

HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Results in line with expectations and an increased dividend for the year ended 31 January 2010

	2010	2009	Change
Revenue	£376.2m	£420.1m	↓ 10%
Gross Profit	£60.4m	£69.2m	↓ 13%
Adjusted Operating Profit *	£4.5m	£10.4m	↓ 57%
Adjusted Profit Before Tax *	£4.1m	£9.5m	↓ 57%
Profit Before Tax	£1.3m	£9.5m	↓ 87%
Profit After Tax	£0.9m	£6.9m	↓ 87%
Adjusted Basic Earnings Per Share *	3.84p	9.00p	↓ 57%
Basic Earnings Per Share	1.09p	9.00p	↓ 88%
Net cash generated from operations	£5.8m	£7.3m	↓ 20%
Net Cash	£5.1m	£4.5m	↑ 15%
Final dividend	1.35p	1.2p	↑ 13%
Full year dividend	2.2p	2.0p	↑ 10%

* Before non-recurring items in relation to the Group's cost reduction initiatives

Operational and Financial Highlights

- Group remained profitable throughout with adjusted operating profits 57% lower, a robust performance despite the severe global recession
- Revenue and gross profit better than expected, lower at 10% and 13% respectively
- Outsourcing revenues increase by 34%
- Despite the economic contraction in the UK & Ireland, the business was resilient, gaining market share and reporting operating profit of £1.9m (2009: £4.8m)
- Mainland Europe profits of £2.5m (2009: £4.3m) underpinned by growth in outsourcing
- US reports an operating profit for the year
- Robust cash generation with cash inflow from operations £5.8m (2009: £7.3m)
- No long-term debt: increased positive net cash position £5.1m (2009: £4.5m)
- Final dividend increased by 13% to 1.35p per share (2009: 1.2p per share)
- Full year dividend increased by 10% to 2.2p per share (2009: 2.0p per share)

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

"Against the backdrop of one of the sharpest economic downturns, the Group has delivered a resilient result for the year, generating profits and cash flow despite the severe global recession which affected all our markets. We are pleased that, our key geographic segments were profitable throughout the period and the Group's pipeline of new business is growing again and we are particularly pleased with the strong cash generation and increase in cash at the year end.

Although the outlook for the coming year continues to be uncertain, the prospects for a return to economic growth have improved since we reported our interims in September. Our growing confidence is reflected in the recommended increased final dividend, up 13% on 2009."

ENQUIRIES:

Harvey Nash

Albert Ellis, Chief Executive Officer

Richard Ashcroft, Group Finance Director

College Hill

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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

We faced extremely challenging conditions during the year. The impact of the global financial crisis was felt across all of the Group's markets.

The Group demonstrated its resilience in the global recession and we are pleased that the revenue decline, which was limited to 10% of turnover and 13% of gross profit, reflects an enhanced market share.

Organisations across the world have implemented actions to reduce costs and conserve cash which has clearly benefited the Group's outsourcing business. During the year, gross profit attributable to outsourcing increased by 34% from £9.6m to £12.9m.

The success of our broad portfolio of services in achieving greater resilience through diversification has been demonstrated with the Group remaining profitable throughout the year, supported by the strength of our client relationships and quality of delivery.

Financial Results

Revenue for the year ended 31 January 2010 declined by 10% to £376.2m (2009: £420.1m). Gross profit was 13% lower at £60.4m (2009: £69.2m) with operating profit before non recurring items down 57% to £4.5m (2009: £10.4m). Profit before tax and non-recurring items was 57% lower at £4.1m compared to £9.5m in 2009. Basic earnings per share were 1.09p. (2009: 9.00p).

Cash generated by operations was relatively strong at £5.8m, only 21% below last year's £7.3m resulting in an increased net cash position of £5.1m (2009: £4.5m) up 13% on the previous year.

Dividend

The Group's resilient trading and strong cash generation has resulted in the Board recommending a 13% increase in the final dividend for the year to 1.35p (2009: 1.20p) which will be paid on 16 July 2010 to shareholders on the register as at 25 June. If passed, this will take the total payout for the year to 2.2p (2009: 2.0p), an increase of 10%.

Strategy

Firstly, the Group's overall strategy is to grow its market share by broadening its geographical presence both organically and through bolt on acquisitions and leveraging its unique portfolio of services by cross selling into the Group's client base. Our strategy to address the impact of economic downturns, is to enhance the efficiency of our operations even further, work with clients across industry sectors, and spread the Group's geographic exposure.

