

# Harvey Nash

INTERIM REPORT 2000

HARVEY NASH GROUP PLC

“ In the six months ended 31 July 2000 Harvey Nash has continued to benefit from its strategy of focusing on fast growing markets, increasing its portfolio of services and geographical expansion.”

Ian Kirkpatrick  
Chairman

## FINANCIAL HIGHLIGHTS

For the 6 months ended 31 July 2000

|                            | 2000          | 1999   | % increase |
|----------------------------|---------------|--------|------------|
| <b>Turnover</b>            | <b>£93.2m</b> | £71.9m | <b>30%</b> |
| <b>Operating profit*</b>   | <b>£7.1m</b>  | £5.9m  | <b>18%</b> |
| <b>Earnings per share*</b> | <b>16.26p</b> | 14.07p | <b>16%</b> |
| <b>Dividends per share</b> | <b>2.40p</b>  | 2.10p  | <b>14%</b> |

\* adjusted for amortisation of goodwill

Harvey Nash has become a leading global resource solutions group with 644 staff worldwide. Our international network of 28 offices now covers Europe, the USA and Asia Pacific. The Group operates through three Divisions; Consulting Services, Resourcing Services and On-line Services.

The Group will continue to develop its global resourcing capabilities by investing in new regions, developing new services and providing professional services to our clients.

## CHAIRMAN'S STATEMENT

In the six months ended 31 July 2000, Harvey Nash has become a leading global resource solutions organisation. The Group has continued to benefit from its strategy of focusing on fast growing markets, increasing its portfolio of services and geographical expansion.

The strategic development of our global office network from 19 to 28 offices, through both organic growth and acquisition, has enabled us to offer our clients global resourcing solutions. We have expanded our range of services by the successful launch of our E-cruitment service, FirstPersonGlobal.com, and an offshore development service in the Far East providing a natural extension of our ability to give clients a people based resourcing solution.

Growth in all parts of the business, particularly in the fast growing Telecomms, New Media and E-Business sectors continues.

The acquisition of Techpartners in April provided Harvey Nash with key access to the world's largest IT market, the United States, and to emerging new technology businesses. This business has performed well since acquisition and forms the basis of our plans to significantly grow our presence in this market. The acquisition of the Impact Executives Group, combined with our existing business, will create Europe's leading Interim Management services consultancy, further enhancing Harvey Nash's global capability. In particular our new office in Hong Kong will give the Group tremendous opportunities to expand our services in Asia Pacific.

### GROUP RESULTS

The Group increased turnover by 30% to £93.2m (1999: £71.9m). Gross Profit margins increased to 25.5% (1999: 22.8%) due to the mix of higher margins in the US and Europe combined with record results achieved in our Consulting Services Division.

Operating profit before goodwill increased by 18% to £7.1m (1999: £5.9m). This includes expenditure of £0.5m on our internet portal, FirstPersonGlobal.com. Excluding this, the operating profit would have been £7.6m, an increase of 27% on the previous year. Operating margins were also affected by the investment in new services and offices.

Earnings per share adjusted for goodwill are 16.26p, an increase of 16% (1999: 14.07p).

The Board has decided to declare an interim dividend of 2.40p per share, which represents an increase of 14% over the prior year dividend of 2.10p. This will be payable on 30 November 2000 to all shareholders on the register at 20 October 2000.

## OPERATIONAL

At the beginning of the year Harvey Nash re-organised its services into three Divisions, Consulting Services, Resourcing Services and On-line Services.

### Consulting Services

The Consulting Services Division comprises International Search & Selection and Interim Management.

Revenues increased by a record 67% to £14.6m (1999: £8.7m) with profits up 87% to £2.9m (1999: £1.6m). This result has been achieved through Harvey Nash's focus on IT, Telecomms, New Media and the demand for E-commerce specialists. Revenues from these sectors now represent 54% of total revenue for this Division. All practices achieved record results, with the UK Technology Practice doubling their revenues. The success of the new regional UK offices also contributed to this achievement.

The development of our International Search & Selection business in mainland Europe has also produced record results. We are accelerating our growth plans in Germany, Europe's largest economy, investing in consultants, management and further expanding our office capacity. Three start up offices, in Frankfurt, Munich and Dusseldorf, are planned to be fully operational by the end of this year. This cost will primarily affect the second half of the year ending January 2001.

