

# HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Harvey Nash, the international professional Recruitment and Outsourcing Services group, announces preliminary results for the year ended 31 January 2008.

	2008	2007	Change
Revenue	<b>£318.6m</b>	£251.7m	↑ 27%
Net Fee Income *	<b>£58.5m</b>	£48.3m	↑ 21%
Operating Profit	<b>£8.5m</b>	£6.7m	↑ 26%
Profit Before Tax	<b>£7.6m</b>	£5.8m	↑ 31%
Basic Earnings Per Share	<b>7.54p</b>	6.33p	↑ 19%
Net Cash/(Debt)	<b>£4.2m</b>	(£2.6m)	↑£6.8m
Cash Generated from Operating Activities	<b>£14.6m</b>	£4.7m	↑209%

Source: Unaudited consolidated Financial Statements of Harvey Nash Group Plc

\*Net Fee Income = Gross Profit (and this will apply throughout the statement)

## Financial Highlights

- Strong Revenue growth, up 27%
- Excellent growth in Profit Before Tax, up 31%
- Cash generation up 209% from operating activities, to £14.6m
- Net cash at year end up £6.8m compared to the previous year
- Total dividend of 1.80p (2007:1.0p). Proposed final dividend of 1.10p per share

## Operational Highlights

- Record levels of demand for Offshore Services with increased capacity through the acquisition of a new outsourcing facility in Vietnam
- Outstanding organic growth in UK Executive Search, net fee income up 43%
- Another excellent performance in Europe with net fee income up 39%
- Successful expansion of European geographic footprint into new growth markets of Sweden and Ireland
- US profitable with acquisition in Atlanta performing ahead of budget
- Unique portfolio of services further broadened by new services: Strategic Business Technology Consulting and Business Process Outsourcing

Commenting on the results, the Chief Executive Officer, Albert Ellis, said:

*"The excellent results for the year reflect our strong market leading position. In addition to our successful organic-led growth strategy, we acquired a number of earnings enhancing businesses and are delighted with their performance."*

*"The current year has started well with robust trading in the first two months. Overall, our businesses in the US, UK and Europe are trading ahead of budget and the previous year."*

## ENQUIRIES:

### Harvey Nash

Albert Ellis, Chief Executive Officer  
Richard Ashcroft, Group Finance Director

Tel: 020 7333 2635

### College Hill

Mark Garraway  
Robert Pugsley

Tel: 020 7457 2020

**A presentation for analysts will take place at 09:30 this morning at the offices of College Hill, The Registry, Royal Mint Court, London, EC3**

## **CHAIRMAN'S STATEMENT**

I am delighted to report on the Group's excellent financial performance for the year ended 31 January 2008. The strong trading results reflect excellent organic growth complemented by the strategic investment in new higher growth markets such as Sweden and Ireland, while the increasing demand for outsourcing and offshoring services underpinned the Group's revenue growth. Cash generation was stronger than expected, resulting in an overall positive net cash position at the year end.

### **Financial Results**

Revenue for the year ended 31 January 2008 increased by 27% to £318.6m (2007: £251.7m). Net fee income was £58.5m (2007: £48.3m) with profit before tax increasing 31% to £7.6m (2007: £5.8m). Basic earnings per share increased 19% to 7.54p (2007: 6.33p).

The stronger than expected cash generated from operating activities of £14.6m (2007: £4.7m) resulted in a significantly strengthened balance sheet with a net cash position of £4.2m compared to net borrowings of £2.6m at the 31 January 2007.

### **Dividend**

With the strong growth in earnings and cash generation, the Board is recommending an increase in the total dividend for the year to 1.80p (2007:1.0p). This comprises a proposed final dividend of 1.1p (2007: 1.0p) per share and an interim dividend of 0.7p (2007: Nil) per share paid in November 2007.

### **Strategy & acquisitions**

The Group's key strategic business development asset is its unique portfolio of services. This competitive advantage is a major factor in developing boardroom relationships with our clients and in attracting suitable acquisitions into the Group. A substantial portion of the increase in revenue has come from successfully cross-selling other services into our blue-chip client base. For example, in the UK, the cross-selling of other services represents over 20% of total revenue and many of the offshore software development opportunities arise through existing relationships.

