

Harvey Nash Group plc
Annual Report 2011



**HARVEY
NASH**

The Power of Talent

About Harvey Nash

Harvey Nash, a global Professional Recruitment and Outsourcing consultancy, is committed to delivering the very best talent and business solutions to a broad base of international clients.

With over 4,000 professionals worldwide, the Group is a trusted adviser to many of the world's leading businesses, governments and public organisations. We operate from 39 offices covering the USA, Europe and Asia.

Our talented people pursue the highest levels of integrity and quality in providing Harvey Nash's unique portfolio of services.



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Business review

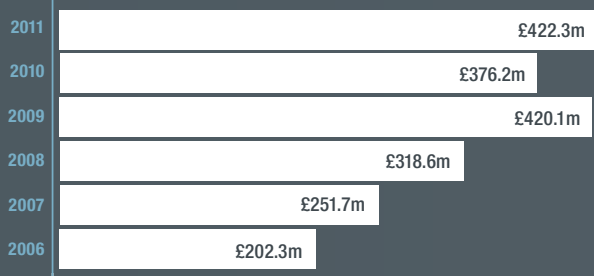
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Accounts

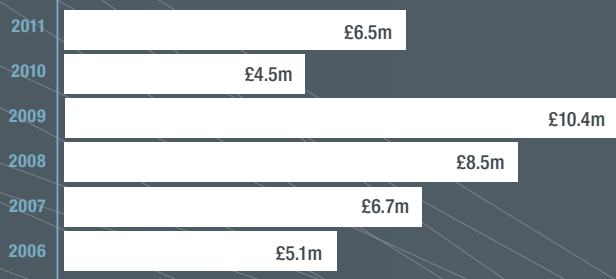
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Highlights

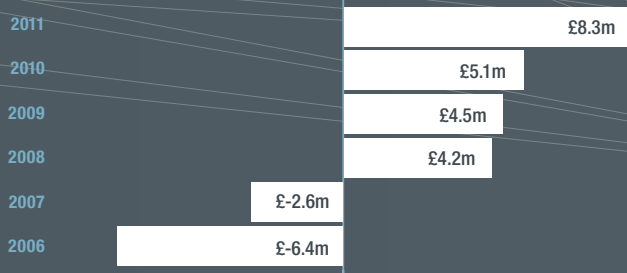
Revenue



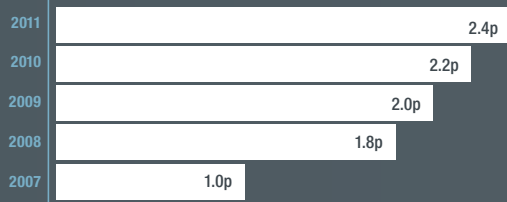
Operating Profit*



Net Cash



Dividend Per Share



* Operating profit before non-recurring items

Revenue

↑ 12%

31 January 2011 £422m

31 January 2010 £376m

Operating Profit*

↑ 45%

31 January 2011 £6.5m

31 January 2010 £4.5m

Profit Before Tax

↑ 387%

31 January 2011 £6.3m

31 January 2010 £1.3m

Operating Cash

↑ 55%

31 January 2011 £9.0m

31 January 2010 £5.8m

Full year dividend

↑ 11%

31 January 2011 2.4p

31 January 2010 2.2p

Our Services

Executive Leadership Services

Executive Search

We support multinational organisations and smaller niche companies to attract, recruit and retain outstanding executives and senior management talent through a specialist search approach and strategic leadership consultancy service. The business has a broad based capability in all key sectors.

Strategic Leadership Consulting

All of our Executive Consulting businesses support owners and company Boards with a full range of strategic leadership services, including board evaluations and assessments, board recruitment, incentive schemes for boards and executive management, generation change analyses and management audits.

Interim Management

Through our market-leading Interim Management consultancy 'Impact Executives', we provide independent business consultants to our clients on a flexible contract basis across a broad range of sectors and functions.

Professional Recruitment

Technology, Finance and Engineering recruitment

Our market-leading technology and professional recruitment business provides clients with highly skilled specialists for contract and permanent roles. We combine the power of our brand to attract specialist industry and technical experts across all client sectors.

Outsourcing

Offshore Software

We provide application development, software maintenance and outsourced software services to our clients across the world. Through our software development centre in Vietnam, we deliver a unique blend of high-value offshore services.

Telecommunications development, testing and support

Through our subsidiaries in Germany and their wholly owned offshore facility in Vietnam, Nash Technologies is a vendor independent Wireless and Wireline Networks research and development division, providing expertise covering all phases of the telecommunications product lifecycle with testing facilities which rank among the largest in the world.

Business process outsourcing

We provide end to end business process outsourcing (BPO) of administration, operations and specific business functions or processes through our offshore centres in Vietnam.

Managed Services

Contract Services – our risk management consultants provide expert legal, financial and administrative consultancy in the area of flexible labour and professional skilled migrants.

Technology support – we take responsibility for the full management of critical IT infrastructure functions, such as data centre operations, help desk services and network administration.

Systems Management – our competency centre provides professional management of mainframe platforms, including performance evaluation, data migration, system changes and support services.

Technology Consulting

We provide strategic consultancy and the development of custom applications for world class software and technology-based services companies

Meet the Group Board



Ian Kirkpatrick

Non-Executive
Chairman



Albert Ellis

Chief Executive
Officer



Richard Ashcroft

Group Finance
Director



Simon Wassall

European Managing
Director



Tom Crawford

Non-Executive
Director



Gus Moore

Non-Executive
Director



Ian Davies

Non-Executive
Director



Margot Katz

Group Director of
Talent

Meet the Executive Council

The Executive Council is the senior operational management team for the business. Unlike the Group Board, its members are full-time senior managers and are made up of Albert Ellis, Richard Ashcroft, Simon Wassall plus:



Robert J. Miano
President

Responsible for
Harvey Nash
operations in the USA.



Magnus Tegborg
MD

Responsible for Harvey
Nash Nordics and
Alumni operations in
Sweden.



Nick Marsh
MD

Responsible for the
Executive Search
business.



Udo Nadolski
MD

Responsible for
Harvey Nash in
Germany and Nash
Technologies.



Jan Leen 'tJong
MD

Responsible for
Harvey Nash
operations in the
Netherlands.



Promoting equality, diversity and business success

In the USA, we established Network 4 Net-Worth - a young professionals networking organisation focused on building lasting professional and personal relationships through group networking and personal development sessions, mainly focusing on Generation Y, with an emphasis on the promotion of diverse talent pools.



The fastest growing senior professional network within the executive recruitment sector, Inspire was established by Carol Rosati, Alexa Bailey and Christine de Lary in 2008 using the Harvey Nash Group's resources and contacts.

Inspire is a unique forum for senior business women to meet and exchange ideas and experiences with their peers with a mission to promote female Board and Executive participation. Membership has grown to over 1,000 board level members in London, New York and Sweden. Through our events, forums, white papers and influence, Inspire is delighted to play a major role in promoting gender balance in the board room and within the company. This is achieved through an active extension of the pool of talent in which shortlists are put together.

Harvey Nash Scotland's participation in the "Girl Geek" dinner network is also aimed at supporting the community of business women in the technology and creative sectors.

In the UK, Harvey Nash actively engages with the government of the day and other businesses through its CBI membership and headline sponsorship of the flagship CBI conference. Each year the conference brings together the government, the opposition parties and business in one place to debate the pressing issues facing the nation. The CBI works with the UK government, international legislators and policy-makers to help UK businesses compete effectively.

Harvey Nash regularly chairs and hosts trade delegations to Vietnam. The Group also recognises the valuable contribution made by the government of Vietnam in enabling increased investment and trade between Europe and Asia and is actively involved at ministerial level, not only lobbying on behalf of business but also engaging with the Vietnamese leadership on the strategic challenges and opportunities facing South East Asia.

STATEMENTS
&
FINANCIAL REVIEW



“ The result was an excellent performance and builds on the Group’s remarkable resilience during the recession ”

CHAIRMAN’S STATEMENT

I am delighted to report on an excellent result for the period.

After a period of extremely challenging market conditions, during which the Group continued to demonstrate its resilience, remaining profitable and cash generative throughout the global recession, all geographical regions have returned to growth during the year.

The Group was able to substantially increase revenues, as demand for both permanent and flexible labour improved and new outsourcing contracts were secured, which resulted in higher than expected operating profit. The Group’s acquisition of Bjerke & Luther AS in Norway is on track and many new offices across the world exceeded budget.

Strong trading cash flows resulted in a further strengthening of the Group’s balance sheet with net cash increasing to £8.3m from £5.1m in the prior year.

Financial Results

Revenue for the year ended 31 January 2011 increased by 12% to £422.3m (2010: £376.2m). Gross profit was 13% higher at £68.5m (2010: £60.4m) with operating profit before non-recurring items up 45% at £6.5m (2010: £4.5m). Profit before tax of £6.3m was up 387% on the prior year result of £1.3m. Basic earnings per share were up 437% to 5.85p (2010: 1.09p).

Cash generated by operations was 55% higher at £9.0m (2010: £5.8m), resulting in a 61% increase in the net cash position to £8.3m (2010: £5.1m).

Although the Group has no long term debt, short term working capital funding of circa £40m is available on a rolling twelve month basis for its growing contracting and outsourcing services. The combined freelance and employed technology professionals working on Group client projects at 31 January 2011 was up 33%, compared to the previous year.

Dividend

The Board is recommending an increased final dividend of 1.48 pence per share, 10% up on the prior year (2010: 1.35p). If approved at the forthcoming Annual General Meeting, the final dividend, which would take total dividend payouts for the year to 2.42 pence per share (2010: 2.20 pence per share) will be paid on 15 July 2011 to shareholders on the register as at 24 June 2011.

Strategy

The Group's strategy of offering a broad portfolio of services continues to provide resilience even in the most extremely challenging market conditions. This competitive advantage, combined with the Group's focus on large contract wins enabled the Group to maintain profitability during the downturn and ensure significant market share gains were capitalised on as the recovery took hold.

The Group's key assets - its strong brands, leading market position and unique portfolio of services - have been crucial in maintaining and developing existing client relationships, winning additional mandates and retaining key employees. Our strong commitment to the Group's professional values, means placing clients at the centre of our strategy, and this has clearly had a positive impact over the last decade.

The Group's focus now is on continuing to grow its market share across all its disciplines and expanding its portfolio of services geographically. The Group will continue to explore opportunities for earnings enhancing bolt-on acquisitions as they arise, to augment its organic growth.

Employees

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 year and during the downturn, in some of the most challenging market conditions in recent times. These excellent results are down to their commitment, effort and teamwork.

Board

Ian Davies joined the Board as a non-executive Director on 30th September 2010 and was appointed Chairman of the Audit Committee. Ian is a former audit partner and has publicly listed Board experience. He is currently deputy Chairman of BMT Group Limited and a member of the Council of the Institute of Chartered Accountants.

Gus Moore will be retiring from the Board as a non executive Director at the Company's AGM on the 30 June 2011. Gus has served the company selflessly for several years, strongly supporting the Group's successful strategy and we wish him well for the future.

The development of the Group's talent and leadership will be crucial to its success in the future. I am therefore delighted to announce the appointment of Margot Katz to the Board with effect from the 1 May 2011, as the Group Director of Talent. Margot has previous Board experience and was head of professional development for a global HR consultancy and brings a wealth of talent management experience.

Prospects and Outlook

The result for 2010/11 was an excellent performance and builds on the Group's remarkable resilience during the recession, remaining profitable and generating strong cash flows. With a return to growth during the year across all the markets in which the business operates, and in particular during the second half, we are encouraged by a good start to the current year.

While the UK's growth rate may be affected by a more subdued economy and strong comparatives, we are confident that growth from the USA and European markets will continue to support another year of further progress.

The increased dividend proposed reflects the success achieved in the year ended 31 January 2011 and our confidence in making further progress during the current year.

Ian Kirkpatrick

Chairman



Albert Ellis
Chief Executive

“ We are leveraging our competitive advantages - market leading positions, leading brands and a unique portfolio of services delivered by outstanding professionals ”

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland increased 19% to £131.5m (2010: £110.3m) with gross profit up by 14% to £28.3m (2010: £24.9m). Included in these results are revenues of £6.1m (2010: £4.7m) attributable to clients based in Asia. Operating profit was up 41% at £2.7m compared to £1.9m the previous year.

Our market leading brand and significant market share gains resulted in an excellent financial performance. Continued investment in the brand, and increasing our client engagement activity during the recession enabled the UK business to capitalise on a stronger than expected recovery in the UK employment market last year.

The fastest growing segment in the technology market is the development of applications for mobile devices. The Group's Mortimer Spinks brand benefited from its focus on the new media and mobile sectors with a 44% rise in gross profit and virtually doubled its profit contribution compared to the previous year.

Further leveraging the recovery in the financial services sector, the UK technology recruitment business opened an additional location in the City of London. Strategically, the Group sees great opportunities in this sector, as financial institutions change the shape of their organisations, reducing overhead through offshoring and outsourcing whilst recruiting new talent to manage the transition. Risk management is also a key factor following tighter regulation of the sector which continues to drive increased hiring.