The acquisition of the Impact Executives Group from PA Consulting Group will enable the Division to work with clients as the pace of change creates new opportunities to provide flexible consultancy solutions to meet clients' management needs throughout Europe.

### Resourcing Services

The Resourcing Services Division comprises Harvey Nash's IT Contracts Services, File Search, Resource Management and the recently acquired Techpartners Group.



## CHAIRMAN'S STATEMENT

Revenues increased by 24% to £78.5m (1999: £63.2m) with profits up 5% to £4.6m (1999: £4.4m). Operating profit margin was 6% compared to 7% in the prior year due to the investment of rolling out File Search across all of our European offices. The Division's performance was also affected by a slower UK contracts market throughout the first half. Despite these market conditions, our UK business has continued to grow its contractor numbers during this period and increase its market share. The rate of growth has increased in the last few months as the demand for IT Contract services has increased. Our European offices have continued to perform well, however this benefit has been diluted by the 9% depreciation in the average value of the Euro compared to the same period last year.

Our growing network of offices outside the UK, now including 3 in the USA and 2 in Australasia, account for 45% of the total number of consultants on assignment (1999:37%). Our businesses outside the UK achieved higher margins as demand in these markets is driven more by service than price in comparison to the UK. The addition of Techpartners to the Group has further increased our strength in E-commerce, emerging new technology businesses and the Telecomms sectors. It is through these markets that the Group intends to build global relationships with its clients.

As stated previously the establishment of an offshore software development service, is a natural extension of our ability to provide our clients with people based resourcing solutions. We have signed our first contract with a large European mobile Telecomms company to outsource a key software development project to our offshore organisation. Revenues are expected to total US\$0.5m in the first year. Initial start-up costs have been expensed in the first six months of this year.

Harvey Nash Resource Management has provided significant value this year to its major clients and increased the professional services profile of the Group. This resulted in revenues increasing from £0.7m last year to £5.6m this year.

### **On-line Services**

FirstPersonGlobal.com, Harvey Nash's 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. Targeted at senior business people, it combines directly relevant content, career planning, management information and personal networking on one internet site. The site has had over half a million visits with 6500 candidate registrations and over 7000 applications for positions on-line. Our investment so far this year is a net cost of £0.5m. E-cruitment is predicted to be one of the fastest growing markets in recruitment. Due to the success of this service to date and increasing client interest we anticipate accelerating the investment programme over the next twelve months.

A new strategic alliance was agreed with Inflexion plc, the AIM listed pan-European technology investor, specialising in E-commerce and mobile communications start-ups, with Harvey Nash as their strategic HR partner on the advisory panel.

## **STAFF AND MANAGEMENT**

Our staff and management across the Group have been key to the success and achievements of the Group over the last six months. I wish to thank all employees for their continued support and hard work. I would like to give a warm welcome to all new employees who have joined the Group in the last six months. I am particularly pleased with the growing number of international staff who will be instrumental in delivering our global services.

Retention of our staff is key to our success and I am delighted that the new Executive Share Option Scheme 2000 was implemented following approval at the AGM.

## **FUTURE PROSPECTS**

Harvey Nash continues to gain market share in existing markets and we look forward to further growth in Europe, the USA and Asia Pacific. We are accelerating our investment in new regions and developing new services, which will better position the Group to meet the increasingly global service requirements of our clients.

Activity levels in the second half of this year continue to be strong, as expected. The growing global skills shortages in technology and the rapid pace of change driven by globalisation and E-commerce provides a robust platform for future growth.

### **Ian Kirkpatrick**

Chairman

6 October 2000

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months from 1 February to 31 July 2000