Targeted investment in the Group's market-leading brand has been maintained throughout the year. Our well known brand attracts new clients, quality candidates and is a key factor in recruiting and retaining talented fee-earners. Increasingly, the brand is becoming more visible through the Group's close association with the Confederation of British Industry. All brand-related investment is tracked to ensure a suitable return on investment from both new and existing relationships.

The Group's geographic coverage was increased in new markets through the acquisition of Alumni AB, Sweden's leading executive search consultancy, and Rescon Limited, a leading IT recruitment and IT solutions business based in Dublin, Ireland.

The Group also expanded its Outsourcing and Offshore capacity, in line with the increasing trend by our clients to outsource IT-related projects, particularly in the software development arena. Such projects are longer-term in nature and consequently enhance the Group's quality and visibility of earnings. During the year, we acquired SilkRoad Systems Limited, a Vietnamese based IT outsourcing business in Ho Chi Minh City. We also acquired a significant equity stake in TechDiscovery LLP, a strategic technology consultancy based in Atlanta, thereby expanding and formalising the already successful existing strategic partnership.

The Group's ongoing strategy will continue to be based on the successful formula of combining a strong organic growth model with bolt-on and earnings enhancing acquisitions in new markets.

## **Board and Employees**

On behalf of the Board, I would like to thank all of the Group's talented employees and associates who have, once again, shown outstanding professionalism and commitment to our clients and candidates throughout the year.

## **Prospects and Outlook**

We are successfully capitalising on our strategic advantages and leveraging our strong, internationally recognised brand.

The current year has started well with robust trading in the first two months. Our businesses in the US, UK and Europe are all trading ahead of budget.

**Ian Kirkpatrick**  
**Chairman**

## **OPERATIONAL REVIEW**

### **United Kingdom and Ireland**

Revenue increased by 15% to £105.8m (2007: £92.2m) and net fee income was up 18% to £29.2m (2007:£24.8m). The higher growth in net fee income was driven by increased demand by clients for permanent headcount in the IT function combined with the expansion of our Executive Search business up 43% on the previous year. Offshore software development increased revenue by 70% reflecting the macro trend for global sourcing and the drive to reduce technology costs.

Operating profit increased by 33% to £4.7m (2007: £3.5m). The increase in operating profit margin from 14.3% to 16.1% was achieved despite increasing fee-earners by 27% year on year and reflects higher gross margins and the benefits of additional economies of scale.

The Executive Search and Interim Management businesses continue to expand their delivery expertise into all major sectors. The Executive Search business benefited from strong demand in the technology and media sectors, ongoing demand from business services and the Public Sector practice continued to make excellent progress, increasing market share and expanding the business profitably. The Commerce and Industry practice also enjoyed robust growth as manufacturing and industry in the UK benefited from a strong year. The new Edinburgh office is on track and further progress is expected this year.

With the acquisition of SilkRoad in Vietnam, the software development and business process outsourcing expertise has been increased and new clients won, while high retention rates were registered for existing relationships.

Demand for IT technical specialists led to growth across the UK, particularly in the regions with oil & gas, telecommunications, media and traditional banking and insurance companies in particular continuing to recruit into the IT function.

Candidate confidence reflects a high level of demand for specialist skills with good quality applicants often receiving more than one offer. We agree with the Gartner 1<sup>st</sup> Quarter Worldwide CIO Survey 2008 research that the scale of cut-backs in technology spend, following the downturn in 2000 has left much less excess capacity today.

In Ireland, demand was strong throughout the year with the newly acquired subsidiary comfortably on track to achieve its first year targets. We have a long-term contract with a key client in the public sector, where we provide a solutions-based service.

### **Continental Europe**

Revenue in mainland Europe increased by 43% to £189.1m (2007: £132.6m), and net fee income was up 39% to £20.8m (2007:£15.1m). Increased demand for Executive Search, combined with higher levels of permanent IT placements in Germany, Belgium and Switzerland, were the key drivers in increasing gross margin.

Operating profit increased by 31% to £3.0m (2007: £2.3m) as fee-earner headcount increased by 67%, mainly in the strong Scandinavian region. Economic conditions were favourable throughout the year, with business confidence rising and demand for IT professionals outstripping supply.

