

Harvey Nash

ANNUAL REPORT 2001

HARVEY NASH GROUP PLC

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Harvey Nash est un groupe reconnu de Conseil global en Ressources Humaines, avec 750 personnes dans le monde et 32 bureaux en Europe, aux Etats-Unis et en Asie Pacifique. Le savoir-faire et l'expertise du Groupe Harvey Nash reposent sur une offre étendue de prestations de Conseil, à travers ses deux divisions, Consulting Services et Resourcing Services.

Aujourd'hui, la pénurie de candidats oblige les entreprises à trouver des solutions innovantes pour attirer et retenir les plus talentueux d'entre eux. Notre stratégie consiste à poursuivre le développement de nos services à forte valeur ajoutée, dans l'objectif d'aider nos clients à optimiser la gestion de leurs ressources humaines.

Die Harvey Nash Gruppe ist eines der führenden, weltweit tätigen Unternehmen, daß sich auf Personalmanagement spezialisiert hat. 750 Angestellte sind in 32 Niederlassungen in Europa, den USA und Asien für uns tätig. Mit den zwei Geschäftsbereichen Consulting Services und Resourcing Services bietet die Gruppe ein breites Produktportfolio im Bereich Personalmanagement.

Durch die zunehmende Personalknappheit suchen viele Unternehmen nach neuen Wegen um qualifiziertes Personal zu werben und zu halten. Unser Ziel ist es, weiterhin unsere Kunden in die Lage zu versetzen, ihr Human Capital erfolgreich zu managen.

De Harvey Nash groep is, met 750 medewerkers verdeeld over 32 kantoren in Europa de Verenigde Staten en Azië, een leidende organisatie op het gebied van Resource Solutions. De groep biedt een scala van human capital services via haar twee divisies, Consulting Services en Resourcing Services.

Nu de strijd om talent steeds intensiever wordt, zoeken bedrijven naar nieuwe innovatieve manieren om medewerkers aan te trekken en te behouden. Onze strategie richt zich op het blijven ontwikkelen van services met toegevoegde waarde om klanten in staat te stellen om effectief hun human capital te managen.

The Harvey Nash Group 乃一所主要為全球企業解決資源困難的集團。全球現正擁有 750 名員工，32 所辦事處遍佈於歐洲、美國及亞太區等地。本集團透過兩個部門，顧問服務及資源服務，提供一系列的人力資源管理，協助不同類型的企業。

由於現今市場對專才的索求越趨激烈，各公司亦期望用更多嶄新方法去吸納及保留人才。有見及此，本集團的策略是繼續發展我們的資源增值服務，讓我們的客戶能更有效及全面地管理其人力資源。

Financial Highlights

Year ended 31 January 2001

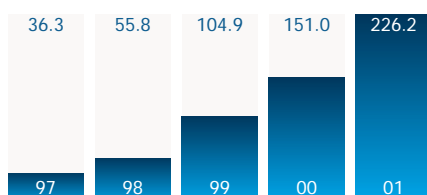
The Harvey Nash Group is a leading global Resource Solutions organisation with 750 staff worldwide and 32 offices covering Europe, the USA and Asia Pacific. The Group provides a range of human capital management services through its two divisions, Consulting Services and Resourcing Services.

As the competition for talent becomes more intense, companies are looking for more innovative ways to attract and retain the best people. Our strategy is to continue to develop our added value services that enable our clients to effectively manage their Human Capital.

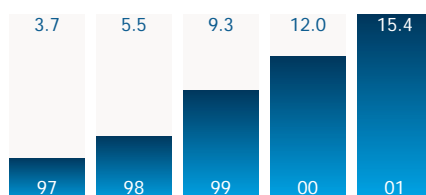
	2001	2000	% increase
Turnover	£226.2m	£151.0m	50%
Operating profit*	£15.4m	£12.6m	23%
Adjusted earnings per share*	33.41p	29.74p	12%
Dividends per share	6.9p	6.30p	10%

*adjusted for amortisation of goodwill and exceptionals

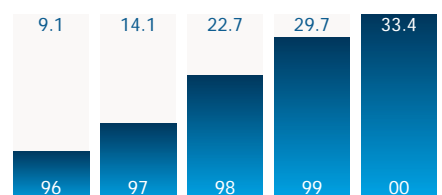
Turnover
£m



Profit before taxation
(adjusted) £m



Earnings per share
(adjusted) Pence



Year in Summar

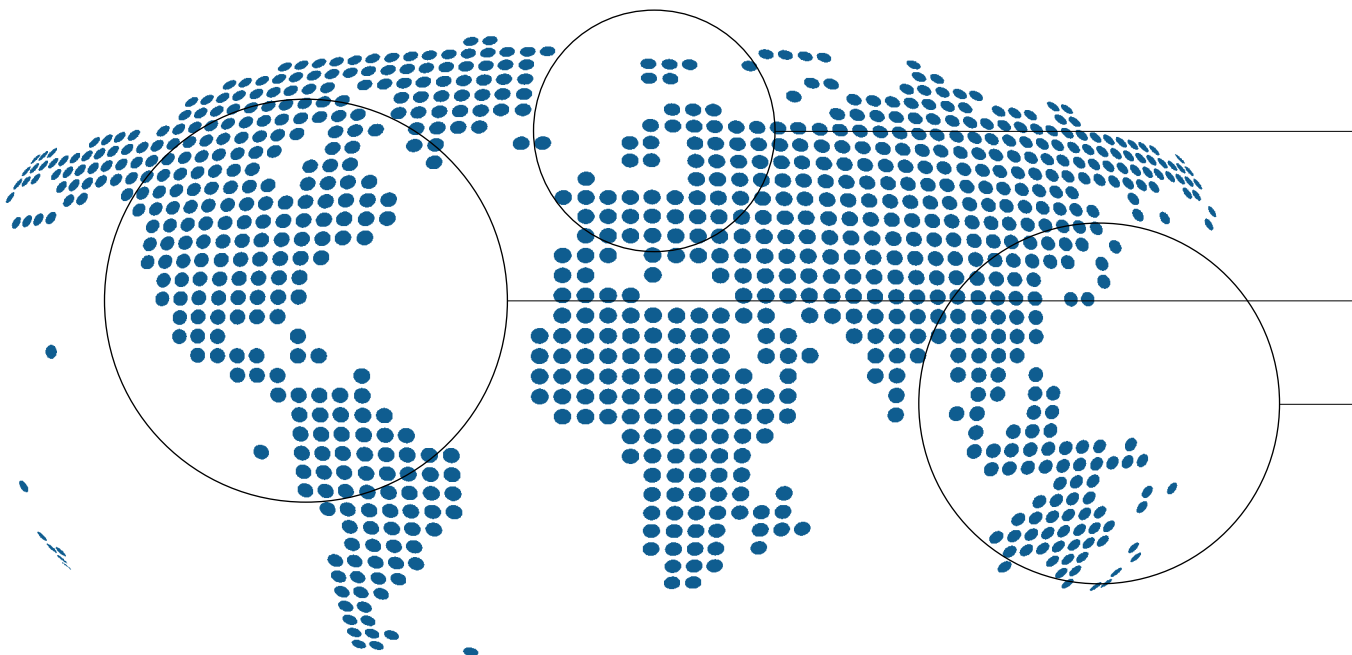
January	Opened Munich office - Consulting.	February	Formed strategic alliances with Internet incubators Cube8.com and Inflexion.	March	Launch of FirstPersonGlobal.com	April	Acquisition of Techpartners.	May	Established off-shore development centre Hanoi, Vietnam.	June	Launch of Nash Direct Service.
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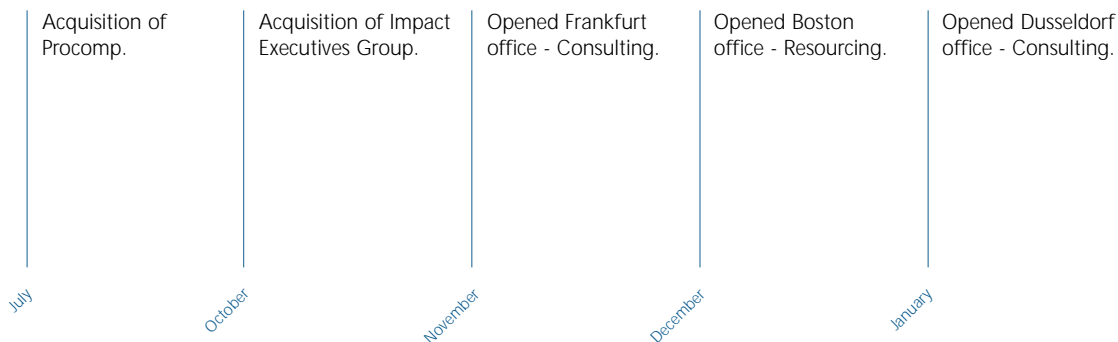
Company Overview

We advise our clients on how to attract and retain the highest calibre individuals through a broad range of integrated services, which are delivered through our two core Divisions.

With our acquisitions in the United States and Asia-Pacific we are now well positioned to develop our services in these regions.

Global Overview





Harvey Nash

Consulting Services

International Search & Selection (IS&S) - provision of Executive recruitment services.

Human Resource Consulting - project work covering compensation and benefit studies, organisational structure and resourcing strategies.

Interim Management - provision of interim management consultancy.

FirstPersonGlobal - on-line career management portal and E-cruitment service.

Resourcing Services

IT Contract Services - provision of highly skilled temporary IT consultants.

Resource Management - a managed service for the procurement and administration of temporary and permanent IT professionals.

IT File Search - provides permanent IT recruitment services for technical professionals.

Europe

We have continued to build our European capability. Harvey Nash is one of the few organisations to provide clients with a pan-European service

Asia-Pacific

The acquisition of Impact Executives creates a springboard for us to expand our operations into the high growth technology markets in the Far East. Our off-shore development centre in Hanoi, Vietnam has enabled us to provide people-based resourcing solutions to a major European Telecomms Group.

USA

Our acquisition of Techpartners has given the Group a key footprint in the US market and the opportunity to expand both our network of offices and Group services into the largest Resourcing market in the world.

