £5.3m (2017: £6.19m). The results over the past year have been extremely disappointing at a Group level. The Group experienced significant change through this financial year at executive management level as well as at all other levels. Details of these changes are further explained in the CEO's report. This turnover impacted the Group's ability to deliver any meaningful results.

Strategy

Nakama Groups strategy is to provide recruitment solutions to a broad range of clients across Europe and Asia Pacific geographies. Our teams have deep domain knowledge in the high growth areas of digital, creative, technology, analytics, marketing and project/change management. 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.

Over the past year, the company has experienced considerable change, both at Board and executive management level. A new Chief Executive was appointed in February 2018. A new non Board Finance Director was also appointed in May 2018 and a new Non-Executive Director was appointed in July 2018, to replace a number of long serving executive and non-executive directors. We believe the leadership team is now more focused on delivering acceptable returns for shareholders and better positioned to take advantage of the considerable opportunities in the sectors in which we operate. Going forward, the group will be more disciplined in its financial management and more focused on expanding from its core strengths. 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

Under the leadership of the new Chief Executive, we have a small but unified management team, responsible for delivering growth and profitability in the offices where we operate. Each manager has clear goals and budgets to achieve, and we expect to see gradual improvement at both top and bottom line. Any priority investment will be concentrated around improving and expanding our core service offering. The group has a number of strong managers and consultants, however, in order to deliver acceptable returns for shareholders, specific performance metrics will be implemented and upgrades recruited where necessary.

Outlook

Trading so far this year has been in line with expectations, however, exceptional costs will be incurred as we continue the restructuring of some local offices. Building a higher performance culture will take time to establish and therefore we remain cautious on achieving the long term operating profit margin set by the Board. Our objective is to focus on improving financial discipline and stabilizing revenues over the year ahead.

Tim Sheffield
Chairman
07 September 2018

CEO'S REPORT

Financial review

	2018 £'000	2017 £'000
Revenue	**16,792**	22,519
NFI (Net fee income)	**5,311**	6,193
EBITDA *	**(845)**	25
Operating (loss)/profit for the financial year	**(1,425)**	(211)
Loss for the financial year before tax	**(1,480)**	(270)
Net current (liabilities) /assets	**(231)**	720
Equity	**(139)**	1,414
Loss per share	**(1.29)p**	(0.30)p

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

Group revenue for the year ended 31 March 2018 decreased by 25.4% and Net Fee Income ("NFI") decreased on the prior year by 14.2%. This was a result of APAC revenue decreasing to £5.32m from £8.82m last year and UK revenues decreasing to £11.5m from £13.6m in FY 2017. The decrease in both markets was predominantly due to a slowdown in the contractor market, which is explained in more detail in the Operational Review below.

The NFI percentage has increased to 31.6% (2017: 27.5%). The improvement in NFI percentage is due to a change in the revenue mix coming from higher permanent revenue which this year accounts for 19% of total revenue (2017:15%). This was mainly due to the loss of a high volume, but low margin contracting account in Australia

The EBITDA loss of £845,000 for the year (2017: profit £25,000) was mainly as a result of a slowdown in the UK and APAC markets, as set out above, where overheads didn't reduce in line with the decrease in revenue. The year-end balance sheet shows borrowings decreased from £1.5m to £1.2m, this is due to a lower requirement for invoice finance as contractor revenue slowed down during the period, and a reduction in the cash position by £100,000.

There was an operating loss for the year of £1,425,000 (2017: loss of £211,000). The Group has seen a loss on foreign exchange of £72,000 (gain 2017: £127,000) due to the weakening of sterling against the other currencies in the markets the Group has been trading in.

The Directors undertook an impairment review of the Group. Goodwill was reduced in value by £487,000 as a result of the downturn in performance.

The Directors are not recommending the payment of a dividend for the year.

UK operations

The London unit continued to see existing markets come under pressure from in-house recruitment teams, recruitment process outsourcing (RPO) and managed service providers. The market continues to become more heavily brokered and fragmented and the ability to generate value in traditional digital sectors has been eroded. The business has attempted to diversify its recruitment offerings into data and analytics as well as show a decreasing reliance on digital agencies as a client base, where it has been difficult to create value. Throughout the year staff turnover has been an issue as the UK market has created so many opportunities for the best recruiters and it has proven difficult not only to attract quality candidates but also to retain the best talent. The business, therefore, did not meet its hiring targets and struggled to cover its cost base due to lack of new revenue growth.

There have been gains made with new corporate client accounts secured and we expect these to have greater impact for the future. In addition, it is evident that the increasing levels of competition requires an increased focus on key disciplines in order to drive more specialist/ niche services (see Strategic Report).

In contrast, the Highams business, which is already highly specialised in its services and client base (insurance market – project focus) had a pleasingly profitable year further consolidating its position as a recruitment partner of choice across General Insurance, Life & Pensions and Asset Management markets. This market sector has seen an increase in M&A activity throughout the year which has increased the demand for Project Managers. Added to this, the increasing volume of digital transformation projects being undertaken across the insurance sector has also resulted in higher contractual demand for talent. We expect this level of activity to continue.

CEO'S REPORT CONTINUED

APAC Operations

Operating conditions across the APAC region have not changed much over the last 12 months. We have remained focused on servicing high value verticals in each location. The businesses have continued to drive retained services where possible.

External competition has been increasing in each location and despite the brand being viewed as strong across Hong Kong and Singapore the increased competition for top recruitment talent has been fierce and the business has struggled to secure the quality talent required, especially in Singapore.

After ceasing to trade with a high-volume client in Australia that location has struggled to deliver meaningful results as replacing such a large contract for services has proven to be far more challenging than expected. This has reduced the revenues significantly. In addition, the company has faced some leadership challenges in Australia resulting in the downsizing of the Sydney operations and the closure of the Melbourne office post year end. This has made staff retention quite challenging which has further eroded NFI. Added to this the hiring restrictions in the Australian market, due to changes in legislation, will put further pressure on salaries and attracting consultants to the business.

It has been decided to strip back the Australian operation to focus on areas of strength (customer experience/user experience, tech, service & product design) in order to stabilise the business and create a stronger platform for growth in the future. A new leader has also been identified from FY 2018/19 onwards.

The digital and technology disruption seen globally is beneficial to Nakama as we provide staff in these areas. Traditional, non-digital businesses have also taken, or have started to undertake, wholesale reviews of where to position themselves, resulting in increased demand for suitable qualified digital experts. This continues to increase the demand for talent by our clients.

We continue to leverage our global networks to deliver against these increasing demands. We believe the Australian market has positive growth opportunities over the coming years as long as we position ourselves appropriately as a highly specialised, quality provider of staffing solutions.

Singapore focuses on the South East Asian corridor into Malaysia and Thailand. Hong Kong continues to build market share and has experienced higher demands from China and the wider region. However, the main focus is into the local markets where quickest and best gains can be made in the shorter term. 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 these business units as essential to our strategy in the region.

The market continues to be competitive and the business has seen a higher than expected turnover of staff this year (Australia and Singapore), with high quality replacements very difficult to find. In light of this we plan to change the focus of our talent attraction strategies to include a higher proportion of less experienced staff who we can train and develop to our own standards which should also result in greater loyalty to the business. (See Strategic Report).