Group offices based in the regions of the UK all performed well particularly the Edinburgh operation which increased gross profit by 73%. Despite the economic uncertainty in Ireland, the Group increased revenues and generated a healthy profit from a small loss in the prior year.

Overall executive search and interim revenues were stable compared to the prior year. Significant improvement in demand from the technology sector was offset by the expected declines in the public sector although manufacturing, business services, retail and the corporate sector were up 30%. Interim management was affected mainly by the public sector's freeze on headcount and consultancy but has made a good recovery in the first quarter of the current year.

Offshoring and outsourcing increased by 44% in the UK, resulting in a record profit contribution to the UK business since the start of the business almost ten years ago.

Although the business faces challenges in the current year, including a slowing economy and strong comparatives, the UK and Irish business continues to go from strength to strength. The UK's key asset - its positive brand recognition and assurance of quality in the market - continues to attract new clients and new talent into the Group which continues to generate growth in a recruitment market which is widely reported to be challenging.

Mainland Europe

Revenue in Europe was up by 8% to £256.4m (2010: £236.7m) and gross profit increased by 14% to £31.1m (2010: £27.3m). Operating profit was 28% higher at £3.2m compared to £2.5m in the previous year.

Given the uncertainty and volatility in European markets and the delayed recovery in many countries, we are pleased with this strong performance. The key to this success is our strategy of focussing on the stronger Northern European region, including the Nordics, Benelux, Germany and Switzerland whilst driving growth through securing additional contracts in our wireless outsourcing centre in the Nuremberg and Stuttgart locations.

The significant improvement in gross margin is mainly due to a change of mix in favour of outsourcing and executive recruitment. Permanent recruitment was strong throughout the Nordic region combined with an additional outsourcing contract in Germany secured in the telecommunications sector.

During the year demand declined in three markets, the Netherlands, France and Switzerland. Action to re-shape the Group's businesses in France and Switzerland was taken to prepare them for a return to growth in 2011. The recession and lack of recovery experienced in the Netherlands has featured prominently in reports across the industry. Our business in that country also reflected this trend until the first signs of a return to growth have been identified. Nevertheless the Netherlands contributed just under 20% to European profits despite a decline in revenues and challenging trading conditions, demonstrating its resilience, the quality of its client relationships and the strength of its portfolio of services.

Belgium and Luxembourg capitalised on a strong recovery particularly in permanent recruitment, and demand for freelance professionals also improved. One of the key success factors is the focus on Fortune 500 companies headquartered in and around the capital of the European Union in the telecommunications, automotive and pharmaceutical sectors. The business successfully retained existing clients as well as securing significant new projects during the year.

In the Nordics, recovery was the strongest in Europe with Sweden leading the organic growth and the acquisition of Bjerke & Luther AS in Norway adding to the 96% rise in GBP revenues. The satellite offices in Copenhagen and Warsaw reported modest top line growth and a reduced loss for the year. Whilst the market leading Alumni executive search business enjoyed a healthy increase in profits, the successful expansion into new markets such as Finland and Norway provided additional growth in revenues and operating profits. The new permanent contingent recruitment service marketed under the Harvey Nash brand also enjoyed strong growth with total gross profit rising 49% compared to the prior year.

The Nordic region's business performance was excellent, benefiting from increasing headcount over the recession, leveraging the market leading position in Sweden across the entire region and opening up a new market in Finland which is already profitable. The acquisition in Norway is on track and the Group is actively seeking further opportunities in the strong Nordic market.

In Switzerland a significant contract win in the financial services sector enhanced the market leading position of the Group's operations in both Zurich and Geneva. Whilst the costs of implementation were incurred during the year with an impact on overall profitability, the market was also relatively subdued compared to Germany and the Nordic region. However, the benefits of the contract are beginning to come through in the current year and the market for permanent recruitment appears to be recovering as well.

The German economy was widely reported to be one of the strongest in Europe in 2010. The Group's operations in Germany have grown significantly over the last three years and in the year ending 31 January 2011, Germany represented just over 40% of European profit contribution. Recruitment growth was concentrated in the south, where manufacturing and exports have driven growth in the Stuttgart and Munich offices. Some labour overcapacity continues in the employment market, particularly in technology and engineering and this resulted in continued shorter working hours affecting contractors and a slower pick up in permanent recruitment.

In the Group's outsourcing location in Nuremberg, revenues and profitability were lower than the previous year as expected and in line with Group expectations. However on 30 April 2010 an additional contract was secured by Nash Technologies worth €43m over a number of years and a new development centre was added in Stuttgart during the year. In relation to the extension of the Group's existing strategic partnership in Nuremberg, a new framework contract was successfully concluded in December 2010 which includes a guaranteed level of project work throughout 2011. Both the Nuremberg and Stuttgart locations are on budget for the current year to date.

We are pleased with our performance in Europe. With critical mass and scale building in Northern Europe's most economically significant markets and with a leading market position in those countries, we are confident that these advantages will provide further growth for the Group in the future.

United States

Revenue in the USA was up by 17% at £34.4m (2010: £29.3m) and gross profit up 11% to £9.1m (2010: £8.2m). Operating profit was £0.6m compared to broadly break even in the prior year.

The Group's US business has operated in a highly challenging market over the last two years and therefore took action to reduce its cost base whilst continuing to develop its portfolio of services, in particular offshoring. The result was that despite the severe recession and notwithstanding the losses incurred by the industry as a whole, the US business remained profitable on an annual basis throughout the global financial crisis.

Although demand for higher margin strategic consultancy and major project work continued to decline impacting the Atlanta operation in particular, the outsourcing service grew strongly, increasing revenues by 19% year on year which was a major factor contributing to the resilience of the US business.

The technology recruitment market began to improve toward the end of the first half of the year. Increased demand resulted in an additional 19% of freelancers at 31 January 2011 on client projects compared to the year before. Demand was concentrated in the flexible labour market and it was not until early 2011 that the business began to see significant improvements in the market for permanent technology professionals. This follows the classic recovery pattern with flexible and temporary labour demand leading the market for permanent technology appointments.

Executive Search also began to see much more activity as confidence returned to the financial services sector which began to expand once again. This lifted executive search revenues for the year by 22% overall with much of the improvement coming in the second half. The revival of business activity on the East Coast also impacted the New Jersey office significantly which reported a 73% rise in revenues. Demand continued to remain subdued in Chicago and recovery in Denver lagged behind the rest of the country. The West Coast was less affected by the recession and the San Francisco and Seattle offices continued to benefit from buoyant market conditions and tight labour markets particularly in the technology sector. With strong comparatives revenue increased 17% on the prior year.

The Group's financial performance in the US over the last two years has been remarkably resilient given the depth of the recession, the impact on unemployment and the labour market, and the industry-wide losses incurred. The US continues to lead the world in new technologies which leverage the internet, wireless mobile and online social media to create new business models. The Group has, through its presence in the US, developed key relationships with some of these fast growing organisations and driven innovation and new business opportunities across the rest of the Group.

Demand continues to be robust and we are confident of further improved performance in the current year.

Summary

We are delighted with an excellent performance, increasing revenue, gross profit and operating profit in each of the three main geographies in which we operate.

This is due to our focussed strategy and having a unique portfolio of services which have been crucial in maintaining and growing existing client relationships.

The current year has got off to a positive start across all of our geographies and all of our business segments. We are leveraging our competitive advantages - notably strong market leading positions, leading brands and a comprehensive portfolio of services delivered by outstanding professionals – and we believe that we are excellently placed to make further progress during the current year as economic conditions improve.

Albert Ellis

Chief Executive Officer



Richard Ashcroft
Finance Director

“ Another year of strong cash generation and increased dividends ”

FINANCIAL REVIEW

Profit and Loss

Revenue grew by 12% to £422.3m (2010: £376.2m), while gross profit rose by 13% to £68.5m (2010: £60.4m). The recovery was broad-based, with increases in the UK and Ireland, the rest of Europe and the United States. Permanent revenue grew strongly, up by 37% on the previous year.

Tight control of costs and improved productivity resulted in a 45% increase in operating profit before non-recurring items to £6.5m (2010: £4.5m). Non-recurring items in the year relate to professional fees of £0.1m for an acquisition and movements in property lease provisions relating to the current and previous year. Net interest payable fell by 46% to £0.2m (2010: £0.4m) as a result of strong cash generation during the year. Profit before tax rose by £5.0m to £6.3m (2010: £1.3m).

Taxation

The tax charge for the year was £1.9m (2010: £0.4m) giving an overall effective rate of tax of 30.5% (2010: 32.3%). This included an adjustment in respect of prior years of £0.1m (2010: £0.3m) and a deferred tax charge in respect of timing difference of £0.4m (2010: £1.2m credit). 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 in the year represents the minority share of profit after tax of Bjerke & Luther AS and TechDiscovery LLC.

Earnings per Share

Basic earnings per share rose by 437% to 5.85p (2010: 1.09p), while diluted earnings per share also rose by 437% to 5.80p (2010: 1.08p)

Balance Sheet

Net assets rose in the year by 8% to £61.3m (2010: £56.8m), while net tangible assets rose by 19% to £12.6m (2010: £10.6m). The net book value of tangible fixed assets at 31 January 2011 was £4.0m (2010: £3.2m). Additions during the year of £2.6m included expenditure of £1.9m on hardware and software incurred by Nash Technologies in Germany, rechargeable to clients. Other than the client-paid capital expenditure in Nash Technologies, expenditure was £0.7m, of which £0.4m was on computer equipment, £0.2m was on leasehold improvements, office equipment, furniture and fixtures and £0.1m was on furniture, fixtures and equipment with an acquisition.

The carrying value of intangible assets at 31 January 2011 was £48.7m (2010: £46.2m) of which £1.1m related to the Alumni brand, £0.5m related to the Bjerke & Luther brand acquired during the year and the balance was goodwill.

Net trade receivables rose to £69.5m (£61.7m) as a result of higher revenue. Debtor days fell to 44.6 days (2010: 45.8 days). Trade payables rose to £44.4m (2010: £38.3m) as a result of increased trading.

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 of £0.3m relate to three onerous property leases which run to December 2011, September 2013 and September 2014.

Cash Flow

There was a strong operating cash inflow in the year of £10.0m. Income tax paid was £1.0m, capital expenditure was £2.5m (of which £1.9m was client-paid), the net cash outflow on an acquisition during the year was £1.5m, net interest paid was £0.2m and dividend payments totalled £1.9m. This resulted, after a foreign exchange gain of £0.2m, in an increase in net cash during the year of £3.1m to £8.3m (2010: £5.1m). To aid transparency, net cash has been split into gross cash of £15.6m (2010: £12.2m) and gross borrowings of £7.3m (2010: 7.0m) on the face of the balance sheet.

Banking Facilities

The Group continues to enjoy substantial headroom in relation to its banking facilities. At the balance sheet date these comprised invoice discounting and overdraft facilities for working capital in the UK of £22.0m and invoice discounting facilities in Europe of €18m. After the year end, additional invoice discounting facilities of \$6.0m have been arranged in the United States. The invoice discounting facilities are available on a rolling annual basis. The Group has no term debt.

Acquisitions

On 29 April 2010 the Group acquired a 50.1% stake in Bjerke & Luther AS an executive search and selection company in Norway. The consideration comprised cash of Norwegian Kroner 18.5m (approximately £2.0m). In addition Harvey Nash has been granted a call option to acquire the additional 49.9% of the shares in Bjerke & Luther from the sellers which may be exercised between 1 February 2013 and 2 April 2013. The consideration for the acquisition of the additional shares shall be calculated on the same basis as the consideration for the initial shares, subject to a minimum aggregate consideration of NOK 11.5m (approximately £1.3 million) and a maximum of NOK 30.5m (approximately £3.4 million).

The value of the call option has been considered and at the balance sheet date, based on valuations in the Norwegian market, is deemed to reflect the fair value of the final consideration due should the remaining 49.9% be acquired and as such no asset has been recognised in respect of the option.

Richard Ashcroft
Group Finance Director

Directors, Secretary and Advisers

Ian Kirkpatrick

Non-Executive Chairman

Ian Kirkpatrick, aged 66, is Non-Executive Chairman. Following a career in consultancy, stockbroking and commerce, he joined Bank of Scotland and became a director in the banking division of British Linen Bank Limited, its subsidiary. He has been a non-executive director or chairman of a number of private, publicly-quoted and public sector organisations. Ian is Chairman of Prime Estates Limited and is also a Non-Executive Director of Baronsmead VCT 4 Plc. He was appointed Chairman of Harvey Nash in January 1997.

Albert Ellis

Chief Executive Officer

Albert Ellis, aged 47, is Chief Executive Officer and was appointed to the Board in February 2000, as Group Finance Director. He was appointed as Chief Executive Officer in June 2005. He was previously a Finance Director with Hays Plc.

Richard Ashcroft

Group Finance Director

Richard Ashcroft, aged 53, is Group Finance Director. He was appointed in October 2005, having previously spent 20 years in senior financial positions in a number of UK public companies, including Michael Page International Plc.