Chairman's Statement



1 A key factor in the Group's success has been its spread of revenues outside the UK market.

Ian Kirkpatrick, Chairman

2 The Group has made great progress in developing global capability through its expansion into two new major regions the USA and Asia Pacific.

Tom Crawford, Deputy Chairman

We will continue to invest and develop our global resource solutions business with a wide range of complimentary services across a broad geographic base.

Financial Highlights

In the year ended 31st January 2001 the Group increased turnover by 50% to £226.2m (2000: £151.0m) and operating profit by 23% to £15.4m before amortisation of goodwill and exceptional items (2000: £12.6m).

Underlying profit before tax, adjusted for amortisation and before exceptional items was £14.1m (2000: £12.0m) an increase of 17%.

Earnings per share adjusted for amortisation and exceptional items were 33.41p (2000: 29.74p) an increase of 12%.

Dividend

The Board has recommended payment of a final dividend of 4.5p (2000: 4.2p) to bring the total dividend payable for the year to 6.9p (2000: 6.3p) an increase of 10%.

The dividend will be payable on 29 June to shareholders on the register at 8 June 2001. The Board's policy is to provide shareholders with steadily rising income, while investing in the future growth of the Group.

Prospects

Our UK, mainland European and Asia Pacific businesses continue to perform broadly in line with our expectations although there has been a slow down in certain areas such as Executive Search in the Telecomms and new Technology sectors.

We are continuing our programme of investment with key hires in Southern Europe and Asia Pacific who will be instrumental in establishing our operations in these regions. We also anticipate further technology investment in our successful E-cruitment service, FirstPersonGlobal.com.

As has been widely reported, the US economy weakened significantly towards the end of the year and has continued to remain weak in the first quarter of the current year. Our US operations have not been immune from this slowdown, particularly in the Telecomms and Technology sectors, and are currently performing below last year's levels. We have taken steps to address this and we expect that our US operations will break even in the current year.

We will continue to invest, and remain confident that the Group is well positioned for growth as a global resource solutions business with a wide range of complimentary services across a broad geographic base.

Ian Kirkpatrick
Chairman

Chief Executive's Statement



Harvey Nash is developing a broad range of professional services that will enable us to service our clients at every level and build long term global relationships.

David Higgins, Chief Executive



The Group has achieved strong profit growth from its core UK and mainland European businesses and made significant service and network enhancements. A key factor in the Group's success has been its spread of revenues outside the UK market with particularly strong performances in Germany and Switzerland.

We have made great progress in developing global capability through its expansion into two new major regions, the USA and Asia Pacific. Our acquisition of Techpartners has given the Group a key footprint in the US market and the opportunity to expand both our network of offices and Group services into the largest Resourcing market in the world. Also, with the acquisition of Impact Executives, our interim management business, we have gained access to the Asia Pacific market and we will look to develop the Group in this region.

Strategy

Through our two divisions, Consulting and Resourcing, the Group is developing a range of professional services that enable us to service our clients at every level and build long-term global relationships.

With the influence of the Internet the Group has taken the opportunity to develop an E-cruitment service, FirstPersonGlobal.com. There is no doubt that new technologies will change the way that candidates and clients interact and therefore create opportunities and it is critical that we have a leading edge product in this area.

The Group will continue to build its global infrastructure both in terms of office network and services to ensure that it is able to service clients on a global basis with uniformity across borders.

Management and Staff

I would like to thank all of the Group's employees for their continued effort and enthusiasm, which has been the main contributor to our success.

Many new staff have been welcomed into the organisation either to help develop our existing businesses or through acquisitions. The Group now employs 750 staff compared to 425 in April last year.

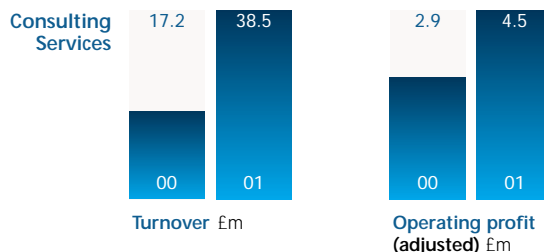
On the 6 February 2001, Tom Crawford became a non-executive Director and the Board would like to thank him for his contribution in developing the business and his continuing contribution and support as a Board member in the future.

A blue ink signature of David Higgins, the Chief Executive.

David Higgins
Chief Executive

Operating Review

Consulting Services



Consulting Services

As the war for talent heats up, organisations are becoming more reliant on human capital management service providers such as the Harvey Nash Group for multiple services and strategic advice on how to attract and retain the highest calibre individuals who are pivotal to their future success.

Our Consultancy Services Division is committed to developing a range of innovative Human Capital Management services with geographical capability that enable our clients to manage their key assets, 'people' more effectively.

Turnover increased by a record 124% to £38.5m (2000: £17.2m), with operating profit up by 55% to £4.5m (2000: £2.9m). We have increased the level of work from

our international clients and revenue from Europe now represents 19% (2000: 13%) of the Division's revenues.

International Search and Selection

The Executive Search and Selection business has experienced tremendous growth in the IT, Telecomms, New Media and E-commerce Sectors. We have consolidated our market leading position in the UK and have established significant operations in Europe that have enabled us to service our clients on an international basis.

Revenues from the UK Technology practice doubled and our new regional offices have also experienced strong growth. In addition our Financial Services, Healthcare and Consumer practices have continued to gain market share.

We have strengthened the management team and adopted a practice-based structure, which provides greater specialist expertise to our clients.

The new Munich office has performed extremely well and we have opened two further offices in Germany, Frankfurt and Dusseldorf. The Division will be expanding its operations into Southern Europe over the next twelve months.

This Division has also opened a new office in Hong Kong and will be expanding its activities into the Asia Pacific region. We will continue to develop new markets over the forthcoming year as part of our strategy to provide a truly global service.





1 We have consolidated our market leading position in the UK and have established significant operations in Europe that have enabled us to service our clients on an international basis.
Anthony Willis, Managing Director Consulting Services

2 The acquisition of Impact Executives has given our interim management business a market leading position in the Europe.

The Consulting Services Division now offers clients an integrated multi-service portfolio of added value Human Capital Management solutions on a global basis, thereby enabling our clients to manage their key assets 'people', more effectively.

Interim Management

The acquisition of Impact Executives from PA Consulting Group has given our interim management business a market leading position in the Europe. We believe that with the growing demand for flexible consultancy solutions, we are well positioned to service our clients across all disciplines. The new management team brings broader experience in the Financial Services, Healthcare and Consumer sectors that compliments our existing Technology and Telecommunications specialisation.

The new business with its enlarged team now has international capability with offices in London, Munich and Hong Kong. Looking forward there is a real opportunity to develop this business internationally.

FirstPersonGlobal.com

Our new on-line E-cruitment service was successfully launched in March 2000 as a career management portal focusing on senior business professionals in the IT, Telecomms and E-Commerce marketplaces. It combines directly relevant content, career planning, management information and personal networking on-line.

E-cruitment is predicted to be one of the fastest growing markets in recruitment and we are investing further in technology to develop this service. The site has had over 1,000,000 visits with 9,022 candidate registrations and 11,897 applications for positions on-line. Due to current levels of success with both clients and candidates we anticipate further investment over the next twelve months.

Human Resource Consulting

During the year we have continued to work on a number of projects, advising new and existing clients on a variety of HR related issues.

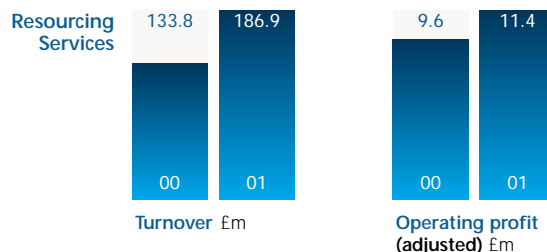
Our projects cover areas such as company mapping, organisational design, compensation and benefits analysis, training of internal HR teams and strategic advice on resourcing strategies.

We will continue to develop our expertise in this field in order to assist our clients to maximise the effectiveness of their people.

Case Study: Search and Selection	Task	Solution
<p>Client FTSE 100 Financial Services Group</p>	<p>Working with the CEO and HR Director to build a new technology venture business from the Executive management team through to middle management. We then recruited a further 38 staff for a subsidiary business.</p>	<p>We worked closely with the strategic advisors and the Executive Board members to fully scope and understand the business proposition, people requirements and cultural issues. Our project team consisted of Senior Consultants in our Executive Search practice who advised them on organisational structure, in particular defining roles, salary levels and necessary experience. We were chosen to work on the project because of our ability to provide a fully integrated service that could deliver over 30 candidates at all levels, with salaries ranging from £40,000 to £220,000, through a single project team.</p>

Operating Review

Resourcing Services



Harvey Nash remains a market leader in providing the most highly skilled IT consultants working on long-term business critical projects. This division has experienced strong growth in Europe and will continue to develop new and existing markets.

Resourcing Services

The Resourcing Services Division achieved strong growth with turnover increasing by 40% to £186.9m (2000: £133.8m) and operating profit by 18% to £11.4m (2000: £9.6m). As we have developed into the US and further into Europe, the significance of the UK market to the Division has diminished; it now represents 52% of revenue (2000: 57%).

The geographical spread of revenues and operations is a key strength of this division and is in line with our strategy of developing a global Resourcing Service.

United Kingdom

As we predicted, many clients delayed their project decisions until later on in the year, however, demand began to increase in the third quarter. Despite Y2K and IR35, our consultant numbers working on client sites have continued to grow.

We established Nash Direct to exploit the buoyant permanent IT market and to better service our existing clients in the Resourcing Division. This service has achieved profitability in the second half of the year.

The growth and development of our IT contracts services and new Nash Direct businesses have continued into the new financial year. Harvey Nash remains a market leader in providing the most highly skilled IT consultants who are working on long term business critical projects.

Europe

Our European businesses have experienced strong market conditions and been able to grow their services and profitability significantly over the last year.

This is particularly true for our businesses in Germany and Switzerland where the number of Harvey Nash consultants on client sites have nearly doubled.