|   | Note | Unaudited<br>6 months<br>to 31 July<br>2000<br>£000 | Unaudited<br>6 months<br>to 31 July<br>1999<br>£000 | Year ended<br>31 January<br>2000<br>£000 |
|---|------|---|---|--|
| <b>Turnover</b>   |      |   |   |  |
| Continuing operations   | 2    | 84,321  | 71,899  | 150,998                                  |
| Acquisitions  |      | 8,869   | —   | —  |
|   |      | <b>93,190</b>                                       | 71,899  | 150,998                                  |
| Cost of sales   |      | <b>(69,458)</b>                                     | (55,518)  | (118,071)                                |
| <b>Gross profit</b>   |      | <b>23,732</b>                                       | 16,381  | 32,927                                   |
| Administrative expenses   |      | <b>(17,575)</b>                                     | (10,795)  | (21,102)                                 |
| <b>Group operating profit before amortisation<br/>of capitalised goodwill</b> | 2    | <b>7,056</b>  | 5,962   | 12,563                                   |
| Goodwill amortised  |      | <b>(899)</b>  | (376)   | (738)                                    |
| <b>Group operating profit</b>   |      |   |   |  |
| Continuing operations   |      | <b>5,704</b>  | 5,586   | 11,825                                   |
| Acquisitions  |      | <b>453</b>  | —   | —  |
|   |      | <b>6,157</b>  | 5,586   | 11,825                                   |
| Share of loss of associate  |      | —   | (54)  | (127)                                    |
| <b>Total operating profit including associate</b>                             |      | <b>6,157</b>  | 5,532   | 11,698                                   |
| Exceptional item - profit on disposal of<br>associated undertaking            |      | —   | —   | 674                                      |
| Net interest payable  |      | <b>(401)</b>  | (206)   | (398)                                    |
| <b>Profit on ordinary activities before taxation</b>                          |      | <b>5,756</b>  | 5,326   | 11,974                                   |
| Taxation on profit on ordinary activities                                     | 4    | <b>(2,146)</b>                                      | (1,899)   | (3,961)                                  |
| <b>Profit on ordinary activities after taxation</b>                           |      | <b>3,610</b>  | 3,427   | 8,013                                    |
| Equity minority interests   |      | <b>(24)</b>   | (30)  | (83)                                     |
| <b>Profit on ordinary activities for the period</b>                           |      | <b>3,586</b>  | 3,397   | 7,930                                    |
| Dividends   | 5    | <b>(678)</b>  | (565)   | (1,691)                                  |
| <b>Retained profit for the period</b>   |      | <b>2,908</b>  | 2,832   | 6,239                                    |
| Earnings per share  | 8    | <b>13.00p</b>                                       | 12.67p  | 29.50p                                   |
| Diluted earnings per share  | 8    | <b>12.25p</b>                                       | 11.81p  | 27.64p                                   |
| Adjusted earnings per share   | 8    | <b>16.26p</b>                                       | 14.07p  | 29.74p                                   |

## CONSOLIDATED BALANCE SHEET

as at 31 July 2000

|   | Unaudited<br>31 July<br>2000<br>£000 | Unaudited<br>31 July<br>1999<br>£000 | 31 January<br>2000<br>£000 |
|---|--------------------------------------|--------------------------------------|----------------------------|
| <b>Fixed assets</b>                           |                                      |                                      |                            |
| Intangible assets                             | 55,578                               | 13,269                               | 12,082                     |
| Tangible fixed assets                         | 3,412                                | 2,019                                | 2,199                      |
| Investment in own shares                      | 859                                  | 401                                  | 401                        |
| Investments                                   | 933                                  | —                                    | —                          |
|   | <b>60,782</b>                        | 15,689                               | 14,682                     |
| <b>Current assets</b>                         |                                      |                                      |                            |
| Debtors                                       | 39,932                               | 30,982                               | 26,768                     |
| Investments                                   | 1,117                                | —                                    | 1,117                      |
| Cash at bank                                  | 1,025                                | 839                                  | 4,453                      |
| <b>Creditors due within one year</b>          | <b>(33,912)</b>                      | <b>(22,729)</b>                      | <b>(25,530)</b>            |
| <b>Net current assets</b>                     | <b>8,162</b>                         | 9,092                                | 6,808                      |
| <b>Total assets less current liabilities</b>  | <b>68,944</b>                        | 24,781                               | 21,490                     |
| <b>Creditors due after more than one year</b> | <b>(40,267)</b>                      | <b>(8,209)</b>                       | <b>(2,110)</b>             |
|   | <b>28,677</b>                        | 16,572                               | 19,380                     |
| <b>Equity capital and reserves</b>            |                                      |                                      |                            |
| Share capital                                 | 1,476                                | 1,423                                | 1,423                      |
| Share premium account                         | 4,847                                | 4,337                                | 4,336                      |
| Other reserves                                | 7,482                                | 1,742                                | 1,742                      |
| Profit and loss account                       | 14,656                               | 8,915                                | 11,690                     |
| <b>Equity shareholders' funds</b>             | <b>28,461</b>                        | 16,417                               | 19,191                     |
| Equity minority interests                     | 216                                  | 155                                  | 189                        |
|   | <b>28,677</b>                        | 16,572                               | 19,380                     |