Simon Wassall

European Managing Director

Simon Wassall, aged 48, was appointed to the Board in October 2005. He has been with the Group since 1994 and is responsible for the UK and European IT recruitment operations.

Margot Katz

Group Director of Talent

Margot Katz, aged 59, is Group Director of Talent and was appointed to the Board on 1 May 2011. She has previous Board experience, including as the head of professional development for a leading Human Resources consultancy.

Tom Crawford

Non-Executive Director

Tom Crawford, aged 60, is a Non-Executive Director and was appointed in February 2002. He was previously Joint Managing Director and founder of the business.

Gus Moore

Non-Executive Director

Gus Moore, aged 73, is a Non-Executive Director and was appointed in April 1999. He was previously Managing Director of Telephone Rentals Plc and then on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom/CSL. He has been Chairman and Non-Executive Director of a number of venture capital backed companies, mainly in the Telecoms and Computer market sectors.

Ian Davies

Non-Executive Director

Ian Davies, aged 56, is a Non-Executive Director and was appointed in September 2010. Ian, who was also appointed Chairman of the Audit Committee, is a former audit partner and has publicly listed Board experience. He is currently deputy Chairman of BMT Group Limited and a member of the Council at the Institute of Chartered Accountants.

Directors

Ian Kirkpatrick
Albert Ellis
Richard Ashcroft
Simon Wassall
Margot Katz
Tom Crawford
Gus Moore
Ian Davies

Secretary

Richard Ashcroft

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HARVEY NASH GROUP PLC
ANNUAL REPORT & ACCOUNTS
2011

Directors' Report

for the year ended 31 January 2011

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2011.

Principal Activities

The Group's principal activity during the year was the provision of professional recruitment and outsourcing services. The Group has a number of overseas subsidiaries and branches in Europe, USA and Vietnam. The parent company is incorporated and domiciled in the United Kingdom.

A review of the business and future developments is set out in the Chairman's Statement, Chief Executive's Operational Review and the Financial Review.

Key Performance Indicators

The Board considers the following performance indicators to be key in monitoring the Group's performance:

- Adjusted operating profit per employee * £11,590 (2010: £8,013),
- Gross profit per employee £122,626 (2010: £108,474)
- Average debtor days 45.2 (2010: 46.0)
- Fee earner percentage ** 67% (2010: 67%)

* Operating profit before non-recurring items

** Fee-earners as a percentage of sales and administration employees

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**

The performance of the Group is aligned to the underlying growth of the economies of the countries in which it operates. The group has a number of policies in place to mitigate macro economic risks. These include a unique portfolio of services appropriate to different stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue. The Group has strengthened its balance sheet by increasing its net cash position.

- **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.

- **Talent**

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, and in the future, by its Group Director of Talent.

- **Technology**

The Group relies on technology systems to provide services to clients and candidates. These systems are dependent on a number of suppliers that provide the technology infrastructure and disaster recovery solutions. The Group mitigates technology risks by conducting regular reviews of technology both externally with third party providers of IT services and internally.

- **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.

- **Foreign Exchange**

The Group has significant operations outside the UK and is therefore exposed to movements in exchange rates. The Group's policy is to minimise foreign currency risk. Harvey Nash manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings. The currency risk of holding assets and liabilities in foreign currencies across the Group is managed by partially matching foreign currency assets with foreign currency liabilities.

Results and dividends

The Group's profit before tax for the year was £6.3m (2010: £1.3m). A final dividend of 1.48 pence per share has been declared on 28 April 2011 amounting to £1.1m subject to shareholder approval at the AGM on 30 June 2011 (2010: 1.35p per share amounting to £1.0m).

Share Capital

There was no movement in shares issued during the year. The number of ordinary shares at 31 January 2011 was 73,450,393 (2010: 73,450,393) with a nominal value of £3,672,520 (2010: £3,672,520).

Directors and their Interests

The Directors who held office during the year and at the date of this report are shown on pages 17 and 18. In accordance with the Company's Articles of Association, non-executive directors who have served for over nine years must stand for re-election every year. Ian Kirkpatrick and Tom Crawford have served for longer than nine years and therefore offer themselves for reappointment. Peter Augustine Moore intends to resign at the Annual General Meeting and so will not be seeking re-election.

The Company's Articles of Association require Directors to retire every three years so accordingly Albert Ellis, Richard Ashcroft and Simon Wassall are offering themselves for re-election.

Ian Davies and Margot Katz have been appointed since the conclusion of the last Annual General Meeting, so are required by the Company's Articles of Association to retire and put themselves forward for election.

All Executive Directors have service contracts with the Company terminable by either party giving to the other not less than 12 months' notice. The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in greater detail in the Remuneration Report.

Corporate Responsibility

The Board believes that companies have a responsibility to play a constructive part within the community at large, and that social, environmental and ethical matters are part of the investment mix in order to create a long term sustainable business. The Group has been a leader over the last five years in highlighting the importance of employer brand equity when attracting the new generation of leadership talent. Being a member of the Harvey Nash team also means being a valued contributor to society. Our employees are enthusiastic about people and are always ready to support programmes that benefit the community.

The Board's view is that shareholders and employees must make their own personal choices; it is not the Group's responsibility to do this on their behalf. The Group is not aligned to a particular political party and neither does it make political donations or material charitable grants. However, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees is actively promoted.

Detailed policies and activity is available for each country as appropriate; however a few examples of recent activity and the Group's general policies are described below:

(a) Environmental policy

The Group's operations, being services, are inherently less damaging to the environment than other business sectors. However, the Board recognises that the business must minimise its impact on the environment and utilises recommendations from the Carbon Trust to reduce the carbon footprint of the organisation. The Group's environmental policy statement commits our company to:

- Re-cycling - reducing the overall amount of waste being sent to landfill by separating out materials for recycling,
- Water – making use of mains water supply for personal consumption through on site water filtration and purification
- Efficiency - optimising the operation of building cooling and heating systems,
- Energy - introducing low energy lighting wherever appropriate and feasible,
- Technology hardware and software - software which automatically shuts down computers to reduce power consumption and heat output,
- The introduction of 'eco-fonts' – these use less ink on printed matter, with only a marginal impact upon quality,
- Travelling: promoting the use of public transport and increased use of video conferencing and online webinars to reduce the impact of business travel upon the environment.
- Procurement – processes are in place to ensure that the procurement of goods, services and material capital items such as property include a review and rating of the carbon impact of these acquisitions seeking wherever possible to reduce the Group's footprint.

(b) Charitable, political and work in the community

A number of senior Directors in the business are involved with projects and work in the community.

Harvey Nash staff on not-for-profit advisory boards

Nick Marsh, Managing Director Executive Search, UK. Board member of Byte Night the IT industry's annual sleep out in support of Action for Children.

Noorzaman Rashid, Director of Harvey Nash Executive Search - Government and Public Services UK, is chairman of E-ACT, one of the largest education charities in the UK.

Magnus Tegborg, Sweden, the Managing Director of Harvey Nash's Nordic business, is a Director on the City of Stockholm Board, which is responsible for the city's public utilities, tourism, culture and the arts.

Charitable activity

In the lead up to Christmas 2010 Harvey Nash staff across the UK chose to support charities instead of holding a traditional Christmas party. Local offices participated in selecting the organisations and charities, including Shelter, Great Ormond Street Hospital and Help for Heroes to name just a few.

The Midlands office took part in the 3 Peaks Challenge; an endurance event where they scaled the highest mountains in England, Scotland and Wales, raising £6,200 for CARE International.

Teams in London and Edinburgh took part in Byte Night the IT industry's annual sleep out in support of Action for Children as well as three fun runs in aid of the the British Heart Foundation. The London office also took part in "Movember" raising over £1,000 for prostate cancer.

Teams in The Netherlands supported the Semmy Foundation, a charity helping children and families suffering from Diffuse Intrinsic Pontine Glioma, while raising awareness and money to finance studies that will lead to a cure for paediatric brain cancer.

In Germany, the money saved by sending e-cards instead of paper cards was donated to "BISS", the homeless charity. Employees participated in a company run of Nuremberg as well as a 24 hour shared cycle ride on a static bike, both activities contributing to several charity organisations.

In Vietnam, we equipped Saigon Children's Charity with a Ford 4X4 to enable them to support children in education in the countryside of Vietnam. This has extended their reach, enabling them to get more children into secondary education from remote villages. We also developed their Global website to enable them to raise additional funding to support disadvantaged children into further education. This is supported through our staff who have given up some of their time to help develop this.

In Sweden, staff carried out pro bono work to set up the advisory board of Save the Children Sweden, as well as making a Christmas donation to the charity.

In October 2010 the annual Harvey Nash CEO cycle ride comprising a multi-national team led by Alumni Sweden Partner Jan-Erik Arntzen, undertook a 90 mile charity ride from Oxford to Cambridge raising over £2,500 for various charities in addition to the £1,000 raised for Cancer Research during CEO Albert Ellis's participation in the world famous amateur version of the Tour de France, "le'Etape Du Tour."

(c) Employee engagement

The Group is a strong meritocracy, where talent comes first. An attractive culture and strong corporate values are at the heart of what we do. Integrity, transparency, fairness, passion and excellence in delivery are just some examples of the professional attributes to which we all aspire. We wish to work in the longer term interests of our clients and candidates and we know this, in turn will work in the longer term interests of our shareholders.

The Group underlines this commitment with our membership of the Recruitment and Employment Confederation which requires the Group to observe the highest principles of ethics, equity, integrity, professional conduct and fair practice.

The Group's commitment to its employees means that it takes actions to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the company. Employees are also systematically provided with information on matters of concern to them and are consulted on a regular basis to ensure their views can be taken into account when making decisions that are likely to affect their interests.

(d) Equal opportunity and diversity

The Harvey Nash Group fully supports the aims of the UK Equalities Act 2010. We believe equality and diversity is necessary for:

- individuals: everyone has the right to be treated fairly and the opportunity to fulfil their potential.
- the economy: a competitive economy and successful organisations draw on all the available talents and ability
- society: a more equal society offers more stability in the long term which is attractive to business

In the USA, we established Network 4 Net-Worth - a young professionals networking organisation focused on building lasting professional and personal relationships through group networking and personal development sessions, mainly focusing on Generation Y, with an emphasis on the promotion of diverse talent pools.

The fastest growing senior professional network within the executive recruitment sector, Inspire was established by Carol Rosati, Alexa Bailey and Christine de Lary in 2008 using the Harvey Nash Group's resources and contacts.

Inspire is a unique forum for senior business women to meet and exchange ideas and experiences with their peers with a mission to promote female Board and Executive participation. Membership has grown to over 1,000 board level members in London, New York and Sweden. Through our events, forums, white papers and influence, Inspire is delighted to play a major role in promoting gender balance in the board room and within the company. This is achieved through an active extension of the pool of talent in which shortlists are put together.

Harvey Nash Scotland's participation in the "Girl Geek" dinner network is also aimed at supporting the community of business women in the technology and creative sectors.

In the UK, Harvey Nash actively engages with the government of the day and other businesses through its CBI membership and headline sponsorship of the flagship CBI conference. Each year the conference brings together the government, the opposition parties and business in one place to debate the pressing issues facing the nation. The CBI works with the UK government, international legislators and policy-makers to help UK businesses compete effectively.

Harvey Nash regularly chairs and hosts trade delegations to Vietnam. The Group also recognises the valuable contribution made by the government of Vietnam in enabling increased investment and trade between Europe and Asia and is actively involved at ministerial level, not only lobbying on behalf of business but also engaging with the Vietnamese leadership on the strategic challenges and opportunities facing South East Asia.

Harvey Nash not only ensures that employment decisions are made consistent with equal opportunities legislation in each country, but, the Group actively encourages a diversity consciousness among its management, staff and clients. One of our key principles is that the Group's senior management is made up of nationals in the country in which they operate, who understand the market and are naturally integrated in the local business culture.

Due consideration is also given to the recruitment, promotion, training and working environment of all staff including those with disabilities.

(e) Health & Safety

It is the policy of the Group to take all reasonable and practicable steps to safeguard the health, safety and welfare of its employees, visitors and other persons who may be affected by its activities.

The Group:

- assesses the risk to health and safety,
- implements safe systems at work,
- provides information, instruction and training,
- regularly reviews its policies.

(f) Supplier payment policy

It is the policy of the Group to agree appropriate terms and conditions for transactions with suppliers (from standard terms to individually negotiated contracts) and that payment should be made in accordance with those agreed terms subject to compliance with the agreed contractual supplier service levels.

The Group endeavours to pay sub-contractors providing technology services within 25 days (2010:27 days) of receipt of their invoice. This contrasts with the Group's trade debtors who settled their invoices within 45 days (2010: 46 days). Other trade creditor days of the Group for the year ended 31 January 2011 were 64 days (2010: 63 days) based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors. The company has no trading activity.