During the first half of the year Nash Direct was rolled out across Europe to service client demand for permanent IT professionals. The first six months was a period of investment which delivered benefits in the second half and looking forward we are well placed for further growth in revenues.

Case Study: Resource Management	Task	Solution
<p>Client A leading Global Telecomms organisation</p>	<p>To undertake a three month consultancy project to establish an effective overview of its non-permanent workforce currently employed in Europe – notably Germany, Holland, France and Sweden. This enabled the client to review its human capital strategy within a complex and dynamic European Recruitment market.</p>	<p>Harvey Nash Resource Management provided a team of consultants lead by an experienced Project Manager who completed a comprehensive study across four countries which included a full evaluation of non-permanent staff and the existing supplier base. In addition all recruitment workflow was benchmarked and a comprehensive report was delivered which included significant market analysis, up to date legislative information and recommendations to leverage purchasing power.</p>



1 Our Resource Management business has achieved partner status with the major clients on a pan-European basis.

2 We have developed our portfolio of services through the establishment of Nash Direct, our permanent Resourcing Solution.



We are further developing our market penetration in Germany with the opening of our fifth office, in Hamburg, in April 2001. Our European management team will continue to look at new markets to further increase our revenues from mainland Europe where conditions are expected to be favourable.

Resource Management

This has been a successful year for our resource management service. The business secured increased revenue for the rest of the Group through achieving partner status with major clients.

The business currently has two major resource management programmes handling over £18m of client expenditure

on IT Contractors in the period under review. This expenditure has been increasing throughout the year as we bring more parts of our clients' organisations on stream. For one client we are beginning to operate a programme in mainland Europe.

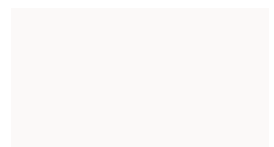
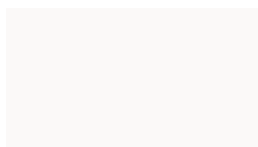
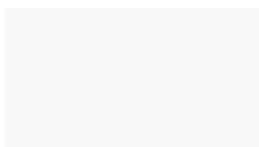
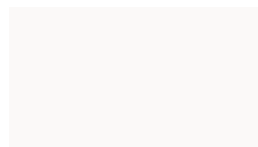
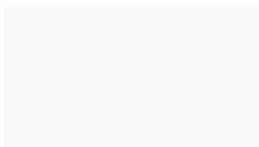
Rest of the world

In April 2000 the Group was delighted to bring Techpartners into the Group. This brought us access to the world's largest IT market and enhanced our knowledge of emerging technologies. We invested in new offices which culminated in the opening of our Boston office in December 2000.

As a result of the weakening of the US economy towards the end of the year demand for IT and Telecomms resourcing

services softened considerably and this affected the performance of Techpartners in the final quarter. We are confident of the strength and resilience of the Techpartners business in the medium term and we believe it has the capacity to grow rapidly when market conditions improve.

Our off-shore development service has performed well and has achieved annualised revenues of £1.2m. As a result of our successful pilot project with a leading European mobile Telecomms company we have secured further projects with a number of new clients.



Finance Director's Review



Turnover

Turnover increased 50% (2000: 44%) overall with growth of 38% in the UK (2000: 29%), 46% in Continental Europe (2000: 92%).

The business mix has continued to change with turnover from the Resourcing Division representing 83% (2000: 88%) of the Group. The Consulting Division is 17% (2000: 12%) which includes turnover from the Interim Management business. FirstPersonGlobal.com, our E-recruitment business, generated £0.9m in its first 9 months of operation, exceeding expectations.

Operating Profits

During the year under review we achieved overall operating profit growth of 23% (before exceptionals, goodwill and interest). Excluding the investment in FirstPersonGlobal.com operating profits increased by 27%.

UK profit growth was 20% (2000: 20%) and Continental Europe was 22% (2000: 90%) due to our investment in three new offices in Germany. Europe represented a constant 30% (2000: 30%) of the Group total with the US, Australia and Hong Kong representing 2% (2000: 0%) of the total.

Headline pre-tax profit (before goodwill amortisation and exceptional items) has risen to £14.1m (2000: £12.0m) an increase of 17% on the previous year (2000: 29%).

The Group has made a net exceptional gain in the year. The direct costs of integrating the UK subsidiaries of Techpartners and Impact Executives amounted to £0.3m have been reflected separately under exceptional operating items. The non-operating exceptional items include the profits of £2.3m (2000: £0.6m) realised on the sale of the Group's investment in Stepstone ASA offset by the write-down of £0.6m on the investments in Cube8.com Plc and Inflexion Plc.

An interest charge of £1.4m (2000: £0.4m) resulted from loan finance for the acquisition of Techpartners and Impact Executives. This charge was covered 11 times by pre-interest adjusted profit (2000: 32 times).

Earnings per share

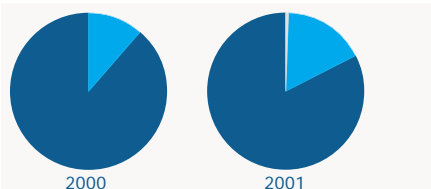
Earnings per share, adjusted for goodwill amortisation and exceptional items have increased by 12% (2000: 31%) to 33.41p (2000: 29.74p).

Taxation

The Group tax rate is 32.8% compared to 32.9% in the prior year. This is based on profit before tax excluding amortisation and exceptional items. The effective tax rate has benefited from utilisation of acquired tax losses in the USA.

Investment in acquisitions, new offices and the Group's E-commerce strategy has been accomplished from a mixture of excellent trading cash flows and an increase in longer term finance.

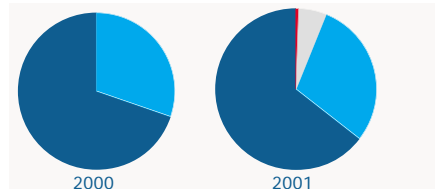
Albert Ellis, Group Finance Director



Business Mix

Turnover
divisional analysis

- Resourcing services
- Consulting services
- On-line services



Geographic Mix

Turnover
geographic analysis

- United Kingdom
- Rest of Europe
- United States
- Asia-Pacific

Organisations are becoming more reliant on Human Capital Management service providers such as Harvey Nash, for multiple services and strategic advice on how to attract and retain the highest calibre individuals who are pivotal to their future success.

Dividend

The Group paid an interim dividend of 2.4p per ordinary share amounting to £0.7m and a final dividend of 4.5p per share amounting to £1.3m is proposed. After these payments have been taken into account £5.3m retained profit for the year was transferred to reserves.

Acquisitions

Three acquisitions were completed during the year under review.

On 25 April 2000 the Group acquired the Techpartners International Group. The initial consideration of £15m, paid on completion, was satisfied by the payment of £7.5m in cash, £1.8m by way of the issue of guaranteed floating rate loan notes and the issue of 755,739 new ordinary shares of 5p each in Harvey Nash Group plc to the vendors.

On the 19 July 2000 the group acquired the contracts and assets of Procomp NV, a Belgian based IT services company, for cash consideration of 98.5m Belgian Francs (£1.5m).

On the 9 October 2000 the Group acquired the Impact Executives group. Initial consideration paid on completion was satisfied by the payment of £5.9m in cash. Net assets of £1m were acquired on completion.

Goodwill

Goodwill arising on acquisitions has been capitalised. The Directors have reviewed each acquisition separately and continue to attribute a 20 year life to each one except for the write-off of the goodwill arising on the acquisition of Procomp NV. The Directors consider that 5 years is the appropriate period. Goodwill has been amortised through the profit and loss account.

Balance Sheet

Trade debtors have increased 73% to £41.8m (2000: £24.1m) of which £6.5m relates to the acquired businesses. Adjusting for this, trade debtors have increased 46%, in line with turnover, and cash collection remains strong.

As a result of the acquisitions, net debt including loan notes increased to £20.1m (2000: £3.0m). This facility is operated through the Group's bankers, Natwest Bank plc. £2.2m of acquired debt was refinanced through this facility.

Cash Flow Statement

Capital expenditure of £3.3m was invested mainly in the new offices in Leeds and Birmingham in the UK, Munich, Frankfurt and Dusseldorf in Germany and San Francisco and Boston in the USA. Cash investments in strategic alliances with two internet incubators in the UK and a recruitment software company in the USA totalled £0.9m.

£0.5m was spent on purchasing further Harvey Nash Group shares in order to satisfy future obligations to employees in the Long Term Incentive Plan. Proceeds from the sale of Stepstone shares were £3.7m less the disposal costs of £0.3m resulting in a net flow of cash into the group of £3.4m from this exceptional item.

Overall the Group's trading has been robust and its balance sheet is strong. Investment in acquisitions, new offices and the Group's E-commerce strategy has been accomplished from a mixture of excellent trading cash flows and an increase in longer term finance.

Board of Directors



1 Ian Kirkpatrick, aged 56, 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 is currently non-executive director of a number of companies. He was appointed Chairman of Harvey Nash in January 1997.

2 David Higgins, aged 42, is Chief Executive, appointed in February 2000 and founder of the business. He was previously Joint Managing Director with responsibility for the Consulting Services Division.

3 Albert Ellis, aged 37, is Group Finance Director, appointed in February 2000. He joined the Group in July 1998 as UK Finance Director. He was previously a divisional Finance Director with Hays Plc.

4 Tom Crawford, aged 50, is Deputy Chairman and founder of the business, with responsibility for acquisitions and corporate development. He was previously Joint Managing Director with responsibility for Group Operations and the IT File Search Division.

5 David Treacher, aged 38, is a non-executive Director and founder of the business. He was previously Joint Managing Director with responsibility for the IT Contract Services Division.

6 Gus Moore, aged 63, is a non-executive Director. He was appointed in April 1999. He was previously on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom CSL. He is currently non-executive director of a number of companies.