The trend across Europe towards hiring permanent staff increased during the year. Organic growth in permanent revenue was 30% while the growth in IT contractors in the year was 23%.

Overall net fee income in the Netherlands grew by 30%. The Netherlands continued to build on its workforce risk management outsourcing service which has been introduced in Belgium and Germany.

In Belgium and Luxembourg overall revenue increased by 26%, with permanent revenue up by 94%. Growth came from across a diverse client base but the technology and telecommunications sectors were the main drivers.

The investment made in France resulted in net fee income growing by 42% compared to the previous year. With positive expectations being set by the new French government over tackling labour flexibility and deregulation, the Group is confident this investment will pay off in the medium term.

In Germany and Switzerland net fee income increased slightly as margins and contractor numbers growth was lower than in the rest of Europe. In Zurich, IT contractor volumes from the financial services sector were slightly lower and in Germany, widely reported cost reduction programmes, (for example Siemens) have reduced margins and volume. The Group has therefore focused on market segments such as Engineering in Germany and clients in Geneva not directly impacted by the slow down in financial services.

Our acquisition in Sweden, which offers executive search and leadership consultancy, has performed well with net fee income 18% ahead of the budget set at the time of acquisition in May 2007. Expansion into Denmark was achieved with the opening of an office in Copenhagen in November 2007.

### **United States**

Whilst market conditions in the US were uncertain during the majority of the year, our net fee income on a constant currency basis was broadly similar to the previous year with a fivefold growth in IT solutions underpinning the results. Executive Search was excellent with net fee income up over 70% to £1.2m (on a constant currency basis) demonstrating the strength of the Group's portfolio of services.

Operating profit, at £0.8m (2007: £0.9m), was only 9% lower than the previous year and at constant currency rates broadly similar to the previous year. The Group's response to tightening market conditions has been a timely and prudent trimming of our cost base, particularly in the IT recruitment division alongside a continuing focus on higher margin activities.

The performance of our new strategic IT consultancy, TechDiscovery, has been ahead of our expectations and cross-selling synergies have been identified and exploited, resulting in a positive start to the new financial year. TechDiscovery's business is less susceptible to cyclical market trends because the projects are tied to client's core corporate functions or strategic initiatives and usually involve long term contracts.

### **Summary**

The Group's key strategic advantages, its strong balance sheet and diverse portfolio of services continue to take the business higher up the value chain. Based on the excellent performances in the UK and Europe, the successful acquisitions and the stability we achieved in the US despite the market uncertainty, we were able to twice upgrade our expectations for full year profits during the year.

We are pleased with the way the current year has started, in particular with all our key markets performing ahead of budget.

I look forward to reporting on further progress throughout the year.

**Albert Ellis**  
**Chief Executive Officer**

## **FINANCIAL REVIEW**

### **Profit and Loss**

Revenue increased by 27% to £318.6m for the year ended 31 January 2008 (2007: £251.7m). Net fee income increased during the year by £10.2 million, while the cost base was tightly controlled, resulting in an improvement in the conversion ratio (operating profit margin as a percentage of net fee income) from 14% in the previous year to 15%. Net interest payable was reduced by 5% to £0.9m in line with the strong cash generation and profit before tax rose by 31% to £7.6 million.

### **Taxation**

The tax charge for the year was £2.2m (2007: £1.7m), giving an overall effective rate of tax of 29.2% (2007: 29.5%). This reflects the benefits of lower rates of corporation tax during the year in certain overseas countries.

### **Minority interest**

The minority interest represents the minority share of profit after tax of TechDiscovery LLP, acquired in November 2007.

### **Earnings per Share**

Basic earnings per share rose by 19% to 7.54p (2007: 6.33p). Fully diluted earnings per share rose by 19% to 7.33p (2007: 6.18p).

### **Balance Sheet**

The net book value of tangible fixed assets rose during the year as a result of acquisitions. Capital expenditure (£0.6m) continued to be tightly controlled and was £0.2m lower than depreciation charged.

The group had a positive net cash position at the year of £4.2 million, having repaid the remainder of the term loan earlier than expected (£2.0m), compared with net borrowings at the end of the previous year of £2.6m.