Secondly, the Group has a strong brand, recognised as a market leader by clients and candidates across the UK and Europe. As markets recover, the Group's brand has been enhanced through continued investment in marketing during the downturn and this should drive additional business opportunities as markets recover.

Thirdly, companies are attracted by the benefits of outsourcing, whether in relation to technology spend or recruitment of talent and this competitive advantage has served the Group well. Off-shoring is a natural service extension for a specialist technology recruitment organisation. Clients increasingly demand a range of options when reviewing hiring needs, attracting talent and at the same time, seeking to reduce project costs. Our unique advantage in offering all these services had the effect of making the Group more resilient to changes in demand as demonstrated in the results for the year to 31 January 2010.

Fourthly, we generally have a considered and prudent approach to investment. Organic expansion of the business is critically dependent upon the rate of investment and timing of the business cycle. As a consequence of this approach and with no long term debt, less restructuring was required during the recession and now, having retained the expertise and knowledge within the Group, spare fee-earning and office capacity is in placed to take advantage of the recovery.

Finally, as demand recovers, the reduction in overall capacity in the industry as a result of consolidation and natural attrition will provide opportunity for strong focused organisations with strong brands and market leadership. Our objective is to pursue market share gains and invest in the brand during downturns, positioning the business for growth when economic conditions improve.

Board and Employees

On the 27 March 2009, David Higgins, a Non Executive Director decided to step down from the Board. We wish him well for the future.

On behalf of the Board, I would like to thank all of the Group's employees and associates who have worked incredibly hard during the recession to ensure clients and candidates remain our top priority.

Prospects and Outlook

The Group's resilient financial performance over the last two years has demonstrated the effectiveness of the broad portfolio of services, in particular the outsourcing business which has increased its revenue during the global recession and underpinned the Group's profitability.

The year has started broadly in line with our expectations and we are now seeing a recovery in several markets and geographies. Whilst the strength of this recovery is uncertain, we believe that, with the worst behind us and the prospects for global economic growth improving, the business is well positioned to take advantage of the upturn as it gathers momentum.

Ian Kirkpatrick
Chairman

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland has declined by a less than expected 7% to £110.3m (2009: £118.3m) and gross profit was lower by 18% to £24.9m (2009: £30.6m). Included in these results are revenues of £4.7m (2009: £2.6m) attributable to subsidiaries of UK clients based in Asia. Operating profit was 60% lower at £1.9m compared to £4.8m the previous year.

We are pleased with the result given the depth of the economic contraction. The UK business benefited from its scale, expertise and well known brand as companies migrated away from smaller privately owned boutique suppliers to larger, more financially stable businesses.

Whilst the technology sector had a strong year in 2008, the impact from the financial crisis appeared to be delayed into the first half of 2009 with overall demand particularly for executive search, down almost 50%. A recovery in activity began towards the end of the second half and continues into 2010 as global outsourcing organisations are now gearing up for growth.

Demand from the financial services sector was subdued for most of the year and the impact of reductions in rates and margins affected the whole market. Consolidation and significant job cuts in the banking sector also reduced the market for executive search as restructuring delayed plans for hiring top management talent.

The public and voluntary sector remained robust throughout 2009 and contributed to revenue stability in the UK particularly in the permanent and executive recruitment division. A significant contract win in relation to the Department of Home Affairs and increased volume of executive recruitment for the NHS and local government provided visibility at a time when the financial services sector was severely impacted. This was the case in Ireland too, as a key technology outsourcing contract with the public sector ensured the business remained profitable despite the reduction in demand in 2009.

As a result of the continued growing demand for outsourcing, our UK division's revenues were buoyant, with an increase of 85% in gross profit over the previous year.

Mainland Europe

Revenue in Europe has declined by 13% to £236.7m (2009: £273.2m), gross profit was lower by only 7% to £27.3m (2009: £29.2m). Operating profit was 41% lower at £2.5m compared to £4.3m in the previous year. However, we are very satisfied with the financial results, given the strong comparatives. This was mainly due to the focus on Fortune 1000 clients who continued to require contract recruitment and outsourcing services. The business has also benefited significantly from a full year of outsourcing revenues from its Nuremberg based wireless research and development laboratory, Nash Technologies.

Demand for permanent recruitment in Europe has, as expected been subdued throughout the year. Measures taken by governments and companies to retain their workforce and skills through the recession through shorter flexible working arrangements have resulted in a material over-capacity of labour particularly in manufacturing. This has affected contractor working time as well, reducing the Group's margin earned on each sub-contractor.