Directors, Secretary and Advisers

DIRECTORS	Ian Kirkpatrick, BSc, MBA David Charles Higgins, BSc Ian William Furniss, BSc, ACA Albert George Hector Ellis, BACC, CA (SA) (appointed 1.2.00) Gus Moore Thomas Francis Alexander Crawford David Hedley Treacher, BSc Brian Berg (resigned 5.6.00)	Non-Executive Chairman Chief Executive Managing Director Group Operations Group Finance Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
SECRETARY	Albert George Hector Ellis, BACC, CA (SA) (appointed 1.2.00)	
REGISTERED OFFICE	13 Bruton Street London W1J 6QA	
REGISTERED NUMBER	9920790	
FINANCIAL ADVISERS	Hawkpoint Partners Limited 4 Great St Helens London EC3A 6HA	
STOCKBROKERS	Cazenove & Co 12 Tokenhouse Yard London EC2R 7AN	
AUDITORS	PricewaterhouseCoopers Chartered Accountants No 1 Embankment Place London WC2N 6NN	
SOLICITORS	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL	
PRINCIPAL BANKERS	National Westminster Bank Plc PO Box 4RY 250 Regent Street London W1A 4RY	
REGISTRARS	Lloyds Bank Registrars The Causeway Worthing West Sussex BN99 6DA	

Directors' Report

Year ended 31 January 2001

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2001.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of recruitment services, in particular providing information technology professionals for permanent and contract positions worldwide.

A review of the business and future developments is set out in the Chairman's statement, Operating review and Financial review.

RESULTS AND DIVIDENDS

The Group's profit before tax for the financial period was £13.0m. An interim dividend of 2.4p per ordinary share was paid. A final dividend of 4.5p per ordinary share amounting to £1.3m is proposed and, if approved, will be paid on 30 June 2001. Following the payment of the final dividend, the retained profit for the year of £5.3m will be transferred to reserves.

SHARE CAPITAL

On 25 April 2000, the Company issued 755,739 new ordinary shares in relation to the consideration for the purchase of Techpartners International Limited and related companies and these shares were admitted to the Stock Exchange Official List.

Throughout the year the Company also issued 237,699 shares in relation to the exercise of employee share options, and 101,556 in relation to the issue of shares as part of the Company Sharesave scheme. All shares were admitted to the Stock Exchange Official List.

These issues increased the number of shares in issue to 29,552,602 ordinary shares with a nominal value of £1,477,630.

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year and at the date of this report are shown on page 13. In accordance with the Company's Articles of Association, Tom Crawford and David Treacher retire by rotation and, being eligible, offer themselves for reappointment. 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. Their beneficial interests in the ordinary share capital of the Company during the financial period were as follows:

	31 January 2001	31 January 2000
I Kirkpatrick	3,000	3,000
TFA Crawford	3,661,450	4,953,018
DC Higgins	4,206,007	5,850,300
IW Furniss	5,714	5,714
G Moore	—	—
DH Treacher	4,235,643	5,679,050
B Berg	5,714	5,714
A Ellis	—	—

There has been no change to Directors' interests between 31 January 2001 and the date of this report.

DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

EMPLOYEE INVOLVEMENT

Consultation with employees is of considerable importance to the Group. The views of employees are taken into account when decisions are made which are likely to affect their interests and all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees is made through conferences, announcements and intranet, briefing groups and the distribution of the annual report.

EQUAL OPPORTUNITIES

The Group is committed to the principle of Equal Opportunities both as an employer and as a recruitment services provider. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit.

CREDITOR PAYMENT POLICY

The Group's creditors are paid in accordance with terms agreed with them prior to the supply of goods or services. The Group pays all contractors providing IT services within 7 days (2000: 7 days) of receipt of their invoice. Other trade creditor days of the Group for the year ended 31 January 2001 were 31 days (2000: 25 days), based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors.

SUBSTANTIAL SHAREHOLDINGS

On 6 April 2001 the Company had been notified that, in addition to holdings in which the Directors are beneficially interested, there were holdings of 3% or more in the ordinary share capital of the Company as follows:

	Number of shares	% of Total
Fidelity	2,127,605	7.20
Norwich Union	1,673,010	5.66
Gartmore	1,362,897	4.61
Employment Benefit Trust Ltd	1,050,686	3.56

In addition, TFA Crawford, DC Higgins and DH Treacher in their capacity as trustees of the Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme are each deemed to be interested in 1,448,025 ordinary shares. Their respective beneficial entitlement to ordinary shares under such schemes have been included in Directors' Interests.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance has been taken out by the Company (as permitted by Section 310(3) of the Companies Act 1985) for its Directors and officers against liabilities in relation to the Company.

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 pages 20 and 21.

PENSIONS

The Group operates two defined contribution pension schemes, the Harvey Nash Plc Directors Retirement and Death Benefits Scheme and a Group Personal Pension Plan.

POLITICAL AND CHARITABLE DONATIONS

The Group made no political or charitable donations during the year.

RE-APPOINTMENT OF AUDITORS

In accordance with Section 384 and 385 of the Companies Act 1985, a resolution will be put before the shareholders at the Annual General Meeting to re-appoint PricewaterhouseCoopers as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

On behalf of the Board

Albert Ellis
Company Secretary

6 April 2001

Corporate Governance

The Group fully supports the principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the London Stock Exchange.

APPLICATION OF PRINCIPLES OF GOOD GOVERNANCE

DIRECTORS

At 6 April 2001 the Board of Directors comprised 3 Executive and 4 Non-Executive Directors.

The Board meets monthly, receives a defined supply of information and has adopted a schedule of matters specifically reserved to itself for decision. In relation to non-reserved matters it is assisted by a number of committees with delegated authority.

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 (Chairman), Gus Moore, David Treacher, all of whom are Non-Executive Directors.

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 Non-Executive Directors.

The Remuneration Committee has responsibility for approving service contracts for all Executive Directors, granting options under share option schemes and setting appropriate performance criteria. It also determines remuneration including salaries, bonuses and all other benefits for the Executive Directors.

The Remuneration Report is included on pages 18 to 21.

NOMINATION COMMITTEE

This Nomination Committee meets on an ad-hoc basis to review candidates and make recommendations for Board member appointments. The members of the committee are Ian Kirkpatrick (Chairman), Gus Moore and David Higgins.

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 18 to 21.

RELATIONS WITH SHAREHOLDERS

The Company maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required. All shareholders are welcome to attend the AGM and private investors are given the opportunity to ask questions.

ACCOUNTABILITY AND AUDIT

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

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

INTERNAL CONTROL

The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls and 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 confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that it has been in place for the year under review and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and accords with the Turnbull guidance.

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 businesses and their 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.

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 and reporting of monthly actual performance against them; and
- the operation of an Audit Committee, supported by an internal audit function.

The Directors have reviewed the systems of internal financial control in operation during the year.

COMPLIANCE WITH CODE PROVISIONS

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

Code Provision A2.1

The Board does not consider it necessary to appoint a senior Non-Executive member of the Board in addition to the Company's existing independent Non-Executive Chairman.

Code Provision A3

The Company has four Non-Executive Directors, two of whom, David Treacher and Tom Crawford, are considered non-independent.

Code Provision D2.2

An internal audit function has been established in 2000 and will begin a programme of review of internal controls across the Group during the current financial year.

GOING CONCERN

After having made appropriate enquiries including a review of the 2001/2002 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 accounts.

Albert Ellis

Company Secretary

6 April 2001

Remuneration Report

The Remuneration Committee is composed of two Non-Executive Directors, Ian Kirkpatrick and Gus Moore. The Committee is chaired by Ian Kirkpatrick. The Committee has been established with written terms of reference approved by the Board.

COMPLIANCE

The Company has complied throughout the year ended 31 January 2001 with Section A of the best practice provisions on Directors' remuneration annexed to the Listing Rules of the Stock Exchange.

In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of the best practice provisions regarding "Remuneration policy, service contracts and compensation". The Committee meets when required to consider all aspects of Executive Directors' remuneration.

Details of the remuneration of Executive and Non-Executive Directors for the year can be found below.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Fees payable to the Non-Executive Directors are determined by the full Board at the beginning of each financial year having given due consideration to market practice. The Non-Executive Directors serve under letters of appointment and their appointment is terminable by either side giving not less than six months written notice at any time.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

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 they are supportive of the Group's business objectives and the creation of shareholder value. The components of the Group's remuneration packages are as follows:

Salary

The basic salary of each Director is determined by the Remuneration Committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual bonus

The executive Directors' performance payments are based on Group earnings per share growth and specific business profit targets for the year.

Share options

The Board believes that share ownership by Executive Directors and key staff strengthens the shared interests between employees and shareholders. The Remuneration Committee has a policy of phasing grants under share option schemes rather than awarding them in one large block. The share option schemes are described below.

Pensions

The Group contributes 10% of each Executive Director's annual salary to a pension scheme nominated by the Executive Director.

Terms of engagement

No Director has a notice period in excess of 12 months, which is consistent with Group policy. Tom Crawford and David Treacher, being the directors proposed for re-election at the forthcoming annual general meeting have letters of engagement that provide for 6 months notice.