Retaining high performing staff, as well as creating a future supply of high performing staff is critical in all regions for the business. We will embark on a journey to improve the development of our people as well as raise expectations around achieving better quality outputs, increasing levels of accountability in each unit. We maintain the outlook that a strong understanding and passion for local and global technology, digital and consultancy markets is essential in achieving the growth we seek to deliver to our shareholders, and we aim to build stronger, more focused/ specialised teams in each location in order to deliver on this goal.

Post Financial Year 2017-18 actions:

The Board has decided that the opportunities to grow the Melbourne operation are not as positive as they should be and this business unit has continued to struggle to cover its costs and operate at the levels required. In light of this, the decision has been taken to close this operation and a liquidator was appointed in July, 2018. We believe that this will relieve the Sydney operation of any obligations to back-up the Melbourne business and allow the use of its capital to be focused on growth in that larger and more lucrative location.

After undertaking the annual goodwill impairment review it was decided that, given the losses in the period, a goodwill impairment charge of £487,000 is to be recognised in the financial statements. This represents a complete impairment of all outstanding goodwill values in the business.

Andrea Williams

Andrea Williams
Chief Executive Officer
07 September 2018

DIRECTORS

Tim Sheffield
Non-Executive Chairman

Tim has been a professional services advisor and business leader for the past 24 years and currently serves as Chairman of Sheffield Haworth Limited ("Sheffield Haworth"). He founded Sheffield Haworth in 1993 and is responsible for the leadership and strategic development of the business. He is also co-founder of Empresaria Group PLC and served on the Board from 1996 to 2008. Tim moved into executive search in 1989 following a career on the Sydney, Chicago and London exchanges, trading exchange-traded derivatives. He studied Business and Finance at Anglia University. He is a UK committee member of the Association of Executive Search Consultants and a board trustee of the SMA Trust, a UK charity. Due to Sheffield Haworth's shareholding in the company, Tim is not considered to be independent under the QCA code.

Michael Clelland
Non-Executive Director

Michael joined Nakama Group PLC as a non-executive Director on 24 July 2018 and is Chair of the Audit Committee as well as a member of the Remuneration Committee. Michael has more than 25 years' experience in the marketing services industry and held several senior executive roles within Publicis Groupe across Europe, APAC and North America. Michael's other current roles include that of co-founder of Loupe 16, a marketing consultancy and as a hands-on advisor to The Funding Box Group, a start-up accelerator operating in Spain and Poland. Michael is an independent director.

Andrea Williams
Chief Executive Officer

Andrea has extensive experience of the recruitment sector in Asia, Australia and the UK having worked across these locations for over twenty years holding senior managerial and board positions at a number of private and publicly-quoted recruitment companies. Previously, she was UK Managing Director at The Ambition Group Plc, the Australian Stock Exchange listed recruitment group with offices in Australia, Asia and the U.K., where she oversaw the turnaround and restructuring of the business.

DIRECTORS AND ADVISERS

Country of incorporation of parent company:	England and Wales
Company number:	1700310
Principal place of business:	United Kingdom and Asia Pacific region
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Principal activities:	Recruitment consultants
Directors:	T Sheffield (Non-executive Chairman) A Williams (CEO) M Clelland (NED)
Nominated adviser and brokers:	Allenby Capital Ltd 5 St Helens Place London EC3A 6AB
Secretary:	R Nadarajah
Registered office:	Quadrant House 33/45 Croydon Road Caterham Surrey CR3 6PB
Registrars:	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Solicitors:	Bates Wells & Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
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 2018.

Business model:

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

Recruitment services include permanent staff placements as well as temporary/freelance, contract and interim placements.

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

APAC is represented by a Nakama office in Australia, one in Hong Kong and one in Singapore. They serve the digital technology markets across a broad range of clients from various corporates to digital marketing agencies.

Our teams of digital and technology recruitment consultants are fully immersed in their areas of specialisation and consistently assist their clients with local and global market information as part of the recruitment services we provide.

Strategy:

We believe that it is people who transform, improve and grow businesses.

We specialise in the digital markets in each location, focusing on delivering a quality service to our candidates and our clients. By being focused in key digital, creative and technology areas we are able to grow and nurture effective networks which enable us to deliver successful outcomes for our clients time and again.

What we do:

- Recruitment – permanent, contract, interim and freelance
- Search
- Project Management
- Research and Insights

We target sectors where we can secure profitable business and where we can differentiate ourselves by providing bespoke and specialist services that delivers incremental value to our clients, helping them in managing and growing their businesses. Our ability to cross-sell our service to our international clients is also key to our strategic ambition to become a truly global specialist recruitment partner.

In the past the Group had also tried to focus on additional services of Outsourcing/RPO, change/people consultancy, software solutions and education and training. It has been decided to only focus on the Group's core strengths, as above, as additional services proved to be a distraction to senior management which eroded revenue generation and therefore profitability.

The Group's target market remains the same and we continue to develop new relationships in each location in order to replicate all services in each country of operation. The group has been keen to invest in technology to create higher margins and increase efficiencies and alongside our focus on creating global partnerships we will position the business into higher value margin markets.

By sourcing candidates through our global network we can track specialists by using real time data. We are keen to develop talent communities through recommendations, referrals, local and social media based advertising and nurturing specialised peer groups. Each Nakama office has a local and regional talent pool, which creates a global talent pool that each office can draw upon. We utilise a number of social media channels and forums that we use to identify local talent looking to relocate internationally. This approach gives operational staff a full view of the businesses we are involved in as well as access to global talent and client lists.

We will continue to focus on hiring and developing our salesforce to enable them to perform in their local markets.

Our vision for the longer term is to attain critical mass in our target markets, along with focusing on key areas of specialisation where we believe we can add most value to our candidates, clients, employees and shareholders. By doing this we will better drive group profitability.

KPIs	**2018 £'000**	2017 £'000
Revenue	**16,792**	22,519
NFI percentage	**31.6%**	27.5%
Staff cost	**4,053**	4,343
Staff costs as a percentage of NFI	**76.3%**	70.1%

Financial review

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

STRATEGIC REPORT CONTINUED

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, net fee income (NFI) by consultant, tracking staff costs to gross margin generated and revenue versus budget and prior year.

The requirements received this year was 3,322 (2017: 3,616). This is due to a growing number of clients opting for in house recruitment and outsourcing their recruitment process, which contributed to the poor performance of the Group. Average net fee income by consultant was £102,000 (2017: £109,000). Staff costs were 76.3% for NFI (2017: 70.1%). The relative increase in staff costs is due to falling revenue and the inability of the Group to reduce staff costs at the same rate. Revenue was £16,792,000 (Budget: £27,950,000; 2017: £22,519,000). The Group's revenue was lower compared to budget and prior year due to a combination of factors as detailed in the Chairman's statement and CEO's report.

The 2017/18 financial year proved to be a challenging one for retaining headcount. Due to this higher than expected staff turnover we saw a decrease in overall NFI across the group. The loss of a single, large contracting client in Australia, along with the general softening of the contract market saw the contracting NFI decrease year on year and the group has struggled to replace this lost revenue. Despite this the contracting gross margin percentage (profit arising from contractor turnover and cost of sales) did improve from 13.7% to 14.4% and we continue to focus on increasing this to improve future profitability.