The value of intangible assets rose during the year by £14.3m mainly as a result of acquisitions during the year.

Trade and other receivables increased by £18.8m due to the increased trading levels and acquisitions made during the year. The largest increase was in the Netherlands, where revenue rose in the year by 68%. The increase in trade and other payables was also the result of increased trading levels and acquired businesses.

Contingent consideration represents the amounts payable in cash for the acquisitions of Alumni AB and TechDiscovery LLP.

### **Cash Flow**

There was a trading cash flow of £9.5m (2007: £7.5m) generated from operating activities before working capital movements. A further £7.4m was squeezed from working capital resulting in a total of £14.6 m being generated from operating activities. Tax paid in the year was £2.3m (2007: £0.6m).

Initial and deferred consideration of £5.2m was payable on acquisitions during the year, net of cash acquired. Capital expenditure in the year was £0.6m (2007: £0.6m) and represents mainly office infrastructure and IT systems investment, facilitating the expansion of the Group's fee-earning base.

During the year £0.1m (2007: £0.1m) was received from the issue of shares on the exercise of share options. Dividends paid were £1.2m and net interest payable was £0.9m (2007:£0.9m). The balance of the term loan of £2.0m was repaid earlier than expected on 31 January 2008.

### **Banking Facilities**

The Group enjoys significant headroom in relation to its agreed banking facilities which total circa £27.4m. These comprise working capital facilities of £12.0m in the UK and £13.4m in the Netherlands, and a UK overdraft facility of £2.0m.

### **Acquisitions**

On 22 May 2007, the Group acquired 100% of the share capital of Alumni AB, an Executive Search and Strategic Leadership Consultancy in Sweden. The consideration comprised cash consideration of £5.1m (of which £4.4m was raised via a vendor placing) and additional payments which will be payable in cash currently estimated at £1.4m over the two years ending 30 April 2011 subject to certain profit targets being achieved.

On 25 June 2007, the Group acquired 100% of the share capital of SilkRoad Systems Limited and its subsidiary, SilkRoad Systems (Vietnam) Limited, a technology and software development company based in Ho Chi Minh City, Vietnam. The consideration comprised initial cash consideration of £0.7m, 226,646 ordinary 5p shares in Harvey Nash Group plc and additional payments of up to £0.1m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved.

On 17 August 2007, the Group acquired 100% of the share capital of Rescon IT Limited, an IT recruitment and solutions business based in Dublin, Ireland. The consideration comprised an initial cash consideration of £3.4m, and additional payments currently estimated at £1.2m which will be payable in shares in Harvey Nash Group plc in the year ended 30 June 2008 subject to certain profit targets being achieved.

On 5 November 2007, the Group acquired 56.6% of the share capital of TechDiscovery LLP, which specialises in business-focused IT solutions based in Atlanta, USA. The consideration comprised initial cash consideration of £0.8m, and additional payments currently estimated at £1.5m which will be payable cash or shares in Harvey Nash Group plc at Harvey Nash's option subject to certain profit targets being achieved in the period to 30 September 2008.

The final tranche of the deferred consideration for the acquisition of the business and certain assets of Bluesuit Consulting Inc, the Group's Chicago based business, of £0.3m was paid in February 2008 based on the results for the year ending on 16 December 2007.

**Richard Ashcroft**  
**Group Finance Director**

**Unaudited Consolidated Income Statement**  
for the year ended 31 January 2008

	Notes	2008 £ '000	2007 £ '000
<b>Revenue</b>	3	<b>318,637</b>	251,742
Cost of sales		(260,153)	(203,480)
<b>Gross profit</b>		<b>58,484</b>	48,262
Total administrative expenses		(49,972)	(41,530)
<b>Operating profit</b>		<b>8,512</b>	6,732
Finance income		893	299
Finance costs		(1,787)	(1,235)
<b>Profit before tax</b>		<b>7,618</b>	5,796
Income tax expense	5	(2,231)	(1,712)
<b>Profit for the year</b>		<b>5,387</b>	4,084
<b>Attributable to:</b>			
Equity holders of the company		5,305	4,084
Minority interest		82	-
		<b>5,387</b>	4,084
<b>Basic earnings per share</b>			
Basic earnings per share	4	<b>7.54p</b>	6.33p
<b>Diluted earnings per share</b>			
Diluted earnings per share	4	<b>7.33p</b>	6.18p