## CONSOLIDATED CASH FLOW STATEMENT

Six months from 1 February to 31 July 2000

|   | Unaudited<br>6 months<br>to 31 July<br>2000<br>£000 | Unaudited<br>6 months<br>to 31 July<br>1999<br>£000 | Year ended<br>31 January<br>2000<br>£000 |
|---|---|---|--|
| <b>Reconciliation of operating profit to net cash flow:</b>                   | <b>2000</b>   | <b>1999</b>   | <b>2000</b>                              |
|   | <b>£000</b>   | <b>£000</b>   | <b>£000</b>                              |
| <b>Group operating profit before associate and exceptional items</b>          | <b>6,156</b>  | <b>5,586</b>  | <b>11,825</b>                            |
| Depreciation  | 571   | 389   | 834                                      |
| Amortisation  | 899   | 376   | 738                                      |
| (Profit)/loss on disposal of fixed assets                                     | —   | —   | (17)                                     |
| Increase in debtors   | (7,708)   | (8,712)   | (5,897)                                  |
| Increase in creditors   | 2,052   | 4,412   | 3,265                                    |
| <b>Net cash inflow from operating activities</b>                              | <b>1,970</b>  | <b>2,051</b>  | <b>10,748</b>                            |
| <b>Returns on investments and servicing of finance</b>                        |   |   |  |
| Interest received   | 21  | 55  | 35                                       |
| Interest paid   | (421)   | (259)   | (426)                                    |
| HP interest   | (2)   | (2)   | (6)                                      |
| <b>Net cash outflow from returns on investments and servicing of finance</b>  | <b>(402)</b>  | <b>(206)</b>  | <b>(397)</b>                             |
| <b>Tax paid</b>   | <b>(1,265)</b>                                      | <b>(155)</b>  | <b>(3,799)</b>                           |
| <b>Capital expenditure and financial investments</b>                          |   |   |  |
| Purchase of tangible fixed assets   | (1,173)   | (541)   | (1,245)                                  |
| Sale of tangible fixed assets - proceeds                                      | —   | —   | 30                                       |
| Purchase of fixed asset investments   | (933)   | —   | —  |
| <b>Net cash outflow from capital expenditure and financial investments</b>    | <b>(2,106)</b>                                      | <b>(541)</b>  | <b>(1,215)</b>                           |
| <b>Acquisitions and disposals</b>   |   |   |  |
| Purchase of subsidiary undertakings   | (9,947)   | (856)   | (856)                                    |
| Less: cash acquired   | 1,456   | —   | —  |
| Loan to associated undertaking  | —   | (90)  | (110)                                    |
| Net proceeds from part disposal of associated undertaking                     | —   | —   | 7  |
|   | <b>(8,491)</b>                                      | <b>(946)</b>  | <b>(959)</b>                             |
| <b>Equity dividends paid</b>  | <b>(1,125)</b>                                      | <b>(965)</b>  | <b>(1,531)</b>                           |
| <b>Net cash (outflow)/inflow before use of liquid resources and financing</b> | <b>(11,419)</b>                                     | <b>(762)</b>  | <b>2,847</b>                             |
| <b>Financing</b>  |   |   |  |
| Issue of share capital  | 527   | —   | —  |
| Repayment of acquired debt  | (1,447)   | —   | —  |
| Purchase of own shares  | (459)   | (401)   | (401)                                    |
| Long term borrowings  | 9,997   | 398   | (118)                                    |
| Capital element of finance lease repayments                                   | (15)  | (18)  | (31)                                     |
|   | <b>8,603</b>  | <b>(21)</b>   | <b>(550)</b>                             |
| <b>Net cash (outflow)/inflow in the period</b>                                | <b>(2,816)</b>                                      | <b>(783)</b>  | <b>2,297</b>                             |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Six months from 1 February to 31 July 2000

|   | Unaudited<br>31 July<br>2000<br>£000 | Unaudited<br>31 July<br>1999<br>£000 | 31 January<br>2000<br>£000 |
|---|--------------------------------------|--------------------------------------|----------------------------|
| Profit for the financial period   | 3,586                                | 3,397                                | 7,930                      |
| Currency translation differences on<br>foreign currency net investments | 59                                   | (73)                                 | (705)                      |
| Total recognised gains relating to the period                           | 3,645                                | 3,324                                | 7,225                      |