Future Developments

Overall the results for this financial year have been disappointing and adjustments need to be made to growth strategies and areas of focus. We will develop a talent pipeline for the future that services the candidates in our areas of specialisation and will develop these individuals into consultants focused on client service delivery or candidate generation. We believe this will create a more engaged and loyal consultant base which should result in lower turnover figures, which in turn will increase NFI and deliver more consistent results.

A full review of costs is underway and we have the ability to make a number of adjustments across the business that will significantly improve the group's opportunities to deliver profitable results in the future. The Board believes that the group operates in an excellent market which is growing year on year. Based on this they believe that the business has every opportunity to grow and deliver profitable results with some careful and considered financial and operational management practices.

KEY RISKS OF THE GROUP

This report forms part of the strategic report.

Details of the Group's financial risk management objectives and policies - Financial instruments are given in note 21 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 undertakes a continuous review of its staff with a key focus on driving better performance and an increase in the skills base. This has been across all regions of the business. In a service company it is essential to maintain client relationships and build new business, therefore, 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. We also make every effort to ensure that our staff enjoy working in the business and have developed a culture of cooperation, support, professionalism and friendliness to give the Group every opportunity to make each office an environment where people enjoy coming to work.

As opportunities grow, we offer the potential for staff to relocate to any of our offices, experiencing different cultures and to enhance their position in the Group. We recognise that staff retention is vital to our operation. 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, Hong Kong and Singapore. It is essential that we examine each of our locations for risks of performance and the operational management of these offices, ensuring we are aware of local laws and cultures and can secure licences for the employment of our own staff and those of our placements at clients. Where appropriate 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. This number continues to grow as the digital and technology recruitment market is seen as a lucrative and future-proof area to be operational within.

The changing social media world also creates competition, with increasing numbers of companies now having moved towards in-house recruitment models. This has continued 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 we continue to work with internal recruiters and staffing teams as the specialist agency to support the specific skills needed, particularly where speed of delivery is important. 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 as well as larger, more generalist players compete in the digital space. Competitors are looking closely at the markets we operate in, therefore, we need to ensure we stay ahead of the new competition by continuing to deliver high quality services with a proven knowledge base in our areas of specialisation. However, 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 monitor this closely.

We differentiate ourselves by being highly specialised, delivering a solution to clients' issues globally. We have a reputation for providing quality recruitment solutions, for having industry expertise and for being a valued partner. Not only are the local and global recruitment markets becoming increasingly saturated with staffing agencies, but also internal teams are more regularly trying to take 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 businesses and their requirements and offer a premium service.

KEY RISKS OF THE GROUP CONTINUED

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 and to maintain consultant standards by providing ongoing training and development. We are committed to ensuring the delivery of high standards and to retaining our excellent relationship with clients. We also measure our consultants on the frequency and quality of their client meetings and monitor feedback on work undertaken in each location.

Candidates

Nakama's ability to work in niche, high demand sectors has been 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 market/ recruitment information are key factors in retaining and increasing Nakama's talent pools globally. Consultants form close working relationships with their candidates often working with them on multiple opportunities and often help them gain new assignments/ careers on more than one occasion. We aim to develop long-lasting and trusting relationships with candidates so that they use our services time and again and have every reason to refer their friends/colleagues to the business. This creates extremely strong, global networks which benefits the whole group.

Nakama continues to increase its networks and knowledge about niche business and technical areas by developing a network of clients, contractors and applicants relevant to that niche. We strongly believe in focus and specialisation which will keep us ahead of the growing competition for talent in our markets.

The UK operations have yet to experience any significant impacts due to the pending Brexit timetable. The senior managers continue to discuss this with clients and candidates alike in order to be prepared for any potential downturns that may be experienced.

Going Concern

Based on the latest trading expectations and associated cash flow forecasts, the directors believe that the group and company will be able to trade within its existing facilities and therefore meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the accounts on a going concern basis. However, the directors recognise that if trading was below or at the lower end of expectations there could be a requirement for additional funding and that obtaining this additional funding cannot be guaranteed. This is considered to be a material uncertainty that may cast doubt over the group and company's ability to continue as a going concern.

Approval

This strategic report was approved on behalf of the Board on 7 September 2018.

Andrea Williams

Andrea Williams
CEO
07 September 2018

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 March 2018.

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 £1,480,000 before taxation for the year (2017: loss of £270,000) on revenue of £16.8m (2017: £22.5m). The Directors do not recommend a final dividend (2017: nil). No interim dividend was paid during the year (2017: nil).

Directors

The Directors of the Company throughout the year were:

E K Ford (resigned 26.01.2018)	Non-Executive Chairman
JE Higham (resigned 25.05.2018)	Non-Executive Director
R Sheffield (resigned 11.09.2017)	Chief Executive Officer
A Watson (resigned 09.04.2018)	Chief Financial Officer
M de Lacy (resigned 27.10.2017)	Sales Director Highams
P Goodship (resigned 11.07.2018)	Managing Director Nakama Ltd
A Williams (appointed 26.01.2018)	Chief Executive Officer
T Sheffield (appointed 26.01.2018)	Non-Executive Chairman
M Clelland (appointed 24.07.2018)	Non-Executive Director

There has been significant change in the make-up of the Board this year as performance has been significantly below budget and a new team was appointed to turnaround the business. Currently, there are three members and the Group intends to appoint a fourth member in the near term.

Substantial shareholders

As at 31 March 2018, the following significant shareholdings have been notified to the Company:

	Number of shares	% of issued share capital
Sheffield Haworth Ltd	28,430,000	24.14%
R Sheffield	13,006,137	11.04%
P Goodship	13,006,137	11.04%
M Dixon	11,500,000	9.76%
Miton Asset Management	10,425,000	8.85%
D & G Hart	8,714,286	7.40%
Ken Ford	3,999,997	3.40%
Edward Andrews	3,570,000	3.03%

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 22 to the Group financial statements.

Financial instruments

Details of the Group's financial instruments and risk are given in note 21 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. These include the reduction in services, new hiring strategies and improved cost controls.

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.

Post balance sheet event

Due to continued losses and lack of prospects, the Directors decided to liquidate Nakama Melbourne on 19 July 2018.

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 7 September 2018.

By order of the Board

R Nadarajah
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The Directors are responsible for preparing the annual 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

Compliance Statement

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. From 28 September 2018 there is a requirement for AIM listed companies to comply with a recognised Corporate Governance Code and the Board intend to follow the QCA Corporate Governance code 2018, details of which will be found on the company's website from September 2018.

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 one executive director and two non-executive directors. The Board has seen significant change during the financial year as discussed in the Report of Directors. Tim Sheffield was appointed the new Chairman, Andrea Williams the new CEO and Michael Clelland joined in July 2018 as a Non-executive director bringing with him strong international and financial management experience.

The company is seeking to identify and appoint a full-time Finance Director to the Board and, potentially, a further Non-executive director.

The Board considers Michael Clelland is independent in character and judgement. Whilst Tim Sheffield is not deemed independent for the purposes of the QCA code. The Board considers that his detailed experience and long-standing knowledge of the recruitment sector is essential in guiding the overall strategy of the company.

As the business develops, the composition of the Board will remain under review to ensure that it remains appropriate to the managerial requirements of the company.