Germany was significantly affected by shorter working in manufacturing particularly in the auto sector and permanent revenue was down by 47%. However, the outsourcing services enjoyed a full year of revenue and the new office in Nuremberg contributed to a rise in overall gross profit of 26%, remarkable in a deep recession. Following the year end a further multi-year contract was secured by Nash Technologies, located in Stuttgart, to provide IT engineering support and maintenance for a substantial element of the fixed line telecoms infrastructure in Germany. Estimated at €40m, the additional contract further establishes the Group as one of the leading providers of specialist telecoms talent in Europe.

In Belgium, the business reported revenue down 9%, with permanent recruitment down 60%. In the Netherlands a similar decline in permanent recruitment of 69% was reported and overall gross profit 28%

lower reflected the severe impact of the global recession on the Dutch economy. Permanent revenues in France were the least affected in northern Europe, down only 5%.

In Scandinavia the Group's executive recruitment business reported a drop of 24% in gross profit against a market that declined substantially. With lower demand for hiring, the business focused on its broad portfolio of services, in particular winning significant contracts for leadership services and leveraging its new mid market recruitment service into existing clients. The new office in Poland, whilst doubling revenue, made a loss for the year. Following the year end the Group has continued its expansion from its base in Scandinavia; organically into Finland with the establishment of an office in Helsinki and the acquisition of a leading business in Norway establishing Harvey Nash Alumni as the market leader in the whole of the Nordic region.

Switzerland was the only market where overall recruitment revenue increased, by 7% year on year, mainly as a result of the recently established Geneva office.

United States

Revenue in the USA was broadly flat at £29.3m (2009: £28.6m), but gross profit was lower by 12% to £8.2m (2009: £9.4m). The change of mix in revenue with lower levels of permanent recruitment and IT consulting, had an effect on the operating margin. Permanent recruitment fell by 14% in addition to 29% in the previous year. Our higher margin consulting business was also affected by key clients placing large development projects on hold amid continued cost reductions for ongoing support and maintenance.

Despite these challenges the business reported a small profit in one of the toughest recruitment markets in the world last year and gross profit in the quarter ended 31 March 2010 was 8% higher sequentially, compared to the quarter ended 31 December 2009.

Summary

In line with our strategy, the Group has delivered a resilient result for the year, generating profits and cash flow despite the severe global recession which affected all our markets. We are pleased that our key geographic segments were profitable throughout the period.

Although revenue visibility continues to be limited, prospects for a return to growth have improved since we last reported. As demand recovers, there will be increasing opportunities for organisations with strong brands and market leadership. Our objective is to pursue those market share gains and return the business to growth as economic conditions improve.

Albert Ellis
Chief Executive Officer

FINANCIAL REVIEW

Profit & Loss

Revenue declined by just 10% from £420.1m in the previous year to £376.2m. Gross profit fell overall by 13% to £60.4m (2009: £69.2m) mainly as a result of weak demand for permanent recruitment which fell by 22%.

Tight control of the cost base resulted in a £2.8m reduction in administrative expenses which contributed to an operating profit before non-recurring items of £4.5m (2009: £10.4m). Non-recurring items during the year of £2.8m relate to redundancy costs and provisions for empty property. Net interest payable fell by 56% to £0.4m (2009: £0.8m) as a result of a combination of lower interest rates and working capital requirements.

Taxation

The tax charge for the year was £0.4m (2009: £2.6m) giving an overall effective rate of tax of 32.3% (2009: 27.5%). This included an adjustment in respect of prior years of £0.3m (2009: £0.1m) and a deferred tax credit of £1.2m (2009: £0.4m). The deferred tax credit relates to unrelieved tax losses and other timing differences. The overall effective rate of tax is a function of the mix of profits between the various countries in which the group operates.

Minority Interest

The minority interest represents the minority share of profit after tax of TechDiscovery LLC.

Earnings per Share

Basic earnings per share fell by 88% to 1.09p (2009: 9.00p). Adjusted basic earnings per share (before non-recurring items in relation to the group's cost reduction initiatives) was 3.84p, a fall of 57%.

Balance Sheet

The net book value of tangible fixed assets at 31 January 2010 was £3.2m (2009: £2.3m). Additions during the year of £2.7m included expenditure of £2.1m on hardware and software incurred by Nash Technologies in Germany, rechargeable to clients. Other than client-paid capital expenditure in Nash Technologies, other expenditure was £0.6m of which £0.3m was on computer equipment and £0.3m was on leasehold improvements, office equipment, furniture and fixtures.