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 JANUARY 2001

	Salary £	Car allowance £	Pension £	Bonus £	Fees	Total £
David Higgins	155,000	12,000	15,500	46,500	—	229,000
Tom Crawford	155,000	12,000	15,500	46,500	—	229,000
Ian Furniss	155,000	12,000	15,500	46,500	—	229,000
Albert Ellis	110,000	12,000	11,299	33,000	—	166,299
Ian Kirkpatrick	—	—	—	—	42,000	42,000
David Treacher	—	—	363	—	18,000	18,363
Gus Moore	—	—	—	—	18,000	18,000
Brian Berg	—	—	—	—	7,500	7,500
	575,000	48,000	58,162	172,500	85,500	939,162

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 JANUARY 2000

	Salary £	Car allowance £	Pension £	Bonus £	Fees £	Total £
David Treacher	89,125	7,650	8,913	53,475	—	159,163
David Higgins	140,000	12,000	14,000	84,000	—	250,000
Tom Crawford	140,000	12,000	14,000	84,000	—	250,000
Ian Furniss	140,000	12,000	14,000	84,000	—	250,000
Ian Kirkpatrick	—	—	—	—	42,000	42,000
Brian Berg	—	—	—	—	18,000	18,000
Gus Moore	—	—	—	—	12,750	12,750
	509,125	43,650	50,913	305,475	72,750	981,913

	Ordinary Shares	At 31 January 2001 Options			Exercise Price £
		HNOS	PRS	SS	
David Treacher	4,235,643	—	—	12,321	1.40
David Higgins	4,206,007	—	—	12,321	1.40
Tom Crawford	3,661,450	—	—	12,321	1.40
Ian Furniss	5,714	214,285	—	—	Nil
	—	—	16,348	—	1.84
	—	—	40,000	—	1.75
	—	—	23,668	—	4.225
	—	—	111,447	—	7.305
	—	—	—	12,321	1.40
Brian Berg	5,714	—	—	—	—
Ian Kirkpatrick	3,000	—	—	—	—
Gus Moore	—	—	—	—	—
Albert Ellis	—	—	28,776	—	3.475
	—	—	78,013	—	7.305
	—	—	—	6,617	2.55

During the year Ian Furniss exercised options over 71,429 shares, with nil option price at the market price of £7.73 realising a net profit of £552,146. Albert Ellis has been awarded options over 5,754 shares under the Harvey Nash Long Term Incentive Plan.

Remuneration Report

(continued)

	Ordinary Shares	At 31 January 2000 Options			Exercise Price £
		HNOS	PRS	SS	
David Treacher	5,679,050	—	—	12,321	1.40
David Higgins	5,850,300	—	—	12,321	1.40
Tom Crawford	4,953,018	—	—	12,321	1.40
Ian Furniss	5,714	285,714	—	—	Nil
	—	—	16,348	—	1.84
	—	—	40,000	—	1.75
	—	—	23,668	—	4.225
	—	—	—	12,321	1.40
Brian Berg	5,714	—	—	—	—
Ian Kirkpatrick	3,000	—	—	—	—
Gus Moore	—	—	—	—	—

Included in the above, pursuant to the provisions of the Companies Act 1985, DH Treacher, DC Higgins and TFA Crawford are deemed to be interested, in their capacity as trustees, 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 2001, the interest was in a total of 1,448,085 ordinary shares.

The market price of an ordinary share at 31 January 2001 was 785p and the range during the year was 647.5p to 927.5p.

SHARE OPTION SCHEMES

The Harvey Nash Option Scheme

The Harvey Nash Option Scheme holds 862,836 ordinary shares. These shares were gifted to the trust by TFA Crawford DC Higgins and DH Treacher to the Harvey Nash Group plc Employment Benefit Trust Limited and are shown at nil value in the Group financial statements as they were gifted for nil consideration.

The Performance Related Scheme

The Performance Related Scheme is administered by the Board under the supervision of the Remuneration Committee. The scheme is open to all full time employees except those who have had a material interest in the Group within the previous twelve months. The options granted under the Performance Related Scheme are not exercisable unless Harvey Nash's earnings per ordinary share has increased at an average rate of 10% per annum over any period of three consecutive years commencing on the date of grant of the options.

Date of grant	No. Inland Revenue Approved/Unapproved options	Exercise price	Exercised	Lapsed	Options at 31 January 2001
8 April 1997	217,992	£1.835	95,371	76,300	46,321
8 April 1997	187,778	£1.75	142,328	—	45,450
11 May 1998	287,812	£4.225	—	128,065	159,747
31 July 1998	86,329	£3.475	—	57,553	28,776
28 May 1999	303,000	£2.985	—	85,000	218,000
3 November 1999	22,220	£4.275	—	—	22,220
27 July 2000	1,034,689	£7.305	—	5,583	1,029,106
8 August 2000	128,819	£7.57	—	3,333	125,486
7 December 2000	50,000	Nil	—	—	50,000
8 December 2000	96,782	£8.025	—	—	96,782

The Sharesave Scheme

On 2 April 1997 options over 319,534 ordinary shares were granted to 78 employees under the Sharesave Scheme at a price of £1.40, 80% of the then market price. The 3 year plan matured in April 2000. Options over 76,390 shares are still held under the 5 year plan.

On 1 July 1999 options over 142,202 ordinary shares were granted to 70 employees under a second Sharesave Scheme at a price of £2.55, 80% of the then market price. Since that date 50,071 options have been cancelled as the relevant employees left the Company.

On 6 November 2000 options over 214,025 ordinary shares were granted to 250 employees under a third Sharesave Scheme at a price of £6.67, 80% of the then market price. Since that date 6,762 options have been cancelled as the relevant employees left the Company.

The Performance Related Scheme and Sharesave Scheme are Inland Revenue Approved Schemes. The Board is able to grant unapproved options under the Performance Related Scheme.

The Harvey Nash Long Term Incentive Plan

The Harvey Nash Long Term Incentive Plan (LTIP) was established in May 1998. Under the LTIP, options have been granted to 9 employees. Employees who are invited to participate in the plan must normally agree at the beginning of the relevant financial year whether they wish to defer 0%, 15% or 25% of any annual bonus that may be paid in respect of that financial year, and instead receive a Deferred Award of share options under the LTIP, of equivalent value. The company will then grant to the employee an Incentive Award for twice as many shares as the Deferred Award. The size of the awards is calculated by reference to the Company's average share price over the six months preceding the date of any award. A Deferred Award is exercisable, without performance conditions, at any time up to seven years from the award date. An Incentive Award is exercisable five or seven years from the award date conditional on the Group achieving earnings per share growth of at least 7% per annum in excess of inflation.

On behalf of The Board.

Ian Kirkpatrick

6 April 2001

Directors' Responsibilities in Relation to the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance of the Group's website, however information published on the internet is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom.

Auditors' Report

To the Shareholders of Harvey Nash Group plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Financial Highlights, Chairman's Statement, Operating Review, Finance Director's Review, Directors' Report, Corporate Governance Report and Remuneration Report.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 January 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
and Registered Auditors*

PricewaterhouseCoopers
No 1 Embankment Place
London WC2N 6NN

6 April 2001

Consolidated Profit and Loss Account

Year ended 31 January 2001

	Notes	2001 £'000	2000 £'000
Turnover			
Continuing operations	2&3	196,356	150,998
Acquisitions		29,893	—
		226,249	150,998
Cost of sales		(171,108)	(118,071)
		55,141	32,927
Gross Profit			
Administrative expenses		(42,509)	(21,102)
Operating Profit before amortisation of capitalised goodwill and exceptionals			
		15,412	12,563
Amortisation		(2,417)	(738)
Operating Exceptional items	14	(363)	—
Group Operating Profit			
Continuing operations		10,777	11,825
Acquisitions		1,855	—
		12,632	11,825
Share of operating loss of associated undertaking		—	(127)
Total Operating Profit:			
Group and Share of Associate	3&4	12,632	11,698
Exceptional item – Non operating	14	1,646	674
Interest receivable	6	50	35
Interest payable	6	(1,357)	(433)
		12,971	11,974
Profit on ordinary activities before taxation			
Taxation on profit on ordinary activities	7	(5,606)	(3,961)
		7,365	8,013
Profit on ordinary activities after taxation			
Equity minority interest	23	(66)	(83)
		7,299	7,930
Profit for the financial year			
Dividends	8	(1,961)	(1,691)
		5,338	6,239
Retained profit for the financial year			
		5,338	6,239
Earnings per share	10	26.09p	29.50p
Diluted earnings per share	10	24.63p	27.64p
Adjusted earnings per share	10	33.41p	29.74p

Consolidated and Company Balance Sheets

as at 31 January 2001

	Notes	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000
Fixed assets					
Intangible fixed assets	11	57,744	12,082	—	—
Tangible fixed assets	12	4,661	2,199	—	—
Investments in own shares	13	1,099	401	72,900	24,094
		63,504	14,682	72,900	24,094
Current assets					
Debtors	15	50,374	26,768	3,190	3,318
Investments		96	1,117	—	—
Cash at bank		2,923	4,453	—	—
		53,393	32,338	3,190	3,318
Creditors due within one year	16	(39,609)	(25,530)	(6,488)	(1,185)
Net current assets/(liabilities)		13,784	6,808	(3,298)	2,133
Total assets less current liabilities		77,288	21,490	69,602	26,227
Creditors due after more than one year	17	(36,227)	(2,110)	(27,983)	—
		41,061	19,380	41,619	26,227
Capital and Reserves					
Share capital	20	1,478	1,423	1,478	1,423
Shares to be issued	21	9,462	—	9,462	—
Share premium account	21	4,885	4,336	4,885	4,336
Capital contribution	21	—	—	20,000	20,000
Other reserves	21	7,482	1,742	5,740	—
Profit and loss account	21	17,485	11,690	54	468
Equity shareholders' funds		40,792	19,191	41,619	26,227
Equity minority interests	23	269	189	—	—
		41,061	19,380	41,619	26,227

The financial statements on pages 24 to 48 were approved by the Board on 6 April 2001 and signed on its behalf by:

Ian Kirkpatrick Chairman
Albert Ellis Group Finance Director

Consolidated Cash Flow Statement

Year ended 31 January 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	24	9,193	10,748
Returns on investments and servicing of finance			
Interest received		50	35
Interest paid		(1,357)	(426)
HP interest paid		—	(6)
Net cash outflow from returns on investments and servicing of finance		(1,307)	(397)
Tax paid		(3,522)	(3,799)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,263)	(1,245)
Sale of investment	14	3,402	30
Purchase of fixed asset investments		(933)	—
Purchase of own shares		(459)	(401)
Net cash outflow from capital expenditure		(1,253)	(1,616)
Acquisitions and disposals			
Purchase of subsidiary undertakings	22	(14,505)	(856)
Purchase of a trade	22	(1,534)	—
Net cash acquired with subsidiary undertakings		1,784	—
Net proceeds from part disposal of associated undertaking		—	7
Loan to associated undertaking		—	(110)
Net cash outflow from acquisitions and disposals		(14,255)	(959)
Equity dividends paid		(1,803)	(1,531)
Financing			
Issue of share capital		565	—
Repayment of acquired debt		(2,144)	—
Long term borrowings		13,524	(118)
Capital element of finance lease repayments		(38)	(31)
Net cash inflow/(outflow) from financing		11,907	(149)
(Decrease)/increase in cash in the period	25	(1,040)	2,297

Statement of Total Recognised Gains and Losses

Year ended 31 January 2001

	2001 £'000	2000 £'000
Profit for the financial year	7,299	7,930
Currency translation differences on foreign currency net investments offset in reserves	457	(705)
Total recognised gains for the year	7,756	7,225

Historical Cost Profits and Losses

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

Reconciliation of Movements in Shareholders' Funds

Year ended 31 January 2001

	2001 £'000	2000 £'000
Profit for the financial year	7,299	7,930
Equity dividends	(1,961)	(1,691)
Issue of share capital	55	14
Shares to be issued	9,462	—
Share premium	549	842
Other reserve	5,740	—
Currency translation differences on foreign currency net investments offset in reserves	457	(705)
Net increase in equity shareholders' funds	21,601	6,390
Opening shareholders' funds	19,191	12,801
Closing equity shareholders' funds	40,792	19,191

Notes to the Financial Statements

Year ended 31 January 2001

1 BASIS OF PREPARATION

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

2 ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and all its subsidiary undertakings made up to the year end using acquisition accounting. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra Group sales and profits are eliminated fully on consolidation.