Executive directors work on a full-time basis for the company. Non-executive directors are expected to spend a minimum of one day per month on company activities in addition to preparation for and attendance at board and sub-committee meetings. The Chairman will spend an additional day per month although in practice this is usually exceeded.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

All new directors appointed since the previous Annual General Meeting (AGM) are required to seek election at the next AGM and one third of the other directors retire annually in accordance with the company's articles of association. This enables the shareholders to decide on the election of the company's board. All three directors will seek election at the next AGM.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and finance function.

Board performance

Since the appointment of Tim Sheffield as Chairman, he has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and objective
- That they are committed
- Where relevant, they have maintained their independence

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors.

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 (at least 8 times per annum) so that each is aware of the ideas and actions of the others.

CORPORATE GOVERNANCE
CONTINUED

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. Full details of the new corporate governance code that each AIM listed business is required to follow will form part of next years' annual report. The business has chosen to follow the QCA Corporate Governance Code.

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 and up to the date of approval of the annual report and financial statements.

Risk management structure

The Group's principal risks and uncertainties are listed on pages 09 and 10 (Key risks)

Nakama is exposed to a number of risks in the markets it operates across. The Board considers the risks to the business each quarter and it formally reviews and documents the principal risks to the business at least annually.

Identify risk

The Board has overall responsibility for monitoring the Group's systems of control, for identification of risks and for taking appropriate action to prevent, mitigate or manage those risks.

Assess risk

A detailed schedule of risks is considered each quarter under the following categories – macro-economic, client concentration, candidates, competition, staff, data security, accounting and internal controls, foreign exchange, legal and regulatory, strategy and performance. These risks are graded against a criteria of likelihood and potential impact in order to identify the key risks impacting the Group.

Mitigate risk

The Board seeks to ensure that the Group's activities do not expose it to significant risk. The Group's aim is to diversify the Group sufficiently to ensure we are not exposed to risk of concentration in product, market or channel, without compromising the overall strategy.

Update risk register

The risk register is updated quarterly, after the relevant Board meeting. The Board meets formally at least 8 times per year.

Review and evaluate risks

The Board and senior managers are all responsible for reviewing and evaluating risk. The Directors review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading in each Board meeting (at least 8 times per annum).

The Board intends to keep its risk control procedures under review, particularly with regard to the need to embed internal control and risk management procedures further into the operations of the business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day-to-day supervision of the business by the Chief Executive Officer, supported by the senior managers with responsibility for key operations. The Board has considered the impact of the values and culture of the Group and ensures that, through staff communication and training, the Board's expectations and attitude to risk and internal control are embedded in the business.

Board committees

The Board has an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The composition of these committees may change over time as the composition of the Board changes. The reports of the Audit Committee and Remuneration Committee are included within the Corporate Governance Report and Directors' Remuneration Report rather than as separate sections of the Annual Report.

The Board collectively undertakes the functions of the Audit Committee which is chaired by Michael Clelland. The Audit Committee meets at least twice in each financial year and has unrestricted access to the Company's auditors.

The Audit Committee last met in July 2018. At this meeting the main item was to discuss and agree the audit strategy for the year ended March 2018 proposed by the auditors. It was agreed that an area of focus should be a review of historic goodwill as well as the implementation of the new IFRS standards along with the auditors' work to date. The auditors were able to confirm that the audit had been satisfactory and that all necessary action have been undertaken and agreed. The Committee also reviewed the Company's system of internal controls at this meeting and concluded that they are appropriate for a company of Nakama's size and complexity. Each year the Committee undertakes to seek reassurance that the external auditors are independent.

Remuneration Committee

The members of the Remuneration Committee are Tim Sheffield, who acts as chairman of the committee and Michael Clelland. The committee meets twice a year and reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

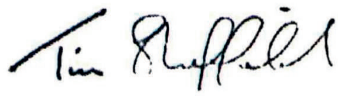
The committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

The Company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

Corporate culture

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees of the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The management regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating to Board level as necessary.

By order of the Board



Tim Sheffield
Chairman

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 8 which forms part of the audited financial statements. The members of the Remuneration Committee (Remcom) are identified on page 14.

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

M de Lacy who resigned as a director on 27 October 2017 held 3,070,559 share options (2017: 3,070,559). None of the other directors hold any share options. Details of the share option scheme can be found on Note 22.

Sheffield Haworth's shareholding is a beneficial interest of Tim Sheffield's. The shareholdings of previous directors are detailed on page 11.

Service contract of the executive directors

Andrea William has a service agreement terminable by the Company or her of not less than three 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

Roshan Nadarajah
Company Secretary
07 September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NAKAMA GROUP PLC

Opinion

We have audited the financial statements of Nakama Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 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 notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to Note 2 to the financial statements which explains that should trading be below or at the lower end of expectations there would be a requirement for additional funding in order for the group to continue to settle its obligations as they fall due and to continue as a going concern and that obtaining this additional funding cannot be guaranteed.

The matters explained in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the group and parent's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the judgements involved in forecasting cash flows of the group and the limited headroom available on the financing facilities, we considered going concern to be a Key audit matter.

How we addressed this key audit matter in our audit

We obtained an understanding of management's working capital management strategy from discussion with management.

Our specific audit testing relating to going concern consisted of the following:

- We performed a detailed review of the group's cash flow forecast for the period to 30 September 2019 to assess the reasonableness of the forecasts based on our understanding of the group's historical performance, future plans and post year end trading performance.
- We checked the integrity of the cash flow model and confirmed the opening balance sheet position.
- We sensitised the cash flow forecast prepared by management.
- We considered the group's reliance on the current levels of funding and key customers or employees.
- We reviewed the appropriateness of the disclosure made within the financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF NAKAMA GROUP PLC

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How We Addressed the Key Audit Matter in the Audit
Revenue recognition As detailed in note 2 and 5, revenue is recognised when a placement commences for the permanent revenue or when the work is undertaken for contractor revenue as this is when the service is completed. Revenue is then recognised based on the timesheets recorded and approved, or on the confirmation of the start of the placement. We considered there to be a significant risk over the existence of revenue and particularly in respect of cut-off, which is the recognition of revenue in the correct period.	We reviewed and tested the internal controls over the recognition of revenue in relation to contractor revenue. For permanent placements we vouched a sample of placements throughout the year to third party supporting documentation to confirm the revenue recognition point. We completed cut off testing on contractor revenue and permanent placement agreeing revenue balances through to supporting documentation. We agreed a sample of employee commission payments throughout the year to ensure the related revenue has been appropriately recorded in the period.
Impairment of goodwill, investments and intercompany receivable balances See accounting policy in note 2 the goodwill note (note 12), investments note (company financial statements note 5) and intercompany note (company financial statements note 6) Group On consolidation the group held goodwill of £478,000. An annual impairment review is required by management to ensure the level of goodwill is supported by the performance and position of the underlying cash generating unit and this was considered a significant risk given the losses in the period. Management performed a review which resulted in an impairment charge of £478,000 being recognised in the consolidated financial statements. Parent As a result of previous acquisitions Nakama Group Plc (the parent company) holds investments of £1,176,000. In the parent company accounts there is a risk that the carrying value of the investment in the acquired subsidiary companies is too high, and thus should be impaired. Furthermore due to the performance in the period there are indicators of impairment arising as the revenue achieved this year is below expectations and some entities within the group are loss making. Management performed a review which resulted in an impairment charge of £994,000 being recognised in the parent company. Furthermore there is a risk that intercompany receivable balances recognised are not recoverable. Management performed a review which has led to an impairment charge being recognised in the parent company of £673,000 on the intercompany receivable balance of £947,000. The two reviews are based on management estimates that require significant assumptions and detailed audit testing.	In relation to the impairment of the investments, goodwill and intercompany receivable balances recognised in both the group and the company accounts, our procedures included analysing the detailed impairment review performed by management, reviewing the underlying calculations of the discounted cash flow and testing the inputs to the calculation. The main areas of focus were: • Cash flow assumptions used for the purposes of the impairment reviews, including assessing the reasonableness of the judgements made by management in this regard when determining the impairment charges. • Reviewing and assessing the reasonableness of the discount rate and applying sensitivities to determine whether this would have a significant impact on the impairment recorded;