The carrying value of intangible assets at 31 January 2010 was £46.2m (2009: £47.8m) of which £1.0m (2009: £1.0m) related to the Alumni brand and the balance was goodwill. The reduction in the value of goodwill during the year arose as a result of exchange differences.

Net trade receivables fell from £81.1m in 2009 to £61.7m as a result of reduced turnover and an improvement in debtor days to 45.8 (2009: 47.2). Over 90 day debtors fell during the year by 53%. Trade payables fell from £48.4m in 2009 to £38.3m as a result of reduced turnover.

Contingent consideration of £0.02m in non-current liabilities represents amounts payable in cash for the acquisition in December 2008 of Fila & Myszel Associates in Poland.

Provisions for liabilities and charges relate to non-recurring costs of redundancies and empty property leases in London and Stockholm.

Cash Flow

Strong operating cash inflow of £3.3m less payments of taxation of £2.9m, net interest payments of £0.4m and capital expenditure of £2.7m, a reduction of £5.4m in working capital, the purchase of company shares for the Harvey Nash Group Employee Benefit Trust of £0.3m and dividend payments of £1.5m resulted in an increase in net cash during the year of £0.9m before foreign exchange movements.

Banking Facilities

The Group continues to enjoy substantial headroom in relation to its banking facilities of c. £30m. The facilities comprise invoice discounting and overdraft facilities for working capital in the UK of £14.0m and in Europe, €18.0m. The invoice discounting facilities are available on a rolling annual basis. The Group has no term debt.

Acquisitions

There were no acquisitions during the year and all material deferred consideration to date has been settled. On 29 April 2010, the Group acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (approximately £2.1 million). In the year ended 31 December 2009, Bjerke & Luther reported an audited profit before taxation of approximately NOK 3.3 million (approximately £0.4 million), a turnover of approximately NOK 19.9 million (approximately £2.2 million) and as at 31 December 2009 had gross assets of NOK 8.8 million (approximately £0.1 million).

Richard Ashcroft
Group Finance Director

Consolidated Income Statement

for the year ended 31 January

	Notes	2010 £ '000	2009 £ '000
Revenue	2	376,209	420,101
Cost of sales		(315,789)	(350,950)
Gross profit	2	60,420	69,151
Total administrative expenses		(58,775)	(58,794)
Operating profit before non recurring items	2	4,463	10,357
Non recurring items	5	(2,818)	-
Operating profit	2	1,645	10,357
Finance income		86	117
Finance costs		(448)	(943)
Profit before tax		1,283	9,531
Income tax expense	3	(415)	(2,621)
Profit for the year		868	6,910
Attributable to:			
Equity holders of the company		795	6,524
Minority interest		73	386
		868	6,910
Earnings per share for profit attributable to the equity holders of the company during the year			
- Basic earnings per share	4	1.09p	9.00p
- Diluted earnings per share	4	1.08p	8.92p

Consolidated Statement of Comprehensive Income

for the year ended 31 January

	2010 £ '000	2009 £ '000
Profit for the year	868	6,910
Foreign currency translation differences	(1,791)	6,811
Other comprehensive (loss) / income for the year	(1,791)	6,811
Total comprehensive (loss) / income for the year	(923)	13,721
Total comprehensive income attributable to:		
Equity holders of the company	(996)	13,335
Minority interest	73	386
	(923)	13,721

The above results are derived from continuing activities.

Consolidated Balance Sheet

as at 31 January 2010

	Notes	2010 £ '000	2009 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment		3,223	2,256
Intangible assets		46,151	47,758
Deferred income tax assets		2,761	1,648
		52,135	51,662
Current assets			
Cash		5,146	4,458
Trade and other receivables		73,638	103,987
		130,919	160,107
LIABILITIES			
Non-current liabilities			
Contingent consideration		(19)	(21)
Deferred income tax liabilities		(228)	(305)
Provision for liabilities and charges	6	(424)	-
		(671)	(326)
Current liabilities			
Trade and other payables		(72,144)	(97,488)
Current income tax liabilities		(954)	(2,862)
Contingent consideration		-	(31)
Provision for liabilities and charges	6	(359)	-
		(73,457)	(100,381)
		(74,128)	(100,707)
Total liabilities		(74,128)	(100,707)
Net assets		56,791	59,400
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares		3,673	3,669
Share premium		8,425	8,412
Shares to be issued		49	86
Fair value and other reserves		15,079	15,079
Own shares held		(412)	(120)
Cumulative translation reserve		5,788	7,579
Retained earnings		23,603	24,107
		56,205	58,812
Minority interest in equity		586	588
Total equity		56,791	59,400