On the acquisition of a subsidiary all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

(b) Associated undertakings

Associated undertakings represent companies in which Harvey Nash Group plc had a participating interest which were held for the long term and over whose operating and financial policies the Company exercised significant influence. The consolidated profit and loss account includes Harvey Nash Group plc's share of profits or losses of its associates for the year. The consolidated balance sheet includes the value of its associated undertakings as the share of net assets or net liabilities.

(c) Turnover

Turnover represents the invoiced value of services provided during the year excluding VAT.

(d) Depreciation

Depreciation is provided on a monthly basis to write off the cost of each asset over its estimated useful life according to the following rates:

Leasehold improvements	over the term of the lease
Office equipment	20% straight line
Furniture, fixtures and equipment	20% straight line
Computer equipment	33 $\frac{1}{3}$ % straight line
Motor vehicles	25% reducing balance

(e) Foreign exchange

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

On consolidation, revenues, costs and cashflows of overseas undertakings are included in the Group profit and loss account at average rates of exchange for the period. The assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date.

Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

2 ACCOUNTING POLICIES (continued)

(e) Foreign exchange (continued)

The principal exchange rates affecting the Group were:

	2001		2000	
	31 January	Average	31 January	Average
German Mark	3.0730	3.2043	3.2403	3.0022
Swiss Franc	2.4021	2.5406	2.6643	2.4575
Dutch Guilder	3.4624	3.6104	3.6509	3.3826
Belgian Franc	63.3804	66.0890	66.8319	61.9210
French Franc	10.3061	10.7518	10.8674	10.0689
US Dollar	1.4611	1.4745	—	—
Australian Dollar	2.6607	2.6315	—	—
Hong Kong Dollar	11.3953	11.3141	—	—

(f) Leasing and hire purchase

Assets acquired under finance leases and hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

Rentals payable under operating lease and contract hire agreements are taken to the profit and loss account on a straight line basis over the lease term.

(g) Pensions

Pension costs on defined contribution schemes are charged to the profit and loss account in the year in which they arise.

(h) Goodwill

From 1 February 1998 goodwill arising on each acquisition is capitalised and amortised on a straight line basis over a period up to 20 years. Directors estimate for each individual acquisition the length of time over which the values of the underlying businesses acquired are expected to exceed the value of the identifiable net assets.

Goodwill previously eliminated against reserves has not been reinstated. The profit or loss on the disposal or termination of a business includes any goodwill previously eliminated against reserves.

(i) Taxation

Current taxation is applied to taxable profits at the rates ruling in the relevant country. Deferred taxation, computed under the liability method, is provided in respect of timing differences, including revaluation surpluses, to the extent that it is probable that a liability will arise in the foreseeable future.

(j) Employee Share Ownership plans

Where shares, or options over shares, are issued to employees via an employee share ownership plan at below market value, the economic cost to the Group is recognised as a charge to the profit and loss account at the time awards are granted or where the Group is irrevocably committed to granting the award.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

2 ACCOUNTING POLICIES (continued)

(k) Treasury management

Treasury policy and significant treasury transactions are approved by the Board. The Group's policies in respect of treasury management are as follows:

Interest rates

The Group's policy is to minimise interest charges. Interest rates are managed using floating rate borrowings linked to UK base rates, including overnight rates where these are favourable.

Hedging

The Group does not enter into any derivative instruments to hedge interest rate or currency risk.

Financing

The Group's principal financial instruments are loan capital, cash, long-term borrowings and short-term deposits. The Group has other financial instruments such as trade debtors and trade creditors which arise directly from its operations. Acquisitions are financed through a mixture of equity and medium-term borrowings. Working capital finance for day to day requirements is provided through operating cash generation supported by short term overdraft facilities. All of the Group's long-term loans are raised centrally and lent down to subsidiaries.

Foreign currency risk

The Group's policy is to minimise foreign currency risk. The Group's policy is to hedge currency exposure on overseas investments through borrowings.

3 ANALYSIS OF TURNOVER AND OPERATING PROFIT BY GEOGRAPHICAL AREA AND MARKET SECTOR

	2001 £'000	2000 £'000
Turnover		
<i>Geographical area by location of Group operations</i>		
United Kingdom	146,206	105,588
Rest of Europe	66,365	45,410
United States	12,849	—
Asia Pacific	829	—
	226,249	150,998
<i>Market sector</i>		
Resourcing Services:		
Resourcing	167,622	129,030
Resource Management	19,249	4,774
	186,871	133,804
Consulting Services:		
On-line Services	38,471	17,194
	907	—
	226,249	150,998

It is considered that turnover by location of client operations is not materially different to turnover by location of Group operations.

3 ANALYSIS OF TURNOVER AND OPERATING PROFIT BY GEOGRAPHICAL AREA AND MARKET SECTOR
(continued)

	2001 £'000	2000 £'000
Total operating profit		
<i>Geographical area</i>		
United Kingdom	8,320	8,587
Rest of Europe	4,028	3,238
United States	518	—
Asia-Pacific	(234)	—
Associate	—	(127)
	12,632	11,698
	2001 £'000	2000 £'000
<i>Market sector</i>		
Resourcing Services:		
Resourcing	8,520	9,084
Resource Management	73	(173)
	8,593	8,911
Consulting Services	4,529	2,914
On-line Services	(490)	—
Associate	—	(127)
	12,632	11,698
	2001 £'000	2000 £'000
Total operating profit before goodwill amortisation and associate		
<i>Geographical area</i>		
United Kingdom	10,510	8,781
Rest of Europe	4,618	3,782
United States	518	—
Asia-Pacific	(234)	—
	15,412	12,563
<i>Market sector</i>		
Resourcing Services:		
Resourcing	11,300	9,822
Resource Management	73	(173)
	11,373	9,649
Consulting Services	4,529	2,914
On-line Services	(490)	—
	15,412	12,563

The presentation of the segmental information has been modified to reflect the new structure of the Group. IT Contract Services and File Search have been combined within Resourcing Division and Executive Search and Selection has become the Consulting division.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

3 ANALYSIS OF TURNOVER AND OPERATING PROFIT BY GEOGRAPHICAL AREA AND MARKET SECTOR (continued)

	2001 £'000	2000 £'000
Net Assets		
<i>Geographical area by location of client operations</i>		
United Kingdom	37,115	17,409
Rest of Europe	3,328	1,971
United States	921	—
Asia Pacific	(303)	—
	41,061	19,380

Since many of the assets within the Harvey Nash Group are shared by the four market sectors, it is considered neither practicable nor meaningful to provide an analysis of the net assets/liabilities by market sector.

4 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following amounts:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	1,351	834
Amortisation of goodwill	2,417	738
Profit on disposal of tangible fixed assets	—	(17)
Auditors' remuneration		
– audit services parent company	10	10
– audit services other Group companies	206	104
– non-audit services	—	58
Operating lease rentals		
– plant and equipment	604	396
– land and buildings	2,342	526
Exchange losses/(gains) on trading	6	296

There is no UITF 17 charge under the Sharesave Schemes as these are specifically exempted from the provisions of the abstract.

5 EMPLOYEES

Employee costs (including Directors) were as follows:

	2001 £'000	2000 £'000
Wages and salaries	31,112	16,826
Social security costs	3,288	2,182
Pension costs	480	182
	34,880	19,190

Average staff numbers for the year were as follows:

	No	No
Directors	4	4
Sales	469	292
Administration	188	93
	661	389

6 INTEREST RECEIVABLE/(PAYABLE)

	2001 £'000	2000 £'000
Bank interest receivable	50	35
Interest payable		
Bank loans and overdrafts	(1,357)	(426)
Hire purchase interest	—	(7)
	(1,357)	(433)
Net interest payable	(1,307)	(398)

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom corporation tax for		
current year at 30% (2000: 31%)	4,842	3,149
Adjustment in respect of prior year	—	(49)
Overseas tax	764	861
	<hr/>	<hr/>
	5,606	3,961

No provision for deferred taxation is considered necessary.

8 DIVIDENDS

	2001 £'000	2000 £'000
Ordinary shares		
Interim dividend paid 2.4p per share (2000: 2.1p)	678	565
Final dividend proposed 4.5p per share (2000: 4.2p)	1,283	1,126
	<hr/>	<hr/>
	1,961	1,691

The Harvey Nash Employee Benefit Trust, which owns 1,050,686 shares, has agreed to waive its entitlement to dividends for the statutory period.

9 PROFIT ATTRIBUTED TO THE PARENT COMPANY

The profit after tax for the year ended 31 January 2001 in the financial statements of Harvey Nash Group plc, the Company, was £1,546,449 (2000: 1,870,476). As allowed by S230 Companies Act 1985, no profit and loss account is presented in respect of the parent company.