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality

Materiality for the group as a whole was set at £250,000 (2017: £283,000) which represents 1.5% of group revenue. Revenue has been used as it provides a consistent year on year basis for determining materiality due to the losses being incurred by the group and has been concluded as the most relevant performance measure and 1.5% was applied based on our experience of auditing the group and the low incidence of errors. Materiality for the parent company was set at £40,000 (2017: £89,000), which represented 2% of the parent company's total assets. Total assets has been used as the parent company is a holding company and 2% was applied due to the straightforward nature of the parent company balance sheet.

The materiality of the three significant components has been set on the same basis as the group materiality. The materiality for the three entities ranged from £35,000 to £139,000.

Performance Materiality

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Based upon our assessment of the risks within the group and the group's control environment, performance materiality for the financial statements was set at £187,000 (2017: £213,000), being 75% of materiality. The performance materiality set for the parent company was £30,000 (2017: £67,000) and has been based on the same threshold as the group. The performance materiality for the significant components has been set at 75% of materiality.

The basis for the threshold used was a result of the risk assessment completed as noted above and due to the minimal audit adjustments being raised in previous periods.

Reporting Threshold

The reporting threshold is the amount below which identified misstatements are considered as being clearly trivial. We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £5,000, (2017: £5,000) which is 2% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

In determining the scope of our audit we considered the size and nature of each component within the group to determine the level of work to

be performed at each in order to ensure sufficient assurance was gained

to allow us to express an opinion on the financial statements of the group as a whole.

We obtained an understanding of the internal control environment

related to the financial reporting process and assessed the appropriateness, completeness and accuracy of group journals and other adjustments performed on consolidation.

The group consists of seven active entities based in the United Kingdom and Asia Pacific.

Three components were determined to be significant by virtue of their size and/or risk of material misstatement and full scope audits were performed by BDO for these entities based on 1.5% of group revenue, of the three entities component auditors completed the audit in relation to one of the entities. The significant components accounted for 81% of the group's revenue and 83% of the group's total assets. In respect of non-significant components limited scope procedures were performed on any balances in excess of 75% of group materiality. Further analytical procedures and applicable substantive procedures were performed on non-significant components to confirm our conclusion that there were no significant risks of material misstatement.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF NAKAMA GROUP PLC

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

James Fearon (senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor Gatwick
07 September 2018

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 2018

	Note	**2018 £'000**	2017 £'000
Revenue	5	**16,792**	22,519
Cost of sales		**11,481**	16,326
Net fee income		**5,311**	6,193
Administrative costs		**6,736**	6,404
Operating loss		**(1,425)**	(211)
Finance costs	6	**(55)**	(59)
Loss before tax		**(1,480)**	(270)
Tax expense	10	**(34)**	(82)
Loss for the period attributable to owners of the parent		**(1,514)**	(352)
Loss per share			
Basic and diluted loss per share attributable to owners of the parent	11	**(1.29)p**	(0.30)p

All of the above relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018 £'000	2017 £'000
Loss for the year	**(1,514)**	(352)
Exchange losses on translation of foreign operations	**(39)**	(30)
Total comprehensive loss for the period attributable to owners of the parent	**(1,553)**	(382)

The notes on pages 25 to 43 form a part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMPANY NUMBER 1700310

	Note	**2018 £'000**	2017 £'000
Assets			
Non-current assets			
Intangible assets	12	**-**	524
Property, plant and equipment	14	**37**	86
Deferred tax asset	19	**55**	84
Total		**92**	694
Current assets			
Trade and other receivables	15	**2,870**	3,885
Cash and cash equivalents		**141**	259
Total		**3,011**	4,144
Total assets		**3,103**	4,838
Current Liabilities			
Trade and other payables	16	**(2,025)**	(1,953)
Borrowings	17	**(1,217)**	(1,471)
Total		**(3,242)**	(3,424)
Net (Liabilities)/Assets		**(139)**	1,414
Equity			
Share capital	23	**1,602**	1,602
Share premium account		**2,580**	2,580
Merger reserve		**90**	90
Employee share benefit trust reserve		**(61)**	(61)
Currency reserve		**(13)**	26
Retained earnings		**(4,337)**	(2,823)
Total equity attributable to the shareholders of the Company		**(139)**	1,414

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

Tim Sheffield
Chairman
07 September 2018

Andrea Williams
Chief Executive Officer

The notes on pages 25 to 43 form a part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2018

	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 2016	1,602	2,580	90	(61)	56	(2,471)	1796
Loss for the year	–	–	–	–	–	(352)	(352)
Other comprehensive income	–	–	–	–	(30)	–	(30)
Total comprehensive income for 2017	–	–	–	–	(30)	(352)	(382)
At 1 April 2017	1,602	2,580	90	(61)	26	(2,823)	1,414
Comprehensive income for the year							
Loss for the year	–	–	–	–	–	(1,514)	(1,514)
Other comprehensive income	–	–	–	–	(39)	–	(39)
Total comprehensive loss for the year	–	–	–	–	(39)	(1,514)	(1,553)
At 31 March 2018	**1,602**	**2,580**	**90**	**(61)**	**(13)**	**(4,337)**	**(139)**

The notes on pages 25 to 43 form a part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Loss for the year before tax		**(1,480)**	(270)
Depreciation of property, plant and equipment	14	**56**	80
Impairment and amortization of intangible assets	12	**524**	156
Net finance costs		**55**	59
Tax paid		**(5)**	(1)
Decrease/(Increase) in trade and other receivables		**1,015**	(445)
Increase in trade and other payables		**70**	105
Net cash generated by operating activities		**235**	(316)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14)**	(45)
Net cash outflow from investing activities		**(14)**	(45)
Financing activities			
(Decrease)/Increase in invoice discounting facility		**(254)**	224
Finance cost paid		**(55)**	(59)
Net cash outflow from financing activities		**(309)**	165
Net changes in cash and cash equivalents		**(88)**	(196)
Cash and cash equivalents, beginning of year		**259**	582
Effect of foreign exchange rate movements		**(30)**	(127)
Cash and cash equivalents at end of year		**141**	259

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

	2018 £'000	2017 £'000
Cash at bank	**141**	259
Cash and cash equivalents at end of year	**141**	259

The notes on pages 25 to 43 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

Based on the latest trading expectations and associated cash flow forecasts, the directors believe that the group and company will be able to trade within its existing facilities and therefore meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the accounts on a going concern basis. However, the directors recognise that if trading was below or at the lower end of expectations there could be a requirement for additional funding and that obtaining this additional funding cannot be guaranteed. This is considered to be a material uncertainty that may cast doubt over the group and company's ability 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 2018. 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 2018

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 and recognised in administrative expenses.