Shareholders' Funds and Changes in Shareholders' Equity

for the year ended 31 January

	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
Balance at								
1 February 2008	3,622	8,208	1,643	15,079	(148)	767	18,963	48,134
Profit for the year	-	-	-	-	-	-	6,524	6,524
Currency translation adjustments	-	-	188	-	-	6,811	-	6,999
Total recognised income and expense for the year	3,622	8,208	1,831	15,079	(148)	7,578	25,487	61,657
Employee share option and bonus plan	-	-	-	-	28	1	136	165
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(147)	(147)
Acquisitions in the year	47	204	(1,745)	-	-	-	-	(1,494)
Dividends paid	-	-	-	-	-	-	(1,369)	(1,369)
31 January 2009	3,669	8,412	86	15,079	(120)	7,579	24,107	58,812
Profit for the year	-	-	-	-	-	-	868	868
Currency translation adjustments	-	-	-	-	-	(1,791)	-	(1,791)
Total recognised income and expense for the year	3,669	8,412	86	15,079	(120)	5,788	24,975	57,889
Employee share option and bonus plan	4	13	-	-	3	-	124	144
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	4	4
Acquisitions in the year *	-	-	(37)	-	52	-	(15)	-
Own shares purchased	-	-	-	-	(347)	-	-	(347)
Dividends paid	-	-	-	-	-	-	(1,485)	(1,485)
31 January 2010	3,673	8,425	49	15,079	(412)	5,788	23,603	56,205

* This relates to deferred consideration for the acquisition of Silkroad Systems from June 2007 being settled in the year.

Consolidated Cash Flow Statement
for the year ended 31 January 2010

	2010	2009
	£ '000	£ '000
Profit before tax	1,283	9,531
Adjustments for:		
- depreciation	1,359	791
- amortisation	49	79
- loss on disposal of fixed assets	167	-
- finance income	(86)	(117)
- finance costs	448	943
- share based employee settlement and share option charge	127	173
Operating cash flows before changes in working capital	3,347	11,400
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
- Decrease / (increase) in trade and other receivables	29,469	(19,919)
- (Decrease) / increase in trade and other payables	(24,845)	18,007
- Increase in provisions for liabilities and charges	783	-
Cash flows from operating activities	8,754	9,488
Income tax paid	(2,935)	(2,207)
Net cash generated from operating activities	5,819	7,281
Cash flows from investing activities		
Purchases of property, plant and equipment	(638)	(445)
Purchases of property, plant and equipment – rechargeable to clients	(2,071)	-
Cash acquired with acquisitions	-	11
Purchase of subsidiary undertakings	(31)	(4,923)
Interest received	86	117
Net cash absorbed from investing activities	(2,654)	(5,240)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	17	-
Purchase of own shares	(347)	-
Dividends paid to group shareholders	(1,485)	(1,369)
Interest paid	(448)	(943)
Net cash used in financing activities	(2,263)	(2,312)
Increase / (decrease) in cash and cash equivalents	902	(271)
Cash and cash equivalents at the beginning of the year	4,458	4,184
Exchange (losses) / gains on cash and cash equivalents	(214)	545
Cash and cash equivalents at the end of the year	5,146	4,458

Notes

1. Basis of preparation

The Listing Rules of the UK Listing Authority (LR 9.7A.1) require that preliminary unaudited statements of annual results must be agreed with the listed company's auditors prior to publication, even though an audit opinion has not yet been issued. In addition, the Listing Rules require such statements to give details of the nature of any likely modification that may be contained in the auditors' report to be included with the annual report and accounts. Harvey Nash Group plc confirms that it has agreed this preliminary statement of annual results with PricewaterhouseCoopers LLP and that the Board of Directors has not been made aware of any likely modification to the auditors' report required to be included with the annual report and accounts for the year ended 31 January 2010.

The information in this announcement, which was approved by the Board of Directors on 29 April 2010, does not comprise statutory accounts for the years ended 31 January 2010 or 31 January 2009, within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 January 2009, which contained an unqualified audit report under Section 235 of the Companies Act 1985 and which did not make any statements under Section 237 of the Companies Act 1985, have been delivered to the Registrar of Companies in accordance with Section 242 of the Companies Act 1985. Statutory accounts for the year ending 31 January 2010 will be made available to shareholders at the end of May 2010 and delivered to Companies House in due course.