Substantial Shareholdings

On 28 April 2011, the Company had been notified that there were holdings of 3% or more in the ordinary share capital of the Company as follows:

	Number of shares	% of total
Standard Life Investments	7,019,506	9.56
Henderson Global Investors	6,158,142	8.38
BlackRock	6,083,500	8.28
Board Directors	5,298,047	7.21
Mr D Treacher	5,048,826	6.87
Universities Superannuation Scheme	4,158,210	5.66
Mr D Higgins	4,059,613	5.53
Unicorn Asset Management	3,795,000	5.17
River and Mercantile Asset Management	3,724,882	5.07
JPMorgan Asset Management	2,884,200	3.93
Barclays Stockbrokers	2,391,565	3.26

Directors' and Officers' Liability Insurance

The Company maintains liability insurance for the Directors and officers of the Company and its subsidiaries.

Employee Share Schemes

The Directors consider that the opportunity to own shares in the Group is a vital part of motivating and retaining employees. Details of the share schemes are included on page 33.

Pensions

The Group operates three defined contribution pension schemes in the UK: the Harvey Nash plc Directors' Retirement and Death Benefits Scheme, the Group Personal Pension Plan and a stakeholder scheme. There are other pension schemes overseas.

Authority to purchase own shares

The Directors on behalf of the Company have authority to purchase up to 10% of the Company's issued share capital.

Political and Charitable Donations

The Group made no political donations during the year (2010: £nil). Charitable donations totalling £7,000 (2010: £nil) were made during the year to the following causes; Help for Heroes, Great Ormond Street Hospital, Birmingham Children's Hospital, Yorkshire Air Ambulance, PIETA, Multiple Sclerosis, Kids Co and Shelter.

As outlined in the Corporate Responsibility section above, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees is actively promoted.

Reappointment of Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they will be re-appointed will be proposed at the AGM.

On behalf of the Board

Richard Ashcroft

Company Secretary
18 May 2011

Corporate Governance

for the year ended 31 January 2011

The Group supports the Principles of Good Governance and Code of Best Practice as set out in the FRC Combined Code issued in June 2008. The Board has considered the implications of the revised Combined Code on the Group's governance and will comply with those provisions considered appropriate for the size of the Group; these are explained below.

Application of Principles of Good Governance

Board of Directors

During the year the Board of Directors comprised three Executive and four Non-Executive Directors. A list of Director biographies together with their roles is given on page 17. Ian Davies, who is considered to be independent, was appointed as a Non-Executive Director during the year. Tom Crawford is not considered independent owing to the fact that he is a significant shareholder. The Group has an Independent Chairman (Ian Kirkpatrick) and Senior Independent Non-Executive Director (Gus Moore) who are both members of the Audit, Remuneration and Nomination Committees. The Executive Board members were the Chief Executive Officer, Group Finance Director and European Managing Director.

The Board meets at least 10 times per annum and has a fixed schedule for reviewing the Group's operating performance. In addition other meetings are arranged as required to deal with specific issues or transactions. The Board also has a schedule of matters and responsibilities specifically reserved to itself, the main items of which include:

- approval of the published financial results and other statements;
- appointments to the Board and other Board Committees;
- approval of the annual Group Strategic Plan and Budget;
- approval for acquisitions, mergers and disposals;
- approval for new businesses which require start up capital;
- approval of capital expenditure and leasehold agreements over certain thresholds;
- approval of material contracts over certain thresholds and those not in the ordinary course of business; and
- approval of treasury policy and significant financing arrangements.

During the year attendance at the pre-arranged meetings was 100% for all Board members. There were 11 Board meetings in the 12 months to 31 January 2011.

The Executive Directors are responsible for the overall operational and financial management of the Group within the framework set out by the Board. The Executive Council sits below the Group Board and executes the day to day running of operations. The Executive Council is made up of senior operational management, including the executive directors. Outside the formal schedule of matters reserved for the Board, the Chairman and Non-Executive Directors make themselves available for consultation with the Executive team as often as necessary.

Procedural compliance is monitored by the Chairman and the Group Finance Director (who is also the Company Secretary) and Directors' appointment and removal is a matter for the Board as a whole. Independent professional advice and training are available to all the Directors. The Senior Non-Executive Director is available for consultation with shareholders, through the Company Secretary. The Executive Directors have met with the Company's major shareholders and other potential investors on a regular basis and have reported to the Board on those meetings.

On joining the Board, a new Director receives appropriate induction including meeting with other Directors and senior management, visiting the Group's key operations and meeting the Group's principal advisers.

The Board has a policy of providing reasonable funding for independent professional advice for all Directors in furtherance of their duties as Directors of the Company.

In relation to non-reserved matters the Board is assisted by a number of committees with delegated authority.

The board discusses and reviews its performance and membership regularly, both individually and as a whole, and continues to consider that it is operating effectively. In the year, a formal survey was conducted to allow the board to provide confidential feedback on its performance.

Audit Committee

The Audit Committee meets at least twice a year with the Group's senior financial management and external auditors to review the interim and annual financial statements, the accounting policies of the Group, its internal financial control procedures and compliance with accounting standards. The members of the Committee are Ian Kirkpatrick, Ian Davies and Gus Moore, all three of whom are independent Non-Executive Directors. The Chairman of the Audit Committee was Ian Kirkpatrick until the appointment of Ian Davies who took over the Chairman role. The Audit Committee met three times in the year to 31 January 2011 with full attendance by its members at the time.

The Board considers that the membership of the Committee as a whole has sufficient recent and relevant financial experience to discharge its function. The Committee has a formal agenda, timetable and terms of reference.

During the course of the year ended 31 January 2011 the Committee has:

- reviewed the financial statements and the financial reporting judgements contained within those statements for the Group and any formal announcements relating to the Group's financial performance;
- reviewed the Group's internal control system and risk controls;
- reviewed various reports and recommendations from the Group's internal audit function;
- made a recommendation to the Board in relation to the appointment, terms of engagement and remuneration of the external auditors whilst monitoring their independence and objectivity;
- reported to the Board any matters, which it considered needs action or improvements together with recommended actions;
- made itself available to hear any concerns from staff, in confidence; and
- reviewed the effectiveness of the audit process.

The Committee's full terms of reference are available from the Company Secretary on request.

The Audit Committee applies a policy which governs the provision of audit and non-audit services provided by the auditors and, in summary, requires significant non-audit services other than tax and other compliance services to be subjected to a competitive tendering process.

The Committee is authorised to engage the services of external advisers, as it deems necessary and at the company's expense in order to carry out its function.

Remuneration Committee

The Remuneration Committee meets at least twice a year. The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors. The Committee's full terms of reference are available from the Company Secretary on request. The Remuneration Committee met eight times in the year to 31 January 2011 with full attendance by its members.

The Remuneration Committee determines and approves the broad policy and specific remuneration and long term incentive arrangements of the Company's Executive Directors and certain of the senior management. The Chief Executive Officer may be invited to attend and speak at meetings of the Committee, but does not participate in any matter which impacts upon his own remuneration arrangements.

The remuneration of the Non-Executive Directors including the Chairman is set by the Executive Directors.

The Directors' Remuneration Report on pages 29 to 33 includes details of remuneration policy, practices and the remuneration of the Directors.

Nomination Committee

The Company has a Nomination Committee, which provides a transparent process and procedure for the appointment of new Directors to the Board. The members of the Committee are Ian Kirkpatrick (Chairman), Gus Moore (Senior Independent Non-Executive Director) and Albert Ellis (Chief Executive). The Committee's terms of reference, which are available from the Company Secretary on request include:

- responsibility for identifying and nominating candidates for appointment to the Board;
- evaluating the balance of skills, knowledge and experience required on the Board; and
- succession planning.

Directors' Remuneration

Details of Directors' remuneration and the procedures for developing policy on executive remuneration and for fixing the remuneration of the Board are contained in the Remuneration Report set out on pages 29 to 33.

Relations with Shareholders

The Board maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required. Shareholder attendance and participation at the AGM is welcomed. Amendments to the Company's articles require shareholder approval at the AGM.

Accountability and Audit

The Board made every effort to ensure that this report represents a balanced understandable assessment of the Group's position and prospects.

The means by which the Board maintains a sound system of internal financial control is set out below.

Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls, for monitoring their effectiveness to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication, and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Board identifies and appraises risks, and maintains control and direction over appropriate strategic, financial, and organisational structure matters with formally defined lines of responsibility and delegation of authority. There are established procedures for planning and capital expenditure, for information and reporting systems, and for monitoring the Group's business and its performance. The Board has delegated to executive management the implementation of the systems of internal financial control within an established framework that applies throughout the Group, and is responsible for reviewing the Group's whistle blowing procedures.

The Directors believe the following to be the key procedures established to provide internal financial control:

- The operation of authorisation procedures.
- Clearly delegated responsibilities.
- Close involvement of senior management in day to day activities.
- Setting of detailed annual budgets with detailed reporting of variance analysis on a monthly basis.
- The operation of an Audit Committee, supported by an internal audit function.

During the year, the internal audit function was reviewed by the audit committee. Whilst there were no significant concerns raised, all actions required as a result of the findings were discussed and agreed as part of an Audit Committee meeting.

The Directors have reviewed the systems of internal financial control in operation during the year and up to the date of approval of the Annual Report and no significant concerns were raised. The process is regularly reviewed. This process accords with the 2005 Turnbull Guidance.

Compliance with Combined Code Provisions

The Company has complied throughout the year with Section 1 of the Code of Best practice except as follows:

Code Provision A3.1 (Board balance and independence), C3.1 (Audit Committee) and B2.1 (Remuneration Committee)

Provision A3.1 and provision C3.1 of the FRC Combined Code indicate circumstances where a director may not be independent. These include having served on the Board for more than nine years from the date of first election, and at any point when holding the position of Chairman. Ian Kirkpatrick, who the Board considers independent, and Tom Crawford are required to put themselves forward for re-election every year.

The Board has appointed Gus Moore as the senior independent Non-Executive Director in addition to the Company's existing independent Non-Executive Chairman.

The remuneration committee had two members, including the Chairman.

Going Concern

After having made appropriate enquiries including a review of the 2011/12 Group budget, medium term plans and available banking facilities compared to funding requirements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Richard Ashcroft
Company Secretary
18 May 2011

Remuneration Report

for the year ended 31 January 2011

This Report, which has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"), outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the various elements of the Company's remuneration policy together with details of Directors' remuneration in respect of the year ended 31 January 2011. In accordance with the Regulations, a resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Regulations require the Auditors to report to shareholders on the information contained in the 'Directors' Remuneration', 'Interest in Share Options', 'Directors' Pension Entitlement' and the 'Share Option Scheme' sections in this Report ("the auditable parts") and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 2006.

Remuneration Policy

Remuneration policy has been developed having regard to the wider debate on executive remuneration and is aligned with the CBI's (UK's leading business organisation) proposals on restraint of pay.

Executive Directors voluntarily accepted pay freezes during the three years ended 31 January 2011. Fixed remuneration has been frozen throughout this time.

Although the Group remained profitable throughout the recession, no bonuses were awarded during the year ended 31 January 2010 and executive Directors suspended their personal pension payments to acquire shares in lieu, after suffering personal tax at the full marginal rate (year ended 31 January 2010).

No share options have been awarded to Directors during the years ended 31 January 2010 and 2011.

Executive remuneration packages are designed to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages. These packages are reviewed each year to ensure that they are competitive and to engage the Executive Board in relation to personal performance and future expectations. The Remuneration Committee aligns the business objectives and the creation of long term shareholder value, and takes advice from external sources in order to determine and develop its policies. The Group reviews this policy on an on-going basis.

The Executive Director remuneration packages consist of:

- basic salary
- performance-linked bonus
- share bonuses and options
- company car allowance
- pension contribution
- private healthcare insurance

The performance-linked bonus is payable depending on the level of Group profit for the year compared to budget up to a maximum of 60% of basic salary in cash, plus a further 40 per cent of basic salary in equity, which is deferred for three years.

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year.

Directors' Service Contracts

In line with Group policy, Directors' contracts contain notice periods which do not exceed 12 months.

The details of the service contracts of directors who held office during the year and at the date of this report are:

	Contract date	Unexpired term	Notice period	Contractual termination payments
Executive				
Albert Ellis	01.02.01	Continuous	12 months	Unexpired notice period
Richard Ashcroft	14.11.05	Continuous	12 months	Unexpired notice period
Simon Wassall	17.10.05	Continuous	12 months	Unexpired notice period
Margot Katz	01.05.11	Continuous	12 months	Unexpired notice period
Non-Executive				
Ian Kirkpatrick	07.08.01	Continuous	6 months	Unexpired notice period
Tom Crawford	07.08.01	Continuous	6 months	Unexpired notice period
Gus Moore	07.08.01	Continuous	6 months	Unexpired notice period
Ian Davies	30.09.10	Continuous	6 months	Unexpired notice period

Members of the Remuneration Committee

The members of the remuneration committee during the year were Ian Kirkpatrick and Gus Moore.

Both members are independent Non-Executive Directors. Ian Kirkpatrick chairs the committee.

Performance Graph



April 2006: 100

Source – Datastream

In the opinion of the Directors the FTSE Smallcap Index is the most appropriate index against which the total shareholder return of Harvey Nash Group plc should be measured considering the variation in market capitalisation of the Group over the five year period ending 31 January 2011.