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. The depreciation charge is recognised in administrative expenses.

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. Any impairment is recognised in administrative expenses.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies continued

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.

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 2017

The new standards, interpretations and amendments, effective from 1 April 2017 include a new disclosure requirement as per IAS 7 which has been reflected in the current 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 2018 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

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

IFRS 9 introduces a new classification approach for financial assets and liabilities. The classification of financial assets will be reduced from four to three and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts. The Directors do not expect this to have a material impact on the financial statements.

IFRS 15 was issued in May 2014 and establishes a five step model to account for revenues arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group provides permanent and contract recruitment services. IFRS requires revenue to be recognised once value has been received by the client and when the performance obligations have been satisfied. IFRS 15 does not allow up-front fees. During the financial year the Group performed a preliminary assessment of IFRS 15 and as a result does not expect any adjustment to be material. As part of the assessment the Group considered its two revenue streams. Contractor revenue represents amounts invoiced for short and long term contractors. The revenue and cost of the service is recognised when the service has been provided and the Group does not anticipate any change to this as a result of the transition to the new standard. Permanent placement revenue is recognised when the candidate starts employment with the client. The Group is satisfied that the basis of revenue recognition remains appropriate and therefore do not expect any adjustment as a result of transition to IFRS 15.

IFRS 16 was released in January 2016 and replaces IAS 17 leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 requires all leases to be recognised as assets on the balance sheet with the corresponding lease liability. Short term and low value leases can be excluded from this. Within the income statement operating lease rentals payable will be replaced by depreciation and interest expense. The directors have evaluated the impact of adopting this new standard and do not expect it to have a material impact on EBITDA. The next financial statements will be prepared under IFRS 9 and 15.

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. There are no significant judgments made by the Group. The key estimate made by the Directors in the preparation of the financial statements this year concerns goodwill. 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. The Group estimates that future cash flows of the subsidiaries will be insufficient to recognize any goodwill.

The Group has made a loss before depreciation and amortisation, which is why it is anticipated there will be no current tax liability. However, the Directors are confident of future profitability within some of its subsidiaries and consider it appropriate to recognise a deferred tax asset for the future relief of these subsidiaries' 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 subsidiary'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 10 and 19.

The estimates using the preparation of the financial statements of the Company have been detailed on page 47.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

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 business is currently dormant.

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 2018 £'000	**USA 2018 £'000**	**UK 2018 £'000**	**Total 2018 £'000**
Revenue from external customers	**5,320**	**4**	**11,468**	**16,792**
Segment profit/(loss) before income tax	**(705)**	**(53)**	**38**	**(720)**

The comparisons for 2017:

	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)

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

Profit or loss after income tax expense	**2018 £'000**	2017 £'000
Total profit or loss for reportable segments	**(720)**	(56)
PLC costs not cross charged	**(236)**	(58)
Amortisation and impairment of intangibles	**(524)**	(156)
(Loss) before income tax expense	**(1,480)**	(270)
Corporation taxes	**(34)**	(82)
(Loss) after income tax expense	**(1,514)**	(352)

5. Revenue

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	2018 £'000	2017 £'000
United Kingdom	**11,026**	13,223
Europe	**305**	392
Hong Kong	**1,551**	1,121
Singapore	**709**	630
Australia	**3,197**	7,074
USA	**4**	79
	16,792	22,519

There was one client in the United Kingdom who accounted for £1.8 million or 11% of Group revenue (2017: none over 10%).

6. Finance costs

	2018 £'000	2017 £'000
Interest expense on invoice discounting facility	**55**	59
	55	59

7. Employees' remuneration

(a) Staff costs

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

	2018 £'000	2017 £'000
Wages and salaries	**3,675**	4,004
Social security	**356**	315
Other pension costs	**22**	24
	4,053	4,343

(b) Staff numbers

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

	2018 Number	2017 Number
Sales	**52**	57
Finance and administration	**11**	10
Management	**12**	13
	75	80

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

8. Directors' remuneration

Aggregate remuneration

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

	2018 £'000	2017 £'000
Emoluments	**508**	587
Money purchase pension contributions	**16**	9
	524	596

(a) Directors' remuneration

	Fees/basic salary 2018 £'000	Other amounts / benefits 2018 £'000	Total emoluments 2018 £'000	Money purchase pension contributions 2018 £'000	National Insurance 2018 £'000	Total 2018 £'000	Total 2017 £'000
Executive							
M de Lacy (resigned 27.10.2017)	**47**	**8**	**55**	**5**	**6**	**66**	120
A Williams (appointed 26.01.2018)	**33**	**–**	**33**	**–**	**3**	**36**	–
P Goodship (resigned 11.07.2018)	**114**	**5**	**119**	**4**	**14**	**137**	134
A Watson (resigned 09.04.2018)	**115**	**2**	**117**	**7**	**14**	**138**	130
R Sheffield (resigned 11.09.2017)	**79**	**43**	**122**	**–**	**–**	**122**	174
Non-executive							
J Higham (resigned 25.05.2018)	**10**	**–**	**10**	**–**	**1**	**11**	16
T Sheffield (appointed 26.01.2018)	**–**	**–**	**–**	**–**	**–**	**–**	–
K Ford (resigned 26.01.2018)	**13**	**–**	**13**	**–**	**1**	**14**	22
Aggregate emoluments	**411**	**58**	**469**	**16**	**39**	**524**	596

The highest paid director was Angus Watson (2017: 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 three months' prior notice. The services of T Sheffield 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 (2017: three). 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 16.

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

9. Operating loss

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

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Remuneration received by Company's auditor or an associate of the Company's auditor:		
Company annual accounts	**5**	5
Group annual accounts	**10**	10
	15	15
Other fees payable to the Company's auditors:		
Audit of subsidiary companies	**48**	28
Tax compliance	**10**	13
	73	56
Amortisation of intangibles	**37**	156
Impairment of goodwill	**487**	–
Depreciation of equipment	**56**	80
Foreign exchange loss/(gain)	**72**	(127)
Operating lease rentals:		
Property	**492**	202
Plant and equipment	**13**	24
Staff costs (Note 7)	**4,053**	4,343

10. Income tax expense

	2018 £'000	2017 £'000
Comprising:		
Current tax charge	**5**	58
Deferred tax from timing difference between depreciation and capital allowance	**1**	3
Deferred tax from trading losses	**28**	21
	34	82

The relationship between the expected tax expense based on the effective tax rate of the Group at 19% (2017: 20%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2018 £'000	2017 £'000
Result for the year before taxation	**(1,480)**	(270)
Expected tax expense	**(282)**	(54)
Expenses not deductible for tax purposes	**108**	20
Unrecognised deferred tax	**266**	116
Difference in tax rates between UK and overseas	**(58)**	–
Total income tax expense	**34**	82

Please refer to note 19 for information on the entity's deferred tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

11. (Loss) per share

	2018			2017		
	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	**(1,514)**	**117,607**	**(1.29)**	(352)	117,607	(0.30)

The weighted average number of shares excludes 183,953 (2017: 183,953) shares held by the Employee Share Benefit Trust.