10 EARNINGS PER SHARE

	31 January 2001 £'000	31 January 2000 £'000
Profit attributable to shareholders	7,299	7,930
Weighted average number of shares	27,973,144	26,881,157
Basic earnings per ordinary share post exceptionals	26.09p	29.50p

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 Benefit Trust, which are treated as cancelled.

Profit attributable to shareholders	7,299	7,930
Weighted average number of shares	27,973,144	26,881,157
Effect of dilutive securities	1,659,326	1,810,107
Adjusted weighted average number of shares	29,632,470	28,691,264

Diluted earnings per ordinary share	24.63p	27.64p
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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 dilutive 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.

Profit attributable to shareholders	7,299	7,930
Amortisation of goodwill	2,417	738
Exceptionals	(1,283)	(674)
Tax on exceptionals	912	—
Adjusted profit after tax	9,345	7,994
Weighted average number of shares	27,973,144	26,881,157
Adjusted earnings per ordinary share	33.41p	29.74p

Adjusted earnings per share has been calculated before amortisation and exceptional items.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

11 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 February 2000	13,178
Additions	47,563
Exchange movements	575
<hr/>	
At 31 January 2001	61,316
<hr/>	
Aggregate amortisation	
At 1 February 2000	1,096
Charge for the year	2,417
Exchange movements	59
<hr/>	
At 31 January 2001	3,572
<hr/>	
Net book value	
At 31 January 2001	57,744
<hr/>	
At 31 January 2000	12,082

12 TANGIBLE FIXED ASSETS

The movement of tangible fixed assets for the year was as follows:

	Leasehold improvements £'000	Office equipment £'000	Furniture fixtures & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 31 January 2000	661	454	655	1,982	161	3,913
Additions	915	292	363	1,620	—	3,190
Acquisitions	26	23	147	407	—	603
Disposals	(25)	—	(51)	(115)	(64)	(255)
Exchange movements	28	16	33	59	—	136
<hr/>						
At 31 January 2001	1,605	785	1,147	3,953	97	7,587
<hr/>						
Depreciation						
As at 31 January 2000	109	263	325	968	49	1,714
Charge for the year	96	100	175	963	17	1,351
Disposals	(13)	—	(1)	(116)	(50)	(180)
Exchange movements	2	4	11	24	—	41
<hr/>						
At 31 January 2001	194	367	510	1,839	16	2,926
<hr/>						
Net book value						
At 31 January 2001	1,411	418	637	2,114	81	4,661
<hr/>						
At 31 January 2000	552	191	330	1,014	112	2,199

12 TANGIBLE FIXED ASSETS (continued)

ASSETS HELD UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS (included above)

	Furniture fixtures & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost at 31 January 2001	—	—	—	—
Accumulated depreciation at 31 January 2001	—	—	—	—
Net book value at 31 January 2001	—	—	—	—
Cost at 31 January 2000	—	23	—	23
Accumulated depreciation at 31 January 2000	—	17	—	17
Net book value at 31 January 2000	—	6	—	6

13 INVESTMENTS

	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000
Investment in subsidiary undertakings	—	—	72,900	24,094
Investment in own shares	860	401	—	—
Other fixed asset investments	239	—	—	—
	1,099	401	72,900	24,094

Investment in own shares

Investment in own shares of £859,640 (1999: £401,000) represents the cost of 1,050,686 of the Company's shares, acquired by Harvey Nash Employee Benefit Trust Limited to meet obligations under the Harvey Nash Option Scheme (HNOS) and the Harvey Nash Long Term Incentive Plan (LTIP). Details of the shares held by the Trust are shown in the table below:

Date of purchase	Scheme	No. of shares	Nominal value (£)	Cost price (£)	Total Cost (£)	Market value at 31.1.01 (£)
25.3.97	HNOS	862,836	43,142	Nil	Nil ¹	6,773,263
3.6.99	LTIP	122,850	6,142	3.24	401,000 ²	964,137
11.7.00	LTIP	65,000	3,250	7.00	458,640 ²	510,250
Total		1,050,686	52,534		859,640	8,247,650

¹ The shares under the HNOS were gifted to the Trust by Directors TFA Crawford, DC Higgins and DH Treacher.

² The cost of shares acquired for the LTIP includes commission.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

13 INVESTMENTS (continued)

Subsidiary undertakings

The details of the subsidiary companies existing at 31 January 2001 are as follows:

Name of Company	Country of incorporation and operation	Principal activity
Harvey Nash Plc	England	Recruitment consultancy
Mortimer Spinks Limited	England	Recruitment consultancy
Vertis Consulting Limited	England	Recruitment consultancy
Harvey Nash AG	Switzerland	Recruitment consultancy
Harvey Nash BV	The Netherlands	Recruitment consultancy
Interim Management Information Technology Limited	England	Recruitment consultancy
Nash Direct.com Ltd (formerly Ortus.net Ltd)	England	Recruitment consultancy
Harvey Nash Resource Management Limited	England	Resource management
Inston Services BV and subsidiaries	The Netherlands	Recruitment consultancy and holding company
Harvey Nash IT Consulting NV (formerly European Experts NV)	Belgium	Recruitment consultancy
Harvey Nash SA	France	Recruitment consultancy
Harvey Nash GmbH	Germany	IT project services
Harvey Nash Group EBT Limited	England	Trustee of HNG Employee Benefit Trust 1997
Harvey Nash NV	Belgium	Holding company
Harvey Nash NV	Luxembourg	Recruitment consultancy
Techpartners International Ltd	England	Recruitment consultancy
Techpartners International Pty	Australia	Recruitment consultancy
Techpartners International Inc	United States	Recruitment consultancy
Impact Executives Ltd	England	Recruitment consultancy
Impact Executives GmbH	Germany	Recruitment consultancy
Impact Executives Hong Kong Ltd	Hong Kong	Recruitment consultancy
Nash Direct GmbH	Germany	Recruitment consultancy
Nash Direct AG	Switzerland	Recruitment consultancy
Nash Direct NV	Belgium	Recruitment consultancy

The Company or Harvey Nash Plc owns directly or indirectly 100% of the ordinary share capital and voting rights of all companies, except Harvey Nash IT Consulting NV, where 90% of the ordinary share capital and voting rights are owned.

14 EXCEPTIONAL ITEMS

Operating exceptional items

Operating exceptional items represent the integration costs associated with the acquisition of the Techpartners Group and the Impact Executives Group.

Non-operating exceptional items

During the year the Group disposed of its holding in Stepstone ASA. This generated a book profit after associated costs of £2.3m.

The Group wrote down the value of its holding in Cube8.com Plc from £0.6m to £0.05m and the value of its holding in Inflexion Plc from £0.1m to £0.05m.

The tax effect on the operating and non-operating exceptional items is £0.9m.

Reconciliation of non-operating exceptional items to cash flow statement

	£
Non-operating exceptional items shown in the profit and loss account	1,646
Write-down of current asset investments	639
Book value of Stepstone shares	1,117
<hr/>	
Sale of investment	3,402

15 DEBTORS

	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000	
Trade debtors	41,781	24,108	—	—	
Amounts owed by subsidiary undertakings	—	—	3,153	3,318	
Other debtors	1,087	94	37	—	
Prepayments and accrued income	7,506	2,566	—	—	
<hr/>		<hr/>		<hr/>	
	50,374	26,768	3,190	3,318	

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000
Bank overdraft	—	666	—	—
Bank loans – secured	—	5,782	—	—
Obligations under finance lease and hire purchase contracts	—	14	—	—
Trade creditors	13,188	5,893	—	—
Loan notes	1,758	—	1,758	—
Corporation tax	4,338	2,633	—	59
Other taxes and social security	4,481	2,773	—	—
Accruals and deferred income	10,445	6,597	—	—
Deferred consideration	3,447	—	3,447	—
Other creditors	669	46	—	—
Proposed dividend	1,283	1,126	1,283	1,126
	39,609	25,530	6,488	1,185

Bank overdrafts of £4.9m have been netted off within cash on the face of the balance sheet due to a Group banking arrangement.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000
Bank loans – secured	21,242	1,000	—	—
Deferred consideration	14,985	1,105	13,821	—
Amounts owed to subsidiary undertakings	—	—	14,162	—
Obligations under finance leases and hire purchase contracts	—	5	—	—
	36,227	2,110	27,983	—

The bank loan is a revolving credit facility to a maximum limit of £23m, which can be drawn down in any currency and bears interest charged at 1.125% over LIBOR. The loans are repayable in instalments to April 2005. No repayment is due until April 2003.

18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	Group 31 January 2001 £'000	Group 31 January 2000 £'000
Repayable within one year	—	6
Repayable between one and five years	—	17
<hr/>		
Total gross payments	—	23
Less finance charges and interest allocated to future periods	—	3
<hr/>		
	—	20
<hr/>		
Due within one year	—	5
Due after more than one year	—	15
<hr/>		
	—	20
<hr/>		

Harvey Nash Group plc, the Company, has no obligations under hire purchase contracts and finance leases.

19 OPERATING LEASE COMMITMENTS

The Group has annual commitments under operating leases which expire as follows:

	Group 31 January 2001 £'000	Group 31 January 2000 £'000
Land and buildings		
Leases expiring within one year	99	175
Leases expiring between one and five years	822	332
Leases expiring in more than five years	1,682	63
<hr/>		
	2,603	570
<hr/>		
Other operating leases		
Leases expiring within one year	157	56
Leases expiring between one and five years	446	400
Leases expiring in more than five years	27	—
<hr/>		
	630	456
<hr/>		

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

20 SHARE CAPITAL

	Group 31 January 2001 £'000	Group 31 January 2000 £'000	Company 31 January 2001 £'000	Company 31 January 2000 £'000
Authorised				
40,000,000 ordinary shares of 5p each	2,000	2,000	2,000	2,000
Allotted and fully paid				
29,552,602 ordinary shares of 5p each (2000: 28,457,608)	1,478	1,423	1,478	1,423

Shares issued during the year related to the Techpartners acquisition and exercise of share options. See note 22.