**Unaudited Consolidated Statement of Recognised Income and Expense**  
for the year ended 31 January 2008

	2008 £ '000	2007 £ '000
Profit for the year	5,387	4,084
Foreign currency translation differences	1,652	(978)
<b>Total recognised income for the year</b>	<b>7,039</b>	3,106
<b>Attributable to:</b>		
Equity holders of the company	6,952	3,106
Minority interest	87	-
	<b>7,039</b>	3,106

The above results are derived from continuing activities.

**Unaudited Consolidated Balance Sheet**  
as at 31 January 2008

	Notes	2008 £ '000	2007 £ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,662	1,450
Intangible assets		41,825	27,516
Deferred income tax assets		1,269	1,304
		<b>44,756</b>	30,270
<b>Current assets</b>			
Cash	6	4,184	-
Trade and other receivables		70,551	51,747
		<b>119,491</b>	82,017
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities - borrowings		-	(819)
Contingent consideration		(689)	
Deferred income tax liabilities		(132)	(175)
		<b>(821)</b>	(994)
<b>Current liabilities</b>			
Trade and other payables		(66,492)	(40,736)
Current income tax liabilities		(1,850)	(1,388)
Contingent consideration		(2,112)	-
Financial liabilities - borrowings		-	(1,784)
Provisions		-	(328)
		<b>(70,454)</b>	(44,236)
		<b>(71,275)</b>	(45,230)
<b>Total liabilities</b>		<b>(71,275)</b>	(45,230)
<b>Net assets</b>		<b>48,216</b>	36,787
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders</b>			
Ordinary shares		3,622	3,325
Share premium		8,208	4,111
Shares to be issued		1,643	595
Fair value and other reserves		15,079	15,079
Own shares held		(148)	(656)
Cumulative translation reserve		767	(885)
Retained earnings	7	18,963	15,218
	10	48,134	36,787
Minority interest in equity		82	-
<b>Total equity</b>		<b>48,216</b>	36,787

**Unaudited Consolidated Cash Flow Statement**  
for the year ended 31 January 2008

	2008 £ '000	2007 £ '000
<b>Profit before income taxation</b>	<b>7,618</b>	5,796
Adjustments for:		
- depreciation	751	789
- loss on disposal of fixed assets	-	33
- finance income	<b>(893)</b>	(299)
- finance costs	<b>1,787</b>	1,235
- profit on sale of investment	-	(449)
- share based employee settlement and share option charge	<b>210</b>	423
<b>Operating cash flows before changes in working capital</b>	<b>9,473</b>	7,528
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
- increase in trade and other receivables	<b>(21,467)</b>	(7,639)
- increase in trade and other payables	<b>29,176</b>	5,138
- (decrease)/ increase in provisions for liabilities and charges	<b>(328)</b>	314
<b>Cash flows from operating activities</b>	<b>16,854</b>	5,341
Income tax paid	<b>(2,275)</b>	(630)
<b>Net cash generated from operating activities</b>	<b>14,579</b>	4,711
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(574)</b>	(565)
Cash acquired with acquisitions	<b>1,278</b>	-
Purchase of subsidiary undertakings	<b>(6,514)</b>	-
Proceeds from sale of investment	-	449
Interest received	<b>893</b>	299
<b>Net cash (absorbed)/ generated from investing activities</b>	<b>(4,917)</b>	183
<b>Cash flows from financing activities</b>		
Repayment of borrowings	<b>(1,982)</b>	(1,000)
Proceeds from issue of ordinary shares	<b>60</b>	129
Dividends paid to group shareholders	<b>(1,228)</b>	-
Interest paid	<b>(1,787)</b>	(1,235)
<b>Net cash used in financing activities</b>	<b>(4,937)</b>	(2,106)
<b>Increase in cash and cash equivalents</b>	<b>4,725</b>	2,788
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(784)</b>	(3,371)
Exchange gains /(losses) on cash and cash equivalents	<b>243</b>	(201)
<b>Cash and cash equivalents at the end of the year</b>	<b>4,184</b>	(784)

## 1. General Information

Harvey Nash Group plc ('the Company') and its subsidiaries (together 'the Group') is a leading provider of specialist recruitment and outsourcing solutions. The Group has offices in the UK, Europe, United States and Vietnam.