12. 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**
Cost:					
At 1 April 2017	167	487	647	227	1,528
At 31 March 2018	167	487	647	227	1,528
Amortisation/impairment:					
At 1 April 2017	167	–	610	227	1,004
Impairment charge for year		487			487
Amortisation charge for year	–		37	–	37
At 31 March 2018	167	487	647	227	1,528
Net book amount: At 31 March 2018	–	–	–	–	–
At 31 March 2017	–	487	37	–	524
At 31 March 2016	4	487	162	27	680

	Software £'000	**Goodwill £'000**	**Customer relationships £'000**	**Database £'000**	**Total £'000**
Cost:					
At 1 April 2016	167	487	647	227	1,528
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

13. 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 (CGUs) as follows:

	2018 **£'000**	2017 £'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 12 month period and an extrapolation from that budget covering a further 4 years plus a terminal value. The key assumptions within the calculations are considered to be revenue growth and the discount rate. The average revenue is expected to decrease by 8% in the next financial year (2017: 32% increase) and 3% per annum thereafter (2017: 5%). The discount rate used in the impairment review was 12% (2017: 12%).

The reason for the large decrease in revenue is due to the liquidation of the Melbourne business and the slowdown in the London office. The Sydney business made a loss this year after losing a major client and revenue is expected to further reduce in the next financial year. Due to these reasons, the cash flow projections were less than the carrying value of each CGU hence the Board decided to write off the entire goodwill of £487,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

14. Property, plant and equipment

	Improvements to property £'000	Computer Equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost:				
At 1 April 2017	**124**	**321**	**149**	**594**
Additions	**–**	**9**	**5**	**14**
Disposals	**(2)**	**(36)**	**(1)**	**(39)**
Foreign exchange difference	**(4)**	**(10)**	**(4)**	**(18)**
At 31 March 2018	**118**	**284**	**149**	**551**
Depreciation:				
At 1 April 2017	**110**	**287**	**111**	**508**
Charge for the year	**11**	**25**	**20**	**56**
Disposals	**(5)**	**(32)**	**–**	**(37)**
Foreign exchange difference	**(3)**	**(8)**	**(2)**	**(13)**
At 31 March 2018	**113**	**272**	**129**	**514**
Net book value 31 March 2018	**5**	**12**	**20**	**37**

	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
Net book value 31 March 2016	17	38	51	106

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**2,652**	3,508
Other receivables	**34**	35
Prepayments and accrued income	**184**	342
	2,870	3,885

All amounts are receivable within one year. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the have the receivables have been reviewed for indicators of impairment and no provision (2017: £nil) has been considered necessary. Some of the unimpaired trade the receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2018 £'000	2017 £'000
More than one month but not more than 3 months	**983**	1,165
More than 3 months but not more than 6 months	**64**	85
	1,047	1,250

16. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**712**	933
Other taxes and social security costs	**897**	750
Accruals and deferred income	**416**	270
	2,025	1,953

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

	2018 £'000	2017 £'000
0 to 30 days	**250**	852
31 to 60 days	**456**	42
61 to 120 days	**6**	39
	712	933

All other financial liabilities including borrowings are repayable on demand.

17. Borrowings

Current liabilities	2018 £'000	2017 £'000
Invoice discounting	**1,217**	1,471
	1,217	1,471

The Group has confidential invoice discounting facilities of £2,500,000 (2017: £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. £1,116,000 of the borrowings relate to the UK operations and £101,000 relate to the Australian operations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

18. Commitments

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

	2018		2017	
	Land and buildings '000	**Other £'000**	Land and buildings £'000	Other £'000
Not later than one year	**319**	**13**	247	17
Later than 1 year and not later than 5 years	**28**	**8**	283	25
Later than 5 years	**–**	**–**	–	–
	347	**21**	530	42

Lease payments recognised as an expense during the year amount to £505,000 (2017: £226,000). 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.

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.

19. Deferred tax

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

	2018 £'000	2017 £'000
Movement on deferred taxation balance in the period		
As at 1 April	**84**	108
(Charge)/credit to profit and loss	**(29)**	(24)
As at 31 March	**55**	84

	2018 £'000	2017 £'000
Available trading losses	**39**	68
Accelerated capital allowances	**16**	16
Deferred tax asset	**55**	84

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:

	2018 £'000	2017 £'000
UK losses	**904**	531
Accelerated capital allowances	**56**	64
	960	595

20. 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 8. During the year Nakama Singapore sold services to Sheffield Haworth, a major shareholder, to the value of £100,000 (2017: nil). The balance outstanding from Sheffield Haworth on 31 March 2018 was £30,000 (2017: nil). These transactions were all at arm's length and in line with an agreement between the Group and Sheffield Haworth. There were no other related party transactions.

21. 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 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 invoice discounting facilities are charged at 1.5% above the UK base rate for Sterling 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. An increase of 100 basis points in interest rates would have increased the loss to the Group and reduced equity by £12,000 (2017: £28,000).

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 2018 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

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	2018 £'000	2017 £'000
Total equity	**(139)**	1,414
	(139)	1,414
Overall financing		
Total equity	**(139)**	1,414
Plus net borrowings	**1,217**	1,471
	1,078	2,885
Capital-to-overall financing ratio	**(12.9%)**	49.0%

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 Hong Kong Dollar, Singapore Dollar, Australian Dollar and Euros. The exposure to foreign exchange movements on the Group's sales ledger balance, purchase ledger balance and cash at banks as follows:

	2018 £'000	2017 £'000
Hong Kong Dollar	**200**	239
Singapore Dollar	**84**	211
Australian Dollar	**130**	560
Euros	**59**	37
Total	**473**	1,047

A weakening of 5% of these currencies against the functional currency of the Group will impact on the Group's sales ledger balance, purchase ledger balance and cash at bank as follows:

	2018 £'000	2017 £'000
Hong Kong Dollar	**(10)**	(10)
Singapore Dollar	**(4)**	(10)
Australian Dollar	**(6)**	(24)
Euros	**(3)**	(2)
Total	**(23)**	(46)

A 5% strengthening of the above currencies will have an equal but opposite effect to the amounts above assuming all other variables remain constant.

21. 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 2018 £'000	Non financial assets 2018 £'000	Financial liabilities at amortised cost 2018 £'000	Non financial liabilities 2018 £'000	Total for statement of financial position heading 2018 £'000
Statement of financial position headings					
Trade receivables	**2,652**	**–**	**–**	**–**	**2,652**
Cash at bank	**141**	**–**	**–**	**–**	**141**
Other receivables	**–**	**34**	**–**	**–**	**34**
Prepayments	**–**	**184**	**–**	**–**	**184**
Trade payables	**–**	**–**	**(712)**	**–**	**(712)**
Other taxes and social security costs	**–**	**–**	**–**	**(897)**	**(897)**
Accruals	**–**	**–**	**(416)**	**–**	**(416)**
Borrowings	**–**	**–**	**(1,217)**	**–**	**(1,217)**
Total	**2,793**	**218**	**(2,345)**	**(897)**	**(231)**

	Cash, loans and receivables 2018 £'000	Non financial assets 2018 £'000	Financial liabilities at amortised cost 2018 £'000	Non financial liabilities 2018 £'000	Total for statement of financial position heading 2018 £'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

The fair values of the financial assets and liabilities at 31 March 2018 and 31 March 2017 are not materially different from their book values.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

22. 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. 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.Options over 400,000 ordinary shares were granted on 18 August 2015 at an exercise price of 3.88p.