Directors' Remuneration (audited)

	Salary & fees	Benefits in kind	Pension contribution	Harvey Nash shares in lieu of pension contributions	Payments in lieu of pension contributions	Annual bonus	31 Jan 2011 Total	31 Jan 2010 Total
	£	£	£	£	£	£	£	£
Executive								
Albert Ellis	291,500	20,496	-	2,429	26,721	160,325	501,471	341,376
Richard Ashcroft	151,200	15,073	13,860	1,260	-	83,160	264,553	179,626
Simon Wassall	212,000	19,594	17,667	3,533	-	116,600	369,394	253,026
Non-Executive								
Ian Kirkpatrick	61,600	-	-	-	-	-	61,600	61,600
Tom Crawford	26,400	-	-	-	-	-	26,400	26,400
Gus Moore	26,400	-	-	-	-	-	26,400	26,400
Ian Davies	8,900	-	-	-	-	-	8,900	-
David Higgins	-	-	-	-	-	-	-	29,688
	778,000	55,163	31,527	7,222	26,721	360,085	1,258,718	918,116

Benefits in kind include car allowance, private healthcare and a limited contribution to the cost of personal tax advice.

The executive directors receive performance payments based on the absolute level of increased Group profit for the year set against demanding budget targets and in relation to external market conditions at the time.

Interests in Share Options (audited)

Details of options held by Directors in the Harvey Nash Group plc performance related Share Scheme are set out below:

	Date of Grant	Earliest exercise date	Expiry date	Share price on grant (p)	Exercise price (p)	No at 1 Feb 2010	Granted in year	Exercised in year	Lapsed in year	No at 31 Jan 2011
Albert Ellis	11.04.03	11.04.06	11.04.13	35	30.7	180,000	-	-	-	180,000
	01.04.04	01.04.07	01.04.14	89	89	180,000	-	-	-	180,000
	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	250,000	-	-	-	250,000
Simon Wassall	01.03.02	01.03.05	01.03.12	63.5	58.96	102,943	-	-	-	102,943
	25.10.02	25.10.05	25.10.12	34	24.3	50,000	-	-	-	50,000
	11.04.03	11.04.06	11.04.13	35	30.7	50,000	-	-	-	50,000
	17.10.05	17.10.08	17.10.15	56.5	55	100,000	-	-	-	100,000
	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	150,000	-	-	-	150,000
Richard Ashcroft	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	100,000	-	-	-	100,000

No other Directors have been granted share options in the shares of the Group or other Group entities. None of the terms and conditions of the share options were varied during the year. The options granted under the Performance Related Scheme are subject to certain performance criteria, including compounded earnings per share growth of 3% plus the retail price index. The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return. If unforeseen circumstances cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical in the circumstances, they may, at their discretion amend the performance criteria.

The options are granted at the prevailing market price, calculated as the average of the previous five days mid closing price, at the time of the grant in accordance with the rules of the scheme. There was nil cost to the directors at the date of grant. The market price of the Group shares at the end of the financial year was 63p. The range of market prices during the year was between 32p and 65p.

No Directors have received options since 27 May 2008.

Interest in Shares

The interest of the Directors in the shares of the company were:

	31 Jan 11 Ordinary shares	31 Jan 10 Ordinary shares
Albert Ellis	473,634	470,380
Ian Kirkpatrick	5,250	5,250
Tom Crawford	4,586,467	4,586,467
Gus Moore	41,640	41,640
Richard Ashcroft	114,692	111,438
Simon Wassall	75,830	72,576
Ian Davies	-	-

Included in the above, pursuant to the provisions of the Companies Act 2006, Tom Crawford is deemed to be interested in his capacity as a trustee in the ordinary shares of the Company held by Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme. As at the date of this report and 31 January 2011, the interest was in a total of 434,425 ordinary shares.

Share Option Schemes (audited)

At 31 January 2011, the following options to subscribe for ordinary shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes:

The Harvey Nash Group plc Performance Related Share Schemes

The Performance Related Schemes are administered by the Board under the supervision of the Remuneration Committee. The schemes are open to all full time employees except those who have had a material interest in the Group within the previous 12 months. The options granted under the Performance Related Scheme are subject to certain performance criteria, including compounded earnings per share growth of 3% plus the retail price index. The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return. . If unforeseen circumstances cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical in the circumstances, they may, at their discretion amend the performance criteria.

The schemes' exercise price is determined by the Board but will not be less than the average share price for the five days immediately preceding the grant of options. The Harvey Nash Group plc Performance Related Share Plan is an HMRC Approved Scheme, but the Board is able to grant unapproved options under the scheme. For schemes from July 2000 the Group has obtained agreement from the employee that he or she will settle the employer's national insurance charge in respect of any gain arising on eventual exercise. All options are granted for nil consideration.

Date of grant	Exercisable from	Exercisable to	Exercise price	Options at 1 February 2010	Granted	Forfeited	Exercised	Options exercisable at 31 January 2011	Options not exercisable at 31 January 2011
01.03.02	01.03.05	01.03.12	£0.59	494,118	-	30,886	-	463,232	-
25.10.02	25.10.05	25.10.12	£0.24	643,000	-	50,000	-	593,000	-
11.04.03	11.04.06	11.04.13	£0.31	515,000	-	100,000	40,000	375,000	-
27.11.03	27.11.06	27.11.13	£0.77	25,000	-	-	-	25,000	-
01.04.04	01.04.07	01.04.14	£0.89	180,000	-	-	-	180,000	-
24.06.04	24.06.07	24.06.14	£0.70	40,000	-	-	-	40,000	-
02.08.04	02.08.07	02.08.14	£0.70	50,000	-	-	-	50,000	-
15.11.04	15.11.07	15.11.14	£0.80	130,000	-	-	-	130,000	-
18.05.05	18.05.08	18.05.15	£0.55	150,000	-	-	-	150,000	-
17.10.05	17.10.08	17.10.15	£0.55	310,000	-	-	-	310,000	-
27.04.06	27.04.09	27.04.16	£0.68	110,000	-	-	-	110,000	-
25.05.06	25.05.09	25.05.16	£0.60	650,000	-	50,000	-	600,000	-
01.06.06	01.06.09	01.06.16	£0.60	100,000	-	-	-	100,000	-
25.06.07	25.06.10	25.06.17	£0.88	750,000	-	15,000	-	735,000	-
25.10.07	25.10.10	25.10.17	£0.66	50,000	-	-	-	50,000	-
27.05.08	27.05.11	27.05.18	£0.39	500,000	-	-	-	-	500,000
17.12.08	17.12.11	17.12.18	£0.30	82,500	-	35,000	-	-	47,500
Total				4,779,618	-	280,886	40,000	3,911,232	547,500

On behalf of the Board

Ian Kirkpatrick
Chairman
18 May 2011

Statement of directors' responsibilities in respect of the Annual Report

for the year ended 31 January 2011

The directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 the company and of the profit or loss of the company and group for that period. 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 IFRSs as adopted by the European Union and IFRSs issued by IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively; and
- 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 the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 17 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report on pages 20 - 24 and the Chairman's Statement, Operational Review and Financial Review contained on pages 10 - 16 includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Richard Ashcroft
Company Secretary
18 May 2011

Independent Auditors' report to the Members of Harvey Nash Group plc

We have audited the group financial statements of Harvey Nash Group Plc for the year ended which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Shareholders' Funds and Changes in shareholders' Equity and the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 January 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 25 -28 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 28, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matters

(a) We have reported separately on the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

(b) The maintenance and integrity of the Harvey Nash website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(c) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nigel Reynolds

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 May 2011

Consolidated Income Statement

for the year ended 31 January 2011

	Notes	2011 £ '000	2010 £ '000
Revenue	5	422,300	376,209
Cost of sales		(353,752)	(315,789)
Gross profit	5	68,548	60,420
Total administrative expenses		(62,102)	(58,775)
Operating profit before non recurring items	5,7	6,479	4,463
Non recurring items	29	(33)	(2,818)
Operating profit	5,7	6,446	1,645
Finance income	6	204	86
Finance costs	6	(400)	(448)
Profit before tax		6,250	1,283
Income tax expense	8	(1,908)	(415)
Profit for the year		4,342	868
Attributable to:			
Equity holders of the company		4,253	795
Non controlling interest		89	73
		4,342	868
Earnings per share for profit attributable to the equity holders of the company during the year			
- Basic earnings per share	9	5.85p	1.09p
- Diluted earnings per share	9	5.80p	1.08p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2011

	2011 £ '000	2010 £ '000
Profit for the year	4,342	868
Foreign currency translation differences	2,003	(1,791)
Other comprehensive income / (loss) for the year	2,003	(1,791)
Total comprehensive income / (loss) for the year	6,345	(923)
Total comprehensive income attributable to:		
Equity holders of the company	6,256	(996)
Non controlling interest	89	73
	6,345	(923)

The above results are derived from continuing activities.

Consolidated Balance Sheet

as at 31 January 2011

	Notes	2011 £ '000	2010 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,950	3,223
Intangible assets	11	48,717	46,151
Deferred income tax assets	8	2,488	2,761
		55,155	52,135
Current assets			
Cash		15,588	12,159
Trade and other receivables	12	83,670	73,638
		99,258	85,797
Total assets		154,413	137,932
LIABILITIES			
Non-current liabilities			
Contingent consideration		(19)	(19)
Deferred income tax liabilities	8	(308)	(228)
Provision for liabilities and charges	30	(193)	(424)
		(520)	(671)
Current liabilities			
Trade and other payables	13	(83,239)	(72,144)
Current income tax liabilities	14	(1,861)	(954)
Borrowings	26	(7,310)	(7,013)
Provision for liabilities and charges	30	(135)	(359)
		(92,545)	(80,470)
Total liabilities		(93,065)	(81,141)
Net assets		61,348	56,791
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	17	3,673	3,673
Share premium	19	8,425	8,425
Shares to be issued		-	49
Fair value and other reserves		15,079	15,079
Own shares held		(304)	(412)
Cumulative translation reserve		7,791	5,788
Retained earnings	20	26,203	23,603
		60,867	56,205
Non controlling interest in equity		481	586
Total equity		61,348	56,791

The Consolidated financial statements on pages 37 to 62 were approved by the Board on 18 May 2011 and signed on its behalf by:

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Shareholders' Funds and Changes in Shareholders' Equity

for the year ended 31 January 2011

	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 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
Settlement of deferred consideration **	-	-	(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
Profit for the year	-	-	-	-	-	-	4,253	4,253
Currency translation adjustments	-	-	-	-	-	2,003	-	2,003
Total recognised income and expense for the year	3,673	8,425	49	15,079	(412)	7,791	27,856	62,461
Employee share option and bonus plan*	-	-	-	-	66	-	15	81
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(14)	(14)
Settlement of deferred consideration **	-	-	(49)	-	42	-	7	-
Dividends paid	-	-	-	-	-	-	(1,661)	(1,661)
31 January 2011	3,673	8,425	-	15,079	(304)	7,791	26,203	60,867

* The movement in the Own Shares Held reserve relates to shares awarded from the Employee Benefit Trust.

** 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 2011

	Notes	2011 £ '000	2010 £ '000
Profit before tax		6,250	1,283
Adjustments for:			
- depreciation	10	1,863	1,359
- amortisation	11	70	49
- loss on disposal of fixed assets	7	15	167
- finance income	6	(204)	(86)
- finance costs	6	400	448
- share based employee settlement and share option charge	27	20	127
Operating cash flows before changes in working capital		8,414	3,347
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- (Increase) / decrease in trade and other receivables		(8,707)	29,469
- Increase / (decrease) in trade and other payables		10,767	(24,845)
- (Decrease) / increase in provisions for liabilities and charges	30	(455)	783
Cash flows from operating activities		10,019	8,754
Income tax paid		(964)	(2,935)
Net cash generated from operating activities		9,055	5,819
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(593)	(638)
Purchases of property, plant and equipment – rechargeable to clients	10	(1,916)	(2,071)
Cash acquired with acquisitions	31	575	-
Purchase of subsidiary undertakings	31	(2,043)	(31)
Interest received	6	204	86
Net cash absorbed from investing activities		(3,773)	(2,654)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		12	17
Purchase of own shares		-	(347)
Dividends paid to group shareholders		(1,661)	(1,485)
Dividends paid to non-controlling interests		(290)	-
Interest paid	6	(400)	(448)
Increase in borrowings		297	1,250
Net cash used in financing activities		(2,042)	(1,013)
Increase in cash and cash equivalents		3,240	2,152
Cash and cash equivalents at the beginning of the year		12,159	10,221
Exchange gains / (losses) on cash and cash equivalents		189	(214)
Cash and cash equivalents at the end of the year		15,588	12,159

Notes to the Consolidated Financial Statements

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 principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Harvey Nash Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention on a going concern basis, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The main section of these financial statements presents the financial statements of the Group prepared under International Financial Reporting Standards (IFRS) adopted by the European Union. Pages 64 to 69 show the financial statements of the Company prepared under UK Generally Accepted Accounting Principles (UK GAAP).