The Company is a public listed company incorporated in the UK. Its registered address is 13 Bruton Street, London W1J 6QA and its listing is on the London Stock Exchange.

## 2. Accounting Policies

The financial information set out in this preliminary announcement has been prepared on the basis of the principal accounting policies set out in the audited financial statements for the year ended 31 January 2007, published on 18 May 2007 and available on our website. The financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The 2007 accounts were delivered to the Registrar of Companies and the audit opinion was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985. Statutory accounts for the year ended 31 January 2008 will be dispatched to shareholders during June 2008 for approval at the Annual General Meeting to be held on 3 July 2008.

## 3. Segment Information

The consolidated entity operates in one business segment being that of recruitment and outsourcing services. As a result, no additional business segment information is required to be provided. The Group's secondary segment is geography. The segment results by geography are shown below including revenue by origin. The directors do not consider revenue by origin to be materially different from revenue by destination.

	Revenue		Segment assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
United Kingdom & Ireland	<b>105,816</b>	92,220	<b>41,666</b>	26,798	<b>380</b>	352
Netherlands	<b>125,184</b>	74,668	<b>38,132</b>	24,567	<b>16</b>	6
Rest of Europe	<b>63,893</b>	57,895	<b>25,525</b>	23,281	<b>28</b>	42
United States	<b>23,744</b>	26,959	<b>12,440</b>	10,631	<b>48</b>	165
Asia Pacific	-	-	<b>459</b>	37	<b>102</b>	-
Total	<b>318,637</b>	251,742	<b>118,222</b>	85,314	<b>574</b>	565

#### 4. Earnings Per Share

	2008	2007
Profit attributable to shareholders £'000	5,305	4,084
Weighted average number of shares	70,339,958	64,542,753
<b>Basic earnings per share</b>	<b>7.54p</b>	6.33p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of potential ordinary shares: those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the year, and deferred consideration shares to be issued.

	2008	2007
Profit attributable to shareholders £'000	5,305	4,084
Weighted average number of shares	70,339,958	64,542,753
Effect of dilutive securities	2,064,640	1,533,120
Adjusted weighted average number of shares	72,404,598	66,075,873
<b>Diluted earnings per share</b>	<b>7.33p</b>	6.18p

#### 5. Income tax expense

	2008 £ '000	2007 £ '000
Corporation tax on profits in the year - UK	530	84
Corporation tax on profits in the year - overseas	1,932	1,458
Adjustments in respect of prior years	(9)	65
<b>Total current tax</b>	<b>2,453</b>	1,607
Deferred tax	(222)	105
<b>Total tax charge</b>	<b>2,231</b>	1,712

#### 6. Analysis of Changes in Net Debt

	1 February 2007 £'000	Cash flow £'000	Non cash movements £'000	Foreign exchange movement s £'000	31 January 2008 £'000
Cash and cash equivalents	(784)	4,725	-	243	4,184
	(784)	4,725	-	243	4,184
Debt due within one year	(1,000)	1,982	(819)	(163)	-
Debt due after one year	(819)	-	819	-	-
	(1,819)	1,982	-	(163)	-
<b>Total</b>	<b>(2,603)</b>	<b>6,707</b>	<b>-</b>	<b>80</b>	<b>4,184</b>

The non-cash movements reflect changes in the maturity of the debt following a debt restructuring in the year.

## 7. Retained Earnings

	<b>2008</b>	2007
	<b>£ '000</b>	£ '000
At 1 February	<b>15,218</b>	(4,210)
Employee share options and bonus plan	<b>(117)</b>	160
IFRS 2 Deferred Tax charge to equity	<b>(215)</b>	277
Capital Restructuring	-	15,063
Goodwill adjustment	-	(156)
Profit for the year	<b>5,305</b>	4,084
Dividends paid	<b>(1,228)</b>	-
<b>At 31 January</b>	<b>18,963</b>	15,218

## 8. Dividends

The dividends paid in year end January 2008 were £1.2m (2007: nil).