The preliminary announcement for the full year ended 31 January 2010 has been prepared in accordance with the accounting policies as disclosed in Harvey Nash Group Plc's 2009 Annual Report, as updated to take effect of any new accounting standards applicable for 2009 as set out in Harvey Nash Group Plc's 2009 Half Year Report.

2. Segment Information

IFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision maker has been identified as the Group Board.

This has resulted in three reportable segments, UK and Ireland, Rest of Europe and United States. Asia Pacific is included in the UK and Ireland segment in line with the way the results are analysed by the Group Board.

The directors do not consider revenue by origin to be materially different from revenue by destination.

Services provided by each reportable segment are permanent recruitment, contracting and outsourcing.

The Group Board analyses segmental information as follows:

Revenue

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	110,254	118,347
Rest Of Europe	236,687	273,171
United States	29,268	28,583
Total	376,209	420,101

Revenues from one customer in the Rest of Europe segment represent approximately £37.1m of the Group's total revenues (2009: £79.4m).

Gross Profit

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	24,914	30,556
Rest Of Europe	27,261	29,187
United States	8,245	9,408
Total	60,420	69,151

Operating Profit/(Loss)

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	1,909	4,825
Rest Of Europe	2,523	4,251
United States	31	1,281
Operating profit before non-recurring items	4,463	10,357
Non- recurring items	(2,818)	-
United Kingdom & Ireland	1,645	10,357

Depreciation and amortisation charge

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	537	479
Rest Of Europe	698	207
United States	124	105
Total	1,359	791

The amortisation charge of £49k (2009: £79k) relates to the Rest of Europe segment.

3. Income tax expense

	2010	2009
	£ '000	£ '000
Corporation tax on profits in the year – UK	-	15
Corporation tax on profits in the year – overseas	1,334	2,839
Adjustments in respect of prior years	264	119
Total current tax	1,598	2,973
Deferred tax	(1,183)	(352)
Total tax charge	415	2,621

4. Earnings Per Share

	2010	2009
Profit attributable to shareholders £'000	795	6,524
Weighted average number of shares	72,675,773	72,471,450
Basic earnings per share	1.09p	9.00p

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.

	2010	2009
Profit attributable to shareholders £'000	795	6,524
Weighted average number of shares	72,675,773	72,471,450
Effect of dilutive securities	625,171	646,657
Adjusted weighted average number of shares	73,300,944	73,118,107
Diluted earnings per share	1.08p	8.92p

	2010	2009
Adjusted profit attributable to shareholders £'000 (see note 7)	2,788	6,524
Weighted average number of shares	72,675,773	72,471,450
Adjusted basic earnings per share	3.84p	9.00p

5. Non recurring items

Non-recurring items have been disclosed separately to give a clearer presentation of the Group's results. They relate to restructuring costs and include the costs of redundancy and onerous property leases.

	2010	2009
	£ '000	£ '000
Non-recurring items	(2,818)	-
	(2,818)	-

6. Provisions

Provisions relate to the costs of redundancy and two onerous property leases which run to December 2011 and September 2013 respectively.

	2010
	£ '000
At 1 February	-
Charge in the year	783
At 31 January	783

£359k will fall due within one year and £424k will be payable after more than one year.

7. Adjusted profit attributable to shareholders

	2010 £ '000	2009 £ '000
Profit attributable to shareholders	795	6,524
Non - recurring items	2,818	-
Estimated tax on non-recurring items	(825)	-
Adjusted Profit attributable to shareholders	2,788	6,524

8. Risk Management

The Board reviews the key risks facing the business regularly. Outlined below are the main risks that could potentially impact the Group's operating and financial performance:

- Economic Environment
In the current global slowdown the group has a number of policies in place to mitigate economic risks. These include a unique portfolio of services which caters for all stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue.
- Key Clients
The risk of loss of a key client is lessened by the Group not being overly reliant on any one client. The Group also ensures that there are regular reviews of relationships with all clients.
- Personnel
The loss of senior management or key personnel could adversely affect the Group's results. This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council.
- Regulatory Environment
The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market. The Group mitigates this risk by taking external professional advice where appropriate and maintaining robust internal controls and processes to ensure compliance with respect to legal and contractual obligations.