(i) Standards, amendments and interpretations effective in 2010 and relevant for the Group

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

(ii) Standards, amendments and interpretations effective in 2010 but not relevant for the Group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

IFRIC 17, 'Distribution of non-cash assets to owners'

IFRIC 18, 'Transfers of assets from customers'

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39 'Financial instruments: Recognition and measurement'

IFRIC 16, 'Hedges of a net investment in a foreign operation'

IAS 1 (amendment), 'Presentation of financial statements'

IAS 36 (amendment), 'Impairment of assets'

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

(iii) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's future accounting but which the Group has not early adopted:

IFRS 9, 'Financial instruments'

Revised IAS 24, 'Related party disclosures'

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'

The Group does not consider that these Standards or Interpretations will have a significant impact on the accounts of the Group when they come into effect.

(b) Basis of consolidation

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 31 January each year and are based on consistent accounting policies.

Interests acquired in subsidiary undertakings are consolidated from the date control passes to the Group. Transactions and balances, including unrealised profits, between Group companies are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The interest of minority shareholders in the balance sheet is stated at the minority's proportion of the carrying values of the assets and liabilities recognised.

(c) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group derives its revenue in the contract services and interim businesses on a time and materials basis. It is recognised as services are rendered as validated by receipt of a client approved timesheet or equivalent. For fixed price development work, revenue is recognised on the percentage completion basis, using pre-specified milestones or a client sign off to trigger invoices and the estimate of profit. For contingency permanent placements, revenue is recognised and the client is invoiced on acceptance of the candidate.

Executive recruitment and assignment fees are recognised as services and are provided, typically in three stages; retainer, shortlist and placement fee.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements – over the term of the lease

Office equipment – 20% straight line

Furniture, fixtures and equipment – 20% straight line

Computer equipment – 33.33% straight line

Motor vehicles – 25% reducing balance

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. The changes are included in the income statement.

Fixed assets purchased to deliver outsourcing projects, which have been recharged to clients at cost, remain the legal property of Harvey Nash. They have therefore been capitalised within the balance sheet and depreciated at the rates listed above.

The recharge of the asset at cost to the client represents a disbursement associated with the project delivery and is recognised in line with the depreciation.

(e) Foreign exchange

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling which is the Company's functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies in each company are translated at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated at the rate prevailing at the date of the transaction.

On consolidation, revenues, costs and cash flows of overseas undertakings are included in the Group income statement at average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date and any differences arising are taken to reserves.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(f) Operating leases

Rentals payable under operating lease and contract hire agreements are taken to the income statement on a straight line basis over the lease term. Reverse premiums and lease incentive benefits are recognised as a reduction in rental expense. The benefit is allocated on a straight line basis over the lease term.

(g) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Other acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Intangible assets are amortised to residual values over the useful economic life of the asset. The brand intangible assets recognised in the acquisitions of Alumni AB and Bjerke & Luther AS were valued using the relief from royalty method. The brand intangible assets are being amortised on a straight line basis over their useful economic lives which the directors consider to be 20 years.

(h) Impairment of assets

All assets are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of sale and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original carrying value prior to any impairment charges. A reversal of an impairment charge is recognised in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation reserve adjustment.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdrafts where the overdrafts are repayable on demand and form an integral part of the Group's cash management.

(k) Share capital

Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deductible from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Company's equity holders.

(l) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

(m) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

(n) Employee benefits***Pension obligations***

Wherever possible the Group operates defined contribution pension schemes, under which the Group pays fixed contributions into separate entities. The Group has no legal or constructive obligation to pay further contributions. Pension costs are charged to the income statement in the year in which they arise. In Germany and Switzerland, legislation requires the operation of defined benefit pensions which contain an element of defined benefit, which are fully insured and for which therefore there are no unrecorded liabilities.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Bonus plan

The Group recognises a liability and an expense for bonuses when contractually obliged.

Share-based plans

The Group's management awards certain employees share options on a discretionary basis. The options are subject to three-year vesting conditions and their fair value is recognised as an employee benefits expense with a corresponding increase in retained earnings over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised. For options exercised against own shares held, the shares are removed from the Own Shares Held reserve. The Group has applied IFRS 2 'Share based payments' to all instruments granted after 7 November 2002 but not fully vested as at 1 January 2005 and has adopted the Black-Scholes model for the purposes of computing 'fair value'. Deferred tax is also provided based upon the expected future tax deductions relating to share based payment transactions and is recognised over the vesting period of the schemes concerned.

(o) Provisions

Provisions are recognised when a present obligation exists as the result of a past event and it is probable that this will result in an outflow of economic benefit, the size of which can be reliably estimated.

Where the Group has material obligations under property leases and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected sub-letting arrangements.

(p) Borrowing costs

Borrowing costs are written off as incurred or in the case of initial arrangement fees, may be spread over the term of the facility where appropriate.

(q) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(r) Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(s) Non-recurring items

Non-recurring items are presented separately on the face of the Consolidated Income Statement due to their nature and size. The separate reporting of such items helps to provide a better indication of the Group's underlying business performance.

3. Financial Risk Management**Financing**

The Group's principal financial instruments are invoice discounting, overdrafts, cash and short term deposits. The Group has other financial instruments such as trade debtors, trade creditors and provisions that arise directly from its operations. Acquisitions are financed through a mixture of operating cash flow and equity. Working capital finance for day-to-day requirements is provided through operating cash generation, invoice discount facilities and small short term overdraft facilities. Where applicable, funds are then made available for the financing of the Group's subsidiaries through intercompany loans.

Objectives, policies and strategies

The most significant treasury exposures faced by Harvey Nash are raising finance, managing interest rates and currency positions as well as investing surplus cash in high quality assets. The Board has established clear parameters, including levels of authority, on the type and use of financial instruments to manage these exposures. Transactions are only undertaken if they relate to underlying exposures and cannot be viewed as speculative.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2010/11, the Group's strategy, which was unchanged from 2009/10, was to have adequate headroom and access to cash facilities to meet its requirements.

	2011	2010
Net debt £'000	-	-
Total equity £'000	61,348	56,791
Total capital £'000	61,348	56,791
Gearing ratio %	-	-

Interest rate risk management

The Group's policy is to minimise interest charges through cash pooling and active cash management.

Foreign exchange risk management

The Group's policy is to minimise foreign currency risk. Harvey Nash manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings. The currency risk of holding assets and liabilities in foreign currencies across the Group is managed by partially matching foreign currency assets with foreign currency liabilities.

In the year to 31 January 2011, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £62k (2010: £67k) lower mainly as a result of foreign exchange losses on translation of dollar-denominated assets and liabilities.

In the year to 31 January 2011, if sterling had strengthened by 5% against the euro with all other variables held constant, operating profit for the year would have been £176k (2010: £144k) lower mainly as a result of foreign exchange losses on translation of euro-denominated assets and liabilities.

Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The table below shows the credit limit and balance with the Bank at the balance sheet date.

		2011 £ '000	2011 £ '000	2010 £ '000	2010 £ '000
	Rating *	Credit Limit	Balance	Credit Limit	Balance
Bank overdraft – secured	A-1	2,000	1,387	2,000	313

* Standard and Poor's rating

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility, cash and invoice discounting) on the basis of expected cash flow.

4. Critical Accounting Judgements and Estimates

Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Share options

Share options are granted on a discretionary basis and vest after three years service. The fair value of options granted during the year was determined using the Black-Scholes valuation model. The significant inputs into the model were share price at grant date, expected price, expected option life and risk free rate of 4.30%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices.

Bad and Doubtful Debts

Amounts owed to the Group have been reviewed and provision has been made for possible non-collection of bad or doubtful debts. This is done on a case by case basis across the Group taking into account differences between countries and service lines.

Onerous Leases

Where the Group has material obligations under property leases and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected sub-letting arrangements.

5. 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. Also all revenue is external and not inter-segment.

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

The Group Board analyses segmental information as follows:

Revenue

	2011 £ '000	2010 £ '000
United Kingdom & Ireland	131,540	110,254
Rest Of Europe	256,386	236,687
United States	34,374	29,268
Total	422,300	376,209

Gross Profit

	2011 £ '000	2010 £ '000
United Kingdom & Ireland	28,347	24,914
Rest Of Europe	31,077	27,261
United States	9,124	8,245
Total	68,548	60,420

Operating Profit

	2011 £ '000	2010 £ '000
United Kingdom & Ireland	2,684	1,909
Rest Of Europe	3,220	2,523
United States	575	31
Operating profit before non-recurring items	6,479	4,463
Non- recurring items	(33)	(2,818)
	6,446	1,645

Depreciation and amortisation charge

	2011 £ '000	2010 £ '000
United Kingdom & Ireland	497	537
Rest Of Europe	1,330	747
United States	106	124
Total	1,933	1,408

Within the Rest of Europe segment there is an amortisation charge of £70k (2010: £49k).

6. Finance Income and Costs

	2011 £ '000	2010 £ '000
Interest expense:		
Interest payable on bank borrowings	(400)	(448)
Finance costs	(400)	(448)
Bank interest	100	86
Other interest	104	-
Finance costs – net	(196)	(362)

Other interest relates to interest received from HMRC for a tax refund.

7. Operating Profit

The following items have been included in arriving at operating profit.

	2011 £ '000	2010 £ '000
Employee benefits (note 22)	42,355	38,241
Depreciation of property, plant and equipment	1,863	1,359
Amortisation	70	49
Auditors' remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated accounts	18	16
- fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	325	288
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	87	45
- all other services	144	70
Operating lease rentals payable		
- Plant and machinery	686	638
- Property	6,351	5,226
Loss on disposal of fixed assets	15	167
Impairment of trade receivables	(210)	(43)

8. Income tax expense

	2011 £ '000	2010 £ '000
Corporation tax on profits in the year – UK	-	-
Corporation tax on profits in the year – overseas	1,418	1,334
Adjustments in respect of prior years	137	264
Total current tax	1,555	1,598
Deferred tax	353	(1,183)
Total tax charge	1,908	415

The tax for the year is higher (2010: higher) than the standard UK corporation tax rate applied to the pre-tax profit.

The differences are explained below for 2011 and 2010 using the UK standard rate of Corporation tax. In the prior year financial statements the reconciliation was provided using the weighted average tax rate.

	2011	2010
	£ '000	£ '000
Profit on ordinary activities before tax	6,250	1,283
Tax at standard rate of UK Corporation tax	1,750	359
Effects of:		
Expenses not deductible for tax purposes	376	256
Income not taxable	(13)	(248)
Expenses deductible locally	(249)	-
Utilisation of previously unrecognised tax losses	(89)	(170)
Tax losses for which no deferred tax asset is recognised	101	300
Deferred tax adjustment in respect of prior years	123	-
Adjustments to tax in respect of prior year	138	264
Profits taxed at overseas rates	(225)	(135)
Losses recognised at overseas rates	(11)	(133)
Other	7	(78)
Total taxation	1,908	415

Current tax:

Tax on profit in the year	1,418	1,334
Adjustments in respect of prior years	137	264
Total current tax	1,555	1,598

Deferred tax:

Origination and reversal of timing differences	243	(1,190)
Adjustments in respect of prior years	124	-
Deferred tax to equity	(14)	4
Other adjustments	-	3
Total deferred tax charge /(credit)	353	(1,183)

Total tax charge	1,908	415
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Deferred tax

	2011	2010
	£ '000	£ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	1,474	765
Deferred tax asset to be recovered within 12 months	1,014	1,996
	2,488	2,761
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(267)	(148)
Deferred tax liability to be recovered within 12 months	(41)	(80)
	(308)	(228)
Net deferred tax asset	2,180	2,533

This is analysed below:

Asset	Accelerated tax depreciation £ '000	Share-based payments £ '000	Tax losses** £ '000	Accrued interest charges* £ '000	Other £ '000	Total £ '000
1 February 2010	6	49	1,351	1,082	273	2,761
Charged / (credited) to income statement and equity	(2)	178	(351)	63	(161)	(273)
1 February 2011	4	227	1,000	1,145	112	2,488

* The deferred tax asset recognised for accrued interest charges relates to Group interest charges payable by the US business.

** Tax losses were utilised during the year. In addition, tax losses held in the UK reduced by £26k due to the reduction in the corporation tax rate from 28% to 26%.

Liability	Unremitted earnings £ '000	Other £ '000	Total £ '000
1 February 2010	(148)	(80)	(228)
(Credited) to income statement and equity	-	(80)	(80)
1 February 2011	(148)	(160)	(308)

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, depreciation in excess of accelerated capital allowance and deductible temporary differences of £2,106,000 (2010: £2,103,000) have not been recognised. Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised.

9. Earnings Per Share

	2011	2010
Profit attributable to shareholders £'000	4,253	795
Weighted average number of shares	72,698,315	72,675,773
Basic earnings per share	5.85p	1.09p

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.