The proposed final dividend of £0.8m (1.1p per share) is subject to approval by shareholders at the Annual General Meeting on 3 July 2008 (2007: 1.0p per share amounting to £0.7m) and has not been included as a liability at 31 January 2008.

	<b>2008</b>
	<b>£ '000</b>
Final dividend for year end January 2007 of 1.0p per share	722
Interim dividend for year end January 2008 of 0.7p per share	506
	1,228
Proposed final dividend for year end January 2008 of 1.1p per share	795

## 9. Business Combinations

The Group made four acquisitions in the period. As allowed under IFRS 3, the Group is using the 12 months after acquiring the businesses to consider whether there are intangible assets that should be recognised separately from goodwill.

The directors do not expect the intangible assets to be material as the majority of the value relates to the workforce but consideration will be given to areas such as brand and customer relationships.

In all cases, the provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount.

### Alumni AB

On 22 May 2007, the Group acquired 100% of the share capital of Alumni AB, an Executive Search and Strategic Leadership Consultancy in Sweden.

The consideration comprised initial cash consideration of £4.6m and additional payments which will be payable in cash currently estimated at £1.8m over the four years ending 30 April 2011 subject to certain profit targets being achieved.

The acquired business contributed revenues of £3.6m and operating profit of £0.9m to the Group for the period from acquisition to 31 January 2008. If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £319.7m and £8.6m respectively.

Details of provisional net assets acquired and intangible assets are as follows:

	£'000
Initial cash paid – net proceeds of share issue	4,136
Initial cash paid – directly by the Group	451
Contingent Consideration – paid	516
Contingent Consideration – current	637
Contingent Consideration – non-current	689
Direct costs relating to the acquisition – paid	243
<b>Total purchase consideration</b>	<b>6,672</b>
Fair value of net identifiable assets acquired	(549)
<b>Intangible Asset</b>	<b>6,123</b>

The intangible asset is attributable not only to Alumni AB's workforce but also its strong position and profitability in its market and the synergies expected to arise after its acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows:

	£'000
Fixed Assets	76
Cash	297
Receivables	737
Payables	(561)
<b>Net identifiable assets acquired</b>	<b>549</b>

Outflow of cash to acquire business, net of cash acquired:

	£'000
Cash Consideration	4,587
Cash and Cash equivalents in subsidiary acquired	(297)
<b>Cash outflow on acquisition</b>	<b>4,290</b>

Harvey Nash raised £4.4m gross (£4.14m net) to fund the acquisition by placing an additional 5,512,500 shares at 80p.

### SilkRoad Systems Limited

On 25 June 2007, the Group acquired 100% of the share capital of SilkRoad Systems Limited and its subsidiary, SilkRoad Systems (Vietnam) Limited, a technology and software development company based in Ho Chi Minh City, Vietnam.

The consideration comprised initial cash consideration of £0.7m, 226,646 ordinary 5p shares in Harvey Nash Group plc and additional payments of up to £0.1m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved.

The acquired business contributed revenues of £0.5m and operating profit of £0.1m to the Group for the period from acquisition to 31 January 2008. If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £318.6m and £8.5m respectively.

Details of net assets acquired and intangible assets are as follows:

	£'000
Initial cash paid	707
226,646 ordinary 5p shares in Harvey Nash Group plc	197
Contingent consideration	116
Direct costs relating to the acquisition – accrued	92
<b>Total purchase consideration</b>	<b>1,112</b>
Fair value of net identifiable assets acquired	(90)
<b>Intangible Asset</b>	<b>1,022</b>

The intangible asset is attributable to SilkRoad Systems (Vietnam) Limited's strategic fit with the Group's Outsourcing and Offshoring capabilities.

The assets and liabilities arising from the acquisition are as follows:

	£'000
Fixed Assets	60
Cash	18
Receivables	165
Payables	(153)
<b>Net identifiable assets acquired</b>	<b>90</b>

Outflow of cash to acquire business, net of cash acquired:

	£'000
Cash Consideration	707
Cash and Cash equivalents in subsidiary acquired	(18)
<b>Cash outflow on acquisition</b>	<b>689</b>

### Rescon IT Limited

On 17 August 2007, the Group acquired 100% of the share capital of Rescon IT Limited, an IT recruitment and solutions business based in Dublin, Ireland. The consideration comprised initial cash consideration of £3.4m, and additional payments currently estimated at £1.2m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved.