As at 31 March 2018, 3,470,559 of the share options granted have not yet lapsed (2017: 3,470,559)..

The share based payment expenses for the period is nil 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 (2017: £nil). The Trust holds 183,953 shares in the Company, with a market value of £1,471 (2017: 183,953 shares at a market value of £3,396). 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 2018. The Trust's only other asset at 31 March 2018 was cash at bank of £2,080 (2017: £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.

23. Share capital

	At 31 March 2018 £'000	At 31 March 2017 £'000
Authorised		
5,603,514,584 Ordinary 0.01p shares	**560**	560
31,875,568 Deferred shares at 4.99p	**1,590**	1,590
	2,150	2,150

	At 31 March 2018 £'000	At 31 March 2017 £'000
Allotted, called up and fully paid		
117,791,441 Ordinary 0.01p shares	**12**	12
31,875,568 Deferred shares at 4.99p	**1,590**	1,590
	1,602	1,602

	Number	Number
Movement in Ordinary shares		
Total number of shares in issue	**117,791,441**	117,791,441
Deferred shares	**1,590**	1,590
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.

24. Notes Supporting the Statement of Cash Flow

	2018	2017
Net Debt at 31 March 2017	**1,471**	1,247
Cash Flow	**(254)**	224
Net Debt at 31 March 2018	**1,217**	1,471

The Board has voluntarily provided comparatives in the year ended 31 March 2018, being the first year in which IAS 7 paragraphs 44A to 44E apply.

25. Post Balance Sheet Event

Due to continued losses and lack of prospects, the Directors decided to liquidate Nakama Melbourne on 19 July 2018.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	4	**–**	1
Investments	5	**182**	1,176
		182	1,177
Current assets			
Debtors: amount due within one year	6	**304**	1,143
Cash at bank and in hand		**6**	5
		310	1,148
Creditors: amount falling due within one year	7	**(122)**	(58)
Net current assets		**188**	1,090
Total assets less current liabilities being net assets		**370**	2,267
Capital and reserves			
Called up share capital	9	**1,602**	1,602
Share premium account		**2,580**	2,580
Merger reserve		**297**	297
Employee share benefit trust reserve		**(61)**	(61)
Profit and loss account		**(4,048)**	(2,151)
Shareholders' funds		**370**	2,267

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 £1,897,000 (2017: Loss of £231,000).

The financial statements were approved by the Board of Directors and authorised for issued on 07 September 2018.

Tim Sheffield
Chairman
07 September 2018

Andrea Williams
Chief Executive Officer

The notes on pages 46 to 50 form a part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	1,602	2,580	297	(61)	(1920)	**2,498**
Profit for the year	–	–	–	–	(231)	**(231)**
Total comprehensive income for the year	–	–	–	–	(231)	**(231)**
At 1 April 2017	1,602	2,580	297	(61)	(2,151)	**2,267**
Comprehensive income for the year						
Loss for the year	–	–	–	–	(1,897)	**(1,897)**
Total comprehensive income for the year	–	–	–	–	(1,897)	**(1,897)**
Share based payment credit						
At 31 March 2018	**1,602**	**2,580**	**297**	**(61)**	**(4,048)**	**370**

The notes on pages 46 to 50 form a part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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.

Going-concern

Based on the latest trading expectations and associated cash flow forecasts, the directors believe that the group and company will be able to trade within its existing facilities and therefore meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements, and have therefore prepared the accounts on a going concern basis. However, the directors recognise that if trading was below or at the lower end of expectations there could be a requirement for additional funding and that obtaining this additional funding cannot be guaranteed. This is considered to be a material uncertainty that may cast doubt over the group and company's ability to continue as a going concern.

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 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.

1. Principal accounting policies continued

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 and jointly controlled entities 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 investment made by the Company. The Directors assess the value of the investment every year based on the future profitability of the investments through detailed formalised budgets.

The Group is required to consider, on an annual basis, whether there are indications of impairment over investments and whether the intercompany receivables are recoverable. For the investments, the Directors consider 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

2. Directors' remuneration

Directors' remuneration has been disclosed within the directors' remuneration report and note 8 of the Group financial statements.

(a) Staff costs

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

	2018 £'000	2017 £'000
Wages and salaries	**164**	140
Social security	**19**	15
Other pension costs	**–**	3
	183	158

(b) Staff numbers

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

	2018 Number	2017 Number
Management	**3**	3

3. Auditors' remuneration

Auditors' remuneration attributable to the Company is as follows:

	2018 £'000	2017 £'000
Audit fees - statutory audit	**5**	5

4. Tangible fixed assets

	Leasehold Improvements £'000	**Computer equipment £'000**	**Fixtures, fittings and office equipment £'000**	**Total £'000**
Cost:				
At 1 April 2017	80	93	52	**225**
At 31 March 2018	**80**	**93**	**52**	**225**
Depreciation:				
At 1 April 2017	79	93	52	**224**
Provided in the year	1	–	–	**1**
At 31 March 2018	**80**	**93**	**52**	**225**
Net book amount:				
At 31 March 2018	**–**	**–**	**–**	**–**
At 31 March 2017	1	–	–	**1**

5. Investments

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

	2018 £'000	2017 £'000
Investment	**1,176**	1,176
Impairment charge for the year	**(994)**	–
Net Investment	**182**	1,176

The value carried relates to the acquisition of Nakama Limited on 14 October 2011. Following the investment impairment review undertaken, it was clear that the investment has suffered impairment due to the liquidation of Nakama Melbourne Pty in July 2018 and the negative projected cash flows from Nakama Limited and Nakama Sydney Pty. The Board has decided to impair the value of investments by £994,000 (2017: nil).

Subsidiaries	**Principal activity**	**Registered office**
Highams Recruitment Limited*	Recruitment	Quadrant House, 33-45 Croydon Rd, Caterham, UK
UK Highams Recruitment BV**, *	Dormant	's-Gravenhage (Den Haag, The Hague), 2501 CK, Netherlands
RWP Recruitment Services Limited	Dormant	Quadrant House, 33-45 Croydon Rd, Caterham, UK
Equation HR 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
UK Nakama Limited*	Recruitment	Quadrant House, 33-45 Croydon Rd, Caterham, UK
Nakama Hong Kong**	Recruitment	3801, 118 Connaught Street West, Sai Ying Pun, 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	63 Club Street, #03-01, UOB Plaza, Singapore 069437
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

	2018 £'000	2017 £'000
Prepayments and accrued income	**20**	19
Amounts due from subsidiary undertakings	**284**	1,124
	304	1,143

7. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**53**	8
Accruals and deferred income	**59**	50
Amounts due from subsidiary undertakings	**10**	–
	122	58

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2018

8. Commitments

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

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Not later than one year	22	32	4
Later than 1 year and not later than 5 years	–	–	–
Later than 5 years	–	–	–
	22	32	4

9. Share capital

For details of the share capital please refer to note 23 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 2018 the invoice discounting overdraft amounted to£1,217,000 (2017: £1,471,000).

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