	2011	2010
Profit attributable to shareholders £'000	4,253	795
Weighted average number of shares	72,698,315	72,675,773
Effect of dilutive securities	612,315	625,171
Adjusted weighted average number of shares	73,310,630	73,300,944
Diluted earnings per share	5.80p	1.08p

10. Property, Plant and Equipment

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2010	1,955	726	1,476	9,814	35	14,006
Exchange adjustments	29	19	(6)	(96)	1	(53)
Additions at cost	182	39	20	352	-	593
Additions rechargeable to Clients*	-	-	-	1,916	-	1,916
Acquisitions**	-	-	91	2	-	93
Disposals	(11)	(26)	(11)	(77)	-	(125)
At 31 January 2011	2,155	758	1,570	11,911	36	16,430
Accumulated depreciation						
At 1 February 2010	1,411	642	1,261	7,452	17	10,783
Exchange adjustments	(34)	(13)	29	(46)	-	(64)
Charge for the year	287	68	74	1,431	3	1,863
Disposals	(7)	(18)	-	(77)	-	(102)
At 31 January 2011	1,657	679	1,364	8,760	20	12,480
Net book amount at 31 January 2011	498	79	206	3,151	16	3,950

* Additions rechargeable to clients relate to Nash Technologies in Germany

** Acquisitions relate to fixed assets acquired in Norway

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2009	1,776	778	1,563	8,114	29	12,260
Exchange adjustments	(19)	(15)	(23)	(187)	(4)	(248)
Additions at cost	201	46	66	315	10	638
Additions rechargeable to Clients	-	-	3	2,068	-	2,071
Disposals	(3)	(83)	(133)	(496)	-	(715)
At 31 January 2010	1,955	726	1,476	9,814	35	14,006
Accumulated depreciation						
At 1 February 2009	1,180	688	1,285	6,836	15	10,004
Exchange adjustments	(13)	3	(13)	(7)	(2)	(32)
Charge for the year	247	34	120	954	4	1,359
Disposals	(3)	(83)	(131)	(331)	-	(548)
At 31 January 2010	1,411	642	1,261	7,452	17	10,783
Net book amount at 31 January 2010	544	84	215	2,362	18	3,223

The Group held no assets under finance leases or hire purchase contracts in the current or prior year.

11. Intangible Assets

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2010	1,133	45,146	46,279
Exchange adjustments	161	609	770
Additions at cost	547	1,319	1,866
At 31 January 2011	1,841	47,074	48,915
Amortisation			
At 1 February 2010	(128)	-	(128)
Charge for the year	(70)	-	(70)
At 31 January 2011	(198)	-	(198)
Net book amount at 31 January 2011	1,643	47,074	48,717

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2009	1,113	46,724	47,837
Exchange adjustments	20	(1,578)	(1,558)
At 31 January 2010	1,133	45,146	46,279
Amortisation			
At 1 February 2009	(79)	-	(79)
Charge for the year	(49)	-	(49)
At 31 January 2010	(128)	-	(128)
Net book amount at 31 January 2010	1,005	45,146	46,151

The carrying amounts of the intangible assets by acquisition are as follows:

	2011 £ '000	2010 £ '000
Goodwill		
Harvey Nash BV	2,748	2,783
Harvey Nash US and TechDiscovery LLP	11,018	11,058
Techpartners Group	10,807	10,807
HN IT Consulting NV	5,964	6,035
Impact Executives Limited	3,702	3,702
Alumni AB	6,274	5,450
Harvey Nash (Vietnam) Ltd	1,262	1,262
Harvey Nash (Ireland) Ltd	3,891	3,943
Fila & Myszel Associates Sp.	108	106
Bjerke & Luther AS	1,300	-
	47,074	45,146
Intangible assets		
Alumni AB Brand	1,116	1,005
Bjerke & Luther AS Brand	527	-
Total	48,717	46,151

During the year the goodwill in respect of each of the cash generating units was tested for impairment in accordance with IAS36. All were assessed to have a value in use in excess of their respective carrying values, and hence no adjustments to goodwill were considered necessary.

The key assumptions in the value in use calculations were:

The model assumes a 7 year business cycle and then a terminal value. The first 3 years of the forecasts were based on post-tax cash flows derived from the management approved 3 year plan. For the following 4 years, the growth rates are based on management's best estimate and range from 5% to 15%. The terminal growth rate is based on the long term growth rate for each country and was on average 2.6%. Management believe the forecasts are achievable.

The post-tax discount rate used was based on the industry weighted average cost of capital for each country and was on average 10.6%.

There is significant headroom in the testing for impairment for all the acquired subsidiaries apart from Harvey Nash US and TechDiscovery LLP which has headroom of £2.6m. A sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered by management to be possible including a 10% decrease in the assumed growth rates and a 10% increase in the assumed weighted average cost of capital. The analysis reveals that no impairment would arise under each scenario.

12. Trade and Other Receivables

	2011	2010
	£ '000	£ '000
Amounts falling due within one year:		
Trade receivables	70,088	62,047
Less: Provision for bad and doubtful debts	(559)	(349)
	69,529	61,698
Other receivables	3,164	3,882
Prepayments and accrued income	10,977	8,058
	83,670	73,638

As of 31 January 2011, trade receivables of £69.5m (2010: £61.7m) were fully recoverable.

Trade receivables that are less than three months past due are not considered impaired. As of 31 January 2011, trade receivables of £22.8m (2010: £19.5m) were over 30 days old but not impaired. This is consistent with normal commercial practices and prior years. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
	£ '000	£ '000
Months overdue		
1 – 2 months	15,575	14,121
2 – 3 months	4,380	3,541
Over 3 months	2,864	1,840
	22,819	19,502

As of 31 January 2011, trade receivables of £0.6m (2010: £0.3m) were impaired and provided for.

The individually impaired receivables mainly relate to customers which are in difficult economic situations. All the impaired receivables are more than 3 months overdue. The creation and release of provisions for impaired receivables have been included in 'administrative expenses' in the income statement. The other classes within trade and other receivables do not contain impaired assets.

Movements on the group provision for impairment of trade receivables are as follows:

	2011 £ '000	2010 £ '000
At 1 February	349	392
Provision for receivables impairment	345	129
Receivables written off during the year as uncollectible	(117)	(121)
Unused amounts reversed	(18)	(51)
At 31 January	559	349

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable listed above. The group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2011 £ '000	2010 £ '000
Sterling	24,032	19,139
Euro	43,817	43,978
US dollar	5,609	5,042
Other currencies	10,212	5,479
	83,670	73,638

13. Trade and Other Payables – current

	2011 £ '000	2010 £ '000
Trade payables	44,360	38,252
Other tax and social security payable	12,405	6,919
Accruals and deferred income	23,022	19,511
Other payables	3,452	7,462
	83,239	72,144

14. Current Tax Liabilities

	2011 £ '000	2010 £ '000
Current tax liabilities	1,861	954

15. Analysis of Changes in Net Funds

	1 February 2010 £'000	Cash flow £'000	Foreign exchange movements £'000	31 January 2011 £'000
Net Funds	5,146	2,943	189	8,278

Net Funds comprise cash and cash equivalents less invoice discounting and overdrafts utilised.

16. Operating Lease Commitments

The Group has total future commitments under operating leases for each of the following periods:

	2011 Property £ '000	2011 Vehicles, plant and equipment £ '000	2010 Property £ '000	2010 Vehicles, plant and equipment £ '000
Commitments under non-cancellable operating leases:				
Within one year	7,598	527	4,843	527
Later than one year and less than five years	7,735	511	6,894	417
After five years	706	-	430	-
	16,039	1,038	12,167	944

17. Called Up Share Capital

	2011 £ '000	2010 £ '000
Authorised		
110,000,000 (2009: 110,000,000) ordinary shares of 5p each	5,500	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2010: 73,450,393)	3,673	3,673

The Harvey Nash Employment Benefit Trust held 624,273 shares (2010: 908,792 shares).

	2011 shares	2010 shares
Movement in shares in issue		
Ordinary shares of 5p each		
At 1 February	73,450,393	73,385,393
Allotted under share option schemes	-	65,000
At 31 January	73,450,393	73,450,393

During the year, the number of shares in issue remained at 73,450,393 ordinary shares with a nominal value of £3,672,520.

18. IFRS 2 Share Based Payments

The Executive Share Option Plan (ESOP) was introduced in January 2003. Under the ESOP the remuneration committee can grant options over shares in the company to employees of the Company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the ESOP are open to all full time employees except those who have had a material interest in the Group in the previous 12 months. Options granted under the ESOP will become exercisable on the third anniversary of the date of grant, subject to the growth in earnings per share over that period exceeding the compounded annual growth in the Retail Prices Index (RPI) by 3% per annum. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

No options were issued in the year ended 31 January 2011 or 31 January 2010.

A reconciliation of option movements over the year to 31 January 2011 is shown below:

	2011		2010	
	Number (‘000)	Weighted average exercise price	Number (‘000)	Weighted average exercise price
Outstanding at 1 February	4,780	0.55	5,584	0.56
Granted	-	-	-	-
Forfeit	(281)	0.41	(739)	0.61
Exercised	(40)	0.31	(65)	0.24
Outstanding at 31 January	4,459	0.56	4,780	0.55
Exercisable at 31 January	3,911	0.38	3,397	0.27

Details of the expiry date of options outstanding at the year end is given in the Remuneration Report on page 33.

The total charge for the year relating to employee share based payment plans was £0.02m (2010: £0.1m), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £0.01m (2010: £0.1m)

19. Share Premium Account

	2011 £ '000	2010 £ '000
At 1 February	8,425	8,412
Premium on shares issued during the year under share option schemes	-	13
At 31 January	8,425	8,425

20. Retained Earnings

	2011 £ '000	2010 £ '000
At 1 February	23,603	24,107
Profit for the year	4,253	868
Employee share options and bonus plan	15	124
IFRS 2 deferred tax charge to equity	(14)	4
Acquisitions in the year	7	(15)
Dividends paid	(1,661)	(1,485)
At 31 January	26,203	23,603

21. Fair value and other reserves

Fair value and other reserves include £1.7m relating to a capital redemption reserve created on flotation. The remainder represents share premium on share capital issued in relation to the purchase of certain acquisitions.

22. Employees and Directors

Staff costs for the Group during the year (including directors)	2011	2010
	£ '000	£ '000
Wages and salaries	36,175	32,414
Social security costs	4,453	4,236
Other pension costs (note 23)	1,707	1,464
Share option charge and share based employee settlement	20	127
	42,355	38,241

2011	UK	Rest of World	Total
Average number of people employed in sales and administration (including executive directors)			
Directors	3	-	3
Sales	165	207	372
Administrative	88	96	184
	256	303	559

2010	UK	Rest of World	Total
Average number of people employed in sales and administration (including executive directors)			
Directors	3	-	3
Sales	161	212	373
Administrative	94	87	181
	258	299	557

Key management compensation	2011	2010
	£ '000	£ '000
Salaries and short-term employee benefits	4,051	4,069
Post-employment benefits	268	254
	4,319	4,323

Key management is defined as key employees at divisional director level in the Group as well as both Executive and Non Executive Board members.

Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 29 to 33.

23. Pensions

Harvey Nash has in place three pension schemes in the UK; the Harvey Nash plc Directors' Retirement and Death Benefits Scheme, a Group Personal Pension Plan provided by Scottish Widows, and a stakeholder scheme with Scottish Widows which had no participating members at the year end.

The Harvey Nash plc Directors' Retirement and Death Benefits Scheme (the 'Scheme') is a small self-administered scheme. It is an exempt-approved scheme under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. The assets of the Scheme are held separately from the Company by trustees. The current trustees are TFA Crawford, DC Higgins, DH Treacher and Scottish Equitable which is the pensioner trustee. The three individual trustees are the only members of the Scheme. The Company has the power to appoint individual trustees. The retirement scheme is provided on a defined contribution basis. The contributions in the year were £nil (2010: £nil).

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by Scottish Widows. The Group's normal policy is to invite employees to join the Plan automatically on completion of three years' qualifying service, although senior employees may be invited to join earlier at the discretion of the Directors. The Group contributes 5% and the employee contributes 3% of the employee's basic earnings (excluding bonuses) to the Plan. The Group's total contribution to the Plan for the year to 31 January 2011, was £413,591 (2010: £425,311).

The Group operates separate schemes in all the overseas locations. The Group's total contribution to schemes in overseas locations for the year to 31 January 2011, was £1,293,452 (2010: £1,039,133).

24. Related party transactions

In July 2010 Harvey Nash engaged the services of The Independent Director Limited to search for a new non executive director. The Independent Director Limited is controlled by Ian Davies, who withdrew from the assignment at an early stage following his declaration of interest as a possible candidate. The recruitment fee of £20k is an arm's length price for the services provided. Following Ian Davies's appointment as a director on 30 September 2010, there have been no subsequent related party transactions. There were no related party transactions with any employees or directors in the prior year.

Banking Cross Guarantees

The following companies have given security to Harvey Nash Group plc, the Company.

The Group guarantees have been entered into by the Companies listed below and relate to any payment due under the Banking agreement by any of the companies listed below:

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Harvey Nash Resource Management Limited	Group Guarantee	Debenture
Interim Management In Information Technology Limited	Group Guarantee	Debenture
Nash Direct Limited	Group Guarantee	Debenture
Vertis Consulting Limited	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Techpartners International Limited	Group Guarantee	Debenture
Harvey Nash Group EBT Limited	Group Guarantee	-
Impact Executives Holdings Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-

The relationship between Harvey Nash Group Plc and its principal subsidiaries is disclosed in note 25.