The acquired business contributed revenues of £3.6m and operating profit of £0.5m to the Group for the period from acquisition to 31 January 2008. If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £321.6m and £8.8m respectively.

Details of net assets acquired and intangible assets are as follows:

	£'000
Initial cash paid	3,416
Contingent consideration	1,201
Direct costs relating to the acquisition	168
<b>Total purchase consideration</b>	<b>4,785</b>
<b>Fair value of net identifiable assets acquired</b>	<b>(1,664)</b>
<b>Intangible Asset</b>	<b>3,121</b>

The intangible asset is attributable to Rescon IT Limited's strong workforce as well as its strong position and profitability in its geographical location and the synergies expected to arise after its acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows:

	£'000
Fixed Assets	129
Cash	750
Receivables	1,360
Payables	(575)
<b>Net identifiable assets acquired</b>	<b>1,664</b>

Outflow of cash to acquire business, net of cash acquired:

	£'000
Cash Consideration	3,416
Cash and Cash equivalents in subsidiary acquired	(750)
<b>Cash outflow on acquisition</b>	<b>2,666</b>

### TechDiscovery LLP

On 5 November 2007, the Group acquired 56.6% of the share capital of TechDiscovery LLP, which specialises in business-focused IT solutions based in Atlanta, USA. The consideration comprised initial cash consideration of £0.8m, and additional payments currently estimated at £1.5m which will be payable in cash or shares in Harvey Nash Group plc at Harvey Nash's discretion subject to certain profit targets being achieved in the period to 30 September 2008

The Group's share of the acquired business' revenues was £0.6m and share of operating profit was £0.2m for the period from acquisition to 31 January 2008. If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £320.1m and £8.4m respectively.

Details of net assets acquired and intangible assets are as follows:

	£'000
Initial cash paid	787
Contingent consideration	1,498
Direct costs relating to the acquisition	67
<b>Total purchase consideration</b>	<b>2,352</b>
Fair value of net identifiable liabilities acquired	26
<b>Intangible Asset</b>	<b>2,378</b>

The intangible asset is attributable to TechDiscovery LLP's workforce as well as its strong position and profitability in its market and the synergies expected to arise after its acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows:

	£'000
Fixed Assets	27
Cash	213
Receivables	192
Payables	(478)
<b>Total liabilities acquired</b>	<b>(46)</b>
Minority interest	20
<b>Net identifiable liabilities acquired</b>	<b>(26)</b>

Outflow of cash to acquire business, net of cash acquired:

	£'000
Cash Consideration	787
Cash and Cash equivalents in subsidiary acquired	(213)
<b>Cash outflow on acquisition</b>	<b>574</b>

## 10. Shareholders' Funds and Changes in Shareholders' Equity

	Share capital	Share premium	Shares to be issued	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Balance at 1 February 2007</b>	<b>3,325</b>	<b>4,111</b>	<b>595</b>	<b>15,079</b>	<b>(656)</b>	<b>(885)</b>	<b>15,218</b>	<b>36,787</b>
Employee share option and bonus plan	10	50	(263)	-	508	-	(117)	<b>188</b>
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(215)	<b>(215)</b>
Acquisitions in the period	287	4,320	1,318	-	-	-	-	<b>5,925</b>
Costs associated with raising equity	-	(273)	-	-	-	-	-	<b>(273)</b>
Profit for the year	-	-	-	-	-	-	5,305	<b>5,305</b>
Dividends paid	-	-	-	-	-	-	(1,228)	<b>(1,228)</b>
Currency translation adjustments	-	-	(7)	-	-	1,652	-	<b>1,645</b>
<b>31 January 2008</b>	<b>3,622</b>	<b>8,208</b>	<b>1,643</b>	<b>15,079</b>	<b>(148)</b>	<b>767</b>	<b>18,963</b>	<b>48,134</b>