21 RESERVES

Group	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	
1 February 2000	—	4,336	1,742	11,690	
Shares to be issued	9,462	—	—	—	
Premium on shares issued	—	549	—	—	
Merger reserve	—	—	5,740	—	
Retained profits for the year	—	—	—	5,338	
Exchange gain	—	—	—	457	
31 January 2001	9,462	4,885	7,482	17,485	
Company	Shares to be issued £'000	Share premium account £'000	Capital contribution £'000	Other reserves £'000	Profit and loss account £'000
1 February 2000	—	4,336	20,000	—	468
Shares to be issued	9,462	—	—	—	—
Premium on shares issued	—	549	—	—	—
Merger reserve	—	—	—	5,740	—
Retained profits for the year	—	—	—	—	(414)
31 January 2001	9,462	4,885	20,000	5,740	54

Shares to be issued relate to the value of the deferred consideration shares that are estimated will be issued under the terms of the sale and purchase agreement for the acquisition of Techpartners International.

22 ACQUISITIONS

TechPartners International

On 25 April 2000, the Group acquired 100% of the share capital of the Techpartners International Group, an international resource solutions provider to the IT, Telecomms and E-commerce sectors for an initial consideration of £15m. This was satisfied by cash of £7.5m, loan notes issued of £1.8m and by the issue of 755,739 new Harvey Nash Group plc ordinary shares. Deferred consideration estimated at £3.5m is payable in April 2001 and final deferred consideration of up to £27m is payable in April 2003.

Procomp NV

On 9 July 2000 the Group acquired the contracts of Procomp NV, a Belgian IT services company for cash consideration of BEF 98.5m (£1.5m).

22 ACQUISITIONS (continued)

Impact Executives

On 9 October 2000, the Group acquired 100% of the Impact Executives Group, an international interim management business for initial cash consideration of £5.9m. Deferred cash consideration of up to £4.1m is payable in October 2002.

	Techpartners Group 25 April 2000 Book value £'000	Fair value adjustment £'000	Fair value £'000	Procomp 9 July 2000 £'000	Impact Executives Group 9 October 2000 £'000	Total £'000
Fixed assets	603	—	603	—	—	603
Debtors	5,456	10 ⁽¹⁾	5,466	628	1,596	7,690
Cash	1,455	—	1,455	—	328	1,783
Creditors	(4,237)	—	(4,237)	—	(944)	(5,181)
Factoring obligation	(1,618)	—	(1,618)	—	—	(1,618)
Finance lease	(17)	—	(17)	—	—	(17)
Loans	(519)	—	(519)	—	—	(519)
	1,123	10	1,133	628	980	2,741

Value of consideration and capitalised costs

Cash	—	—	8,278	1,534	6,227	16,039
Loan notes	—	—	1,757	—	—	1,757
Shares	—	—	5,778	—	—	5,778
Deferred consideration	—	—	25,230	—	1,500	26,730
Goodwill	—	—	39,910	906	6,747	47,563

Period of amortisation

20 years

5 years

20 years

Deferred consideration represents the Directors' estimate of the actual amounts expected to be paid at the end of the relevant performance periods.

⁽¹⁾Fair value adjustment represents changes in accounting policy resulting in a write back of overpayment of £136,000 and revenue recognition adjustment of £126,000.

The profits of the acquired groups up to the date of the acquisition and for the prior year as follows:

	Techpartners Group 1 January 2000 - 24 April 2000 £000	Impact Executives* 3 July 1999 - 9 October 2000 £000
Turnover	9692	10364
Operating profit	682	442
Profit before taxation	611	461
Taxation	(235)	(220)
Profit after tax	376	241
	31 December 1999 £000	
Profit after tax	573	N/A

*The Impact Executive numbers have been taken from the management accounts and include all acquired subsidiaries from the date of incorporation of the UK trading company.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

23 ANALYSIS OF MINORITY INTEREST

	£'000
Balance at 1 February 2000	189
Minority interest in profit on ordinary activities after tax	66
Exchange movements	14
Balance at 31 January 2001	269

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW

	2001 £'000	2000 £'000
Group operating profit	12,632	11,825
Depreciation	1,351	834
Amortisation	2,417	738
Profit on disposal of fixed assets	—	(17)
Increase in debtors	(15,623)	(5,897)
Increase in creditors	8,416	3,265
Net cash inflow from operating activities	9,193	10,748

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 January 2001 £'000	31 January 2000 £'000
(Decrease)/increase in cash during the year	(1,040)	2,297
(Increase)/decrease in debt and lease finance	(11,342)	148
	(12,382)	2,445
Non cash movements	(1,758)	—
Loans and finance leases acquired	(2,155)	—
Foreign exchange	(760)	989
(Increase)/decrease in debt during the year	(17,055)	3,434
Net debt at beginning of year	(3,015)	(6,449)
Net debt at end of year	(20,070)	(3,015)
Net cash	2,923	3,787
Borrowings	(22,993)	(6,802)
	(20,070)	(3,015)

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (continued)

Analysis of changes in net debt

	1 February 2000	Cash Flow	Acquisitions	Non Cash movements	Foreign Exchange	31 January 2001
Cash	4,453	(1,706)	—	—	176	2,923
Overdraft	(666)	666	—	—	—	—
	3,787	(1,040)	—	—	176	2,923
Debt due within 1 year	(5,782)	5,782	—	—	—	—
Debt due after 1 year	(1,000)	(19,305)	—	—	(937)	(21,242)
Factoring	—	1,626	(1,619)	—	—	7
Acquired debt	—	519	(519)	—	—	—
Loan notes	—	—	—	(1,758)	—	(1,758)
Finance leases	(20)	37	(17)	—	—	—
	(6,802)	(11,341)	(2,155)	(1,758)	(937)	(22,993)
Total	(3,015)	(12,381)	(2,155)	(1,758)	(761)	(20,070)

26 DIRECTORS

	2001 £'000	2000 £'000
Total emoluments of the Directors		
Fees	85	73
Basic salaries, allowances and taxable benefits	575	509
Car allowance	48	44
Bonuses	173	305
Pension contributions	58	51
Total emoluments	939	982
Emoluments of Chairman	42	42
Emoluments of highest paid Director (including pension contributions)	229	250

Company policy on the remuneration of Directors and details of the remuneration of each Director are set out in the Remuneration Report on pages 18 to 21.

27 PENSIONS

Harvey Nash has in place two pension schemes; the Harvey Nash plc Directors Retirement and Death Benefits Scheme and a Group Personal Pension Plan provided by National Provident Institution and Legal and General.

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.

Notes to the Financial Statements

Year ended 31 January 2001 (continued)

27 PENSIONS (continued)

The retirement scheme is provided on a defined contribution basis. The contributions in the period were £31,000 (2000: £50,400).

The Group Personal Pension Plan (the "Plan") is a defined contribution scheme provided by National Provident Institution and Legal and General. The Company'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 Company contributes five per cent and the employee contributes three per cent. of the employee's basic earnings (excluding bonuses) to the Plan. There is one member in respect of whom only the Company makes contributions. As at January 2001, there were 97 members (Prior Year: 65) of the Plan. The Company's total contribution to the Plan for the period to 31 January 2001 was £194,920 (2000: £107,702). Contributions in respect of Directors Albert Ellis and Ian Furniss were £24,000 (2000: £14,000).

28 RELATED PARTY TRANSACTIONS

During the year to 31 January 2001 the Group paid £4,500 (2000: £4,750) for accountancy services to Berg Kaprow Lewis, a partnership of which Brian Berg (former Non-Executive Director) is an equity partner.

An amount of £378,286 was payable to a senior manager within the Group as part of the costs associated with the disposal of Internet Appointments Limited and the related investment in, and the subsequent disposal of Stepstone shares. The amount was deducted in calculating the profit on disposal.

29 FINANCIAL INSTRUMENTS

An explanation of the Group's treasury policy and controls is included on page 30. As permitted by FRS 13 short-term debtors and creditors have been excluded from disclosure of financial liabilities and financial assets.

a) Financial assets

As at January 2001	Floating rate £000	Non interest bearing £000	Total £000
Sterling	618	3,478	4,096
German Mark	—	1,973	1,973
Swiss Franc	—	451	451
Dutch Guilder	—	129	129
Belgian Franc	—	574	574
French Franc	—	52	52
US Dollar	—	435	435
Australian Dollar	—	63	63
Hong Kong Dollar	—	33	33
	618	7,188	7,806

29 FINANCIAL INSTRUMENTS (continued)

As at January 2000	Floating rate £000	Non interest bearing £000	Total £000
Sterling	1,600	1,349	2,949
German Mark	—	514	514
Swiss Franc	—	318	318
Dutch Guilder	—	400	400
Belgian Franc	—	158	158
Euros	—	60	60
French Franc	—	54	54
	1,600	2,853	4,453

b) Financial liabilities

As at January 2001	Floating rate £000	No interest paid £000	Total £000
Sterling	12,684	—	12,684
Euros	10,043	—	10,043
US Dollar	3,400	—	3,400
	26,127	—	26,127

Bank overdrafts of £4.9m have been included within cash on the face of the balance sheet.

As at January 2000	Floating rate £000	No interest paid £000	Total £000
Sterling	666	—	666
Euros	6,782	—	6,782
	7,448	—	7,448

The floating rate financial liabilities comprise bank loans and overdrafts bearing interest rates based on local money market rates.

29 FINANCIAL INSTRUMENTS (continued)

c) Maturities of financial liabilities

Total borrowings are repayable as follows:

	2001 £000	2000 £000
Within one year	4,885	1,000
Between one and two years	—	4,782
Between two and five years	21,242	1,000
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	26,127	6,782

The maturities of other financial liabilities are as follows:

	2001 £000	2000 £000
Within one year	5,205	—
Between one and two years	—	1,104
Between two and five years	14,985	—
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	20,190	1,104

Other financial liabilities comprise acquisition liabilities due after one year.

d) Committed undrawn facilities

The maturities of the committed undrawn bank facilities available to the Group are as follows:

	2001 £000	2000 £000
Between one and two years	—	2,182
Between two and five years	—	—
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	—	2,182

Harvey Nash

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