25. Investments

Principal Subsidiaries and Branches

The details of the principal subsidiary companies and branches owned directly or indirectly by the Company or Harvey Nash plc as at 31 January 2011 were as follows:

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Harvey Nash (Ireland) Ltd	Ireland	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
Harvey Nash (Vietnam) Ltd	Vietnam	100%	Software development
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy
TechDiscovery	US	56.6%	Software development
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy
Bjerke & Luther AS	Norway	50.1%	Recruitment consultancy

All subsidiary companies are consolidated.

The results for Harvey Nash Consulting (Scotland) Limited and Fila & Myszel Associates Sp are not considered material to the Group so no minority interest has been recognised.

The directors believe that the book value of investments is supported by their underlying net assets.

26. Financial Instruments

The Group's financial instruments comprise cash, bank overdraft, invoice discounting and various items such as trade debtors, trade creditors and provisions that arise directly from its operations. The fair value of financial assets and liabilities is approximately equal to their book values.

Additional disclosures are set out in the accounting policies relating to risk management. An explanation of the role that financial instruments have had during the year in the management of the Group's funding liquidity and foreign exchange is provided on page 45 of the Annual Report.

In accordance with IAS 39, "Financial instruments: Recognition and measurement", the Group has reviewed all contracts and confirmed that none contain embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no embedded derivatives at 31 January 2011.

The Group held no derivative financial instruments at 31 January 2011 (2010: none) requiring to be fair valued.

Borrowing facilities

The Group had the following committed facilities available at 31 January in respect of an overdraft with a maximum facility of £2.0m at 31 January 2011 (2010: £2.0m).

The Group also has invoice discounting facilities for working capital in the UK of £20.0m and in the Eurozone (the Netherlands) of €18.0m.

The overdraft expires within one year and the invoice discounting facilities are available on a rolling 12 month basis.

All conditions precedent to the overdraft and invoice discounting were met at 31 January 2011 and 31 January 2010. On 28 February 2011, the Group arranged invoice discounting facilities for working capital in the US of \$6.0m

Undrawn borrowing facilities		Fixed rate '000	Floating rate '000	2011 Total '000	2010 Total '000
Overdraft	£	-	613	613	1,687
Invoice discounting facilities - UK	£	-	14,077	14,078	5,300
Invoice discounting facilities - Netherlands	€	-	18,000	18,000	18,000

Drawn borrowing facilities		Fixed rate '000	Floating rate '000	2011 Total '000	2010 Total '000
Overdraft	£	-	1,387	1,387	313
Invoice discounting facilities - UK	£	-	5,923	5,923	6,700
Invoice discounting facilities - Netherlands	€	-	-	-	-
Total	£	-	7,310	7,310	7,013

27. Share based payments

	2011 £ '000	2010 £ '000
Share based payments - IFRS 2 charge	20	127
	20	127

28. Dividends

The dividends paid in the year end January 2011 were £1.7m (2010: £1.5m).

The proposed final dividend of £1.1m (1.48p per share) is subject to approval by shareholders at the Annual General Meeting on 30 June 2011 (2010: 1.35p per share amounting to £1.0m) and has not been included as a liability at 31 January 2011.

	2011 £ '000
Final dividend for year end January 2010 of 1.35p per share	981
Interim dividend for year end January 2011 of 0.935p per share	680
	1,661
Proposed final dividend for year end January 2011 of 1.48p per share	1,078
	2010 £ '000
Final dividend for year end January 2009 of 1.2p per share	869
Interim dividend for year end January 2010 of 0.85p per share	616
	1,485
Proposed final dividend for year end January 2010 of 1.35p per share	979

29. Non recurring items

Non-recurring items have been disclosed separately to give a clearer presentation of the Group's results.

They relate to professional fees in relation to the acquisition of Bjerke & Luther AS, in Norway of £130k and onerous property provision movements relating to the current and prior year. In the year ending January 2010 the non-recurring items related to restructuring and included the costs of redundancy and onerous property leases.

	2011	2010
	£ '000	£ '000
Non-recurring items	(33)	(2,818)
	(33)	(2,818)

30. Provisions

Provisions relate to three onerous property leases which run to December 2011, September 2013 and September 2014 respectively.

	2011
	£ '000
At 1 February	783
Charge in the year	122
Utilised in the year	(338)
Released in the year	(239)
At 31 January	328

£135k will fall due within one year and £193k will be payable after more than one year.

31. Business Combinations

On 29 April 2010, the Group acquired 50.1% of the share capital of Bjerke & Luther AS, an Executive search and selection firm in Norway, for a consideration of £2.0m.

Harvey Nash has been granted a call option to acquire the additional 49.9% of the shares in Bjerke & Luther AS from the sellers which may be exercised at the option of Harvey Nash between 1 February 2013 and 2 April 2013, based upon a multiple of the average profit before tax of Bjerke & Luther AS over a 3 year period until 31 January 2013. The value of the call option has been considered and at the balance sheet date, based on valuations in the Norwegian market, is deemed to reflect the fair value of the final consideration due should the remaining 49.9% be acquired and as such no asset has been recognised in respect of the option.

If Harvey Nash does not exercise the call option the sellers will have an option to acquire the initial shares from Harvey Nash for a consideration equal to the consideration paid by Harvey Nash plus outstanding dividends.

The acquired business contributed revenues of £2.0m and operating profit of £0.4m to the Group for the period from acquisition to 31 January 2011. If the acquisition had occurred on 1 February 2010, consolidated revenue and consolidated profit for the year ended 31 January 2011 would have been £422.9m and £6.6m respectively.

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

	£'000
Cash consideration	2,043
Fair value of net identifiable assets acquired	(177)
Intangible Asset	1,866
	£'000
Goodwill	1,319
Brand asset	547
Intangible Asset	1,866

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

	£'000
Tangible Fixed Assets	106
Brand Asset	547
Cash	575
Receivables	364
Payables	(691)
	901
Non-controlling interest	(177)
Net identifiable assets acquired	724

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

	£'000
Cash consideration	2,043
Cash and cash equivalents in subsidiary acquired	(575)
Cash outflow on acquisition	1,468

The Group has reviewed the acquisition of Bjerke & Luther for intangibles arising within the 12 month window as allowed under IFRS 3. Following this review by management, an intangible has been recognised in respect of the Bjerke & Luther brand, this intangible has a net value of £0.55m, leaving goodwill from the acquisition of £1.30m.

The goodwill is attributable to Bjerke & Luther's workforce and the synergies expected to arise from being part of the Harvey Nash Group.

Financial statements for the Parent Company
Harvey Nash Group plc, the Company
Under UK GAAP

Independent Auditors' report to the Members of Harvey Nash Group plc

We have audited the parent company financial statements of Harvey Nash Group Plc for the year ended 31 January 2011 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Other matter

We have reported separately on the group financial statements of Harvey Nash Group plc for the year ended 31 January 2011.

Nigel Reynolds

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 May 2011

Company Balance Sheet

as at 31 January 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	3	52,264	52,244
Current assets			
Debtors	4	12,327	17,540
Cash at bank		-	-
		12,327	17,540
Creditors due within one year	5	(3,139)	(1,480)
Net current assets		9,188	16,060
Total assets less current liabilities		61,452	68,304
Creditors due after more than one year	6	(5,626)	(11,046)
Net assets		55,826	57,258
Capital and reserves			
Share capital	7	3,673	3,673
Shares to be issued	8	-	49
Share premium account	8	8,425	8,425
Capital contribution	8	20,000	20,000
Other reserves	8	13,814	13,794
Profit and loss account	8	9,914	11,317
Equity shareholders' funds	9	55,826	57,258

The financial statements on pages 65 to 69 were approved by the Board on 18 May 2011 and signed on its behalf by:

Company Number: 03320790

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Notes to the Financial Statements

1 Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

As allowed by S408 Companies Act 2006, no profit and loss account is presented in respect of the parent company.

The Company has taken advantage of the exemption available to parent companies under paragraph 3C of FRS 25 "Financial Instruments: Disclosure and Presentation" not to provide the information otherwise required by paragraphs 51 to 95 of the standard, as the Group's consolidated financial statements, in which the Company is included, provides equivalent disclosures under IFRS 7 "Financial instruments: Disclosures".

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996), since it is included in the consolidated financial statements of Harvey Nash Group plc, which are publicly available

2 Accounting Policies

(a) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account.

(b) Taxation

Deferred taxation is provided in full for material timing differences except where recoverability of a deferred tax asset is considered to be remote in the foreseeable future. Deferred tax balances are not discounted unless the effects are considered to be material to the Company's results.

(c) Investments

Investments held as fixed assets are shown at cost less provision for impairment. Impairment reviews are conducted annually.

(d) Related Party Transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Harvey Nash Group plc, whose accounts are publicly available.

(e) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. Investments

Fixed asset investments	2011 £ '000	2010 £ '000
Shares in group undertakings		
At 1 February	52,244	52,117
Increase – share-based payments	20	127
At 31 January	52,264	52,244

The carrying value of the investments was tested against discounted future cash flows during the year. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2011-2012 financial year. Management believe the forecasts are reasonably achievable. Where the future cash flows could not support the carrying value an impairment was recognised.

Principal Subsidiaries and Associates

The details of the principal subsidiary companies and branches owned directly or indirectly by The Company or Harvey Nash plc as at 31 January 2011 were as follows:

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
Harvey Nash (Vietnam) Ltd	Vietnam	100%	Software development
Harvey Nash (Ireland) Ltd	Ireland	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy
Bjerke & Luther AS	Norway	50.1%	Recruitment consultancy

4. Debtors

Amounts owed by subsidiary undertakings	2011 £'000	2010 £'000
	12,327	17,540

Interest is charged at market rate on intercompany funding balances in accordance with formal loan agreements between the parties.

5. Creditors: Amounts Falling Due Within One Year

	2011 £'000	2010 £'000
Bank overdraft	3,139	1,480
	3,139	1,480

6. Creditors: Amounts Falling Due After More Than One Year

	2011 £'000	2010 £'000
Amounts owed to subsidiary undertakings	5,607	11,027
Deferred consideration	19	19
	5,626	11,046

Interest is charged on intercompany funding balances in accordance with formal loan agreements between the parties.

7. Share Capital

	2011 £'000	2010 £'000
Authorised 110,000,000 (2010: 110,000,000) ordinary shares of 5p each	5,500	5,500
Allotted and fully paid 73,450,393 ordinary shares of 5p each (2010: 73,450,393)	3,673	3,673

8. Reserves

	Share capital £ '000	Share premium £ '000	Shares to be issued £ '000	Capital Contribution £ '000	Other reserves £ '000	Profit and loss account £ '000	Total equity £ '000
Balance at							
As at 1 February 2010	3,673	8,425	49	20,000	13,794	11,317	57,258
Employee share option and bonus plan	-	-	-	-	20	-	20
Acquisitions in the year	-	-	(49)	-	-	-	(49)
Dividends paid	-	-	-	-	-	(1,661)	(1,661)
Profit for the year	-	-	-	-	-	252	252
Exchange movements	-	-	-	-	-	6	6
31 January 2011	3,673	8,425	-	20,000	13,814	9,914	55,826

The share premium reserve comprises share premium on the issued share capital.

The shares to be issued comprise the outstanding liabilities relating to the deferred consideration for the acquisition of Silkroad Systems Limited.

The capital contribution reserve was created on flotation.

The other reserves represents share premium on share capital issued in relation to the purchase of certain acquisitions.

9. Reconciliation of movement in shareholders' funds

	2011 £'000	2010 £'000
Profit for the year	252	6,091
Dividends paid	(1,661)	(1,485)
Exchange gain/ (loss)	6	(1,252)
Issued share capital (including premium)	-	17
Shares to be issued	(49)	(37)
Employee share option charge	20	127
Net increase in shareholders' funds	(1,432)	3,461
Opening shareholders' funds	57,258	53,797
Closing equity shareholders' funds	55,826	57,258

10. Profit Attributed to the Parent Company

The profit for the year ended 31 January 2011 in the financial statements of Harvey Nash Group plc, the Company, was £0.3m (2010: £6.09m). As allowed by s408 Companies Act 2006, no profit and loss account is presented in respect of the parent company.

11. Employees and Directors

Harvey Nash Group plc, the Company employed no staff in the year (2010: nil), other than directors.

Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2010: nil).

See the Remuneration Report in Harvey Nash Group plc accounts for full details of the Directors remuneration from the Group.

12. Related party transactions

The following companies have given security to Harvey Nash Group plc, the Company:

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Harvey Nash Resource Management Limited	Group Guarantee	Debenture
Interim Management In Information Technology Limited	Group Guarantee	Debenture
Nash Direct Limited	Group Guarantee	Debenture
Vertis Consulting Limited	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Techpartners International Limited	Group Guarantee	Debenture
Harvey Nash Group EBT Limited	Group Guarantee	-
Impact Executives Holdings Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-

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