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Six months from 1 February to 31 July 2000

|   | Unaudited<br>31 July<br>2000<br>£000 | Unaudited<br>31 July<br>1999<br>£000 | 31 January<br>2000<br>£000 |
|---|--------------------------------------|--------------------------------------|----------------------------|
| Profit for the financial period   | 3,586                                | 3,397                                | 7,930                      |
| Dividends payable   | (678)                                | (565)                                | (1,691)                    |
| Currency translation differences on<br>foreign currency net investments | 59                                   | (73)                                 | (705)                      |
| Issue of share capital  | 53                                   | 14                                   | 14                         |
| Share premium   | 6,250                                | 843                                  | 842                        |
| Net movement in shareholders' funds                                     | 9,270                                | 3,616                                | 6,390                      |
| <b>Opening equity shareholders' funds</b>                               | <b>19,191</b>                        | <b>12,801</b>                        | <b>12,801</b>              |
| <b>Closing equity shareholders' funds</b>                               | <b>28,461</b>                        | <b>16,417</b>                        | <b>19,191</b>              |

# NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 2000

## 1 Basis of preparation

The unaudited financial information set out in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The accounts have been prepared applying the accounting policies described on pages 28-30 of the 2000 Report and Accounts and should be read in conjunction with the Report and Accounts.

## 2 Analysis of turnover and operating profit by geographical market and activity

|  | Unaudited<br>6 months<br>to 31 July 2000<br>£000 | Unaudited<br>6 months<br>to 31 July 1999<br>£000 | Year ended<br>31 January 2000<br>£000 |
|--|--|--|---------------------------------------|
| <b>Turnover</b>  |  |  |                                       |
| <i>Geographical area by location of client operations</i>  |  |  |                                       |
| United Kingdom   | 60,161   | 49,425   | 102,411                               |
| Rest of Europe   | 28,742   | 22,474   | 48,587                                |
| Rest of World  | 4,287  | —  | —                                     |
|  | <b>93,190</b>                                    | <b>71,899</b>                                    | <b>150,998</b>                        |
| <i>Market Sector</i>                                       |  |  |                                       |
| Resourcing Services:                                       |  |  |                                       |
| Resourcing   | 72,864   | 62,421   | 129,030                               |
| Resource Management  | 5,626  | 733  | 4,774                                 |
|  | <b>78,490</b>                                    | <b>63,154</b>                                    | <b>133,804</b>                        |
| Consulting Services  | 14,561   | 8,745  | 17,194                                |
| On-line Services   | 139  | —  | —                                     |
|  | <b>93,190</b>                                    | <b>71,899</b>                                    | <b>150,998</b>                        |
| <b>Total operating profit before goodwill amortisation</b> |  |  |                                       |
| <i>Geographical area by location of client operations</i>  |  |  |                                       |
| United Kingdom   | 4,989  | 4,198  | 8,781                                 |
| Rest of Europe   | 1,766  | 1,764  | 3,782                                 |
| Rest of World  | 301  | —  | —                                     |
|  | <b>7,056</b>                                     | <b>5,962</b>                                     | <b>12,563</b>                         |
| <i>Market Sector</i>                                       |  |  |                                       |
| Resourcing Services:                                       |  |  |                                       |
| Resourcing   | 4,657  | 4,541  | 9,822                                 |
| Resource Management  | (44)   | (154)  | (173)                                 |
|  | <b>4,613</b>                                     | <b>4,387</b>                                     | <b>9,649</b>                          |
| Consulting Services  | 2,939  | 1,575  | 2,914                                 |
| On-line Services   | (496)  | —  | —                                     |
|  | <b>7,056</b>                                     | <b>5,962</b>                                     | <b>12,563</b>                         |

## NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 2000

### 2 Analysis of turnover and operating profit by geographical market and activity continued

|   | Unaudited<br>6 months<br>to 31 July 2000<br>£000 | Unaudited<br>6 months<br>to 31 July 1999<br>£000 | Year ended<br>31 January 2000<br>£000 |
|---|--|--|---------------------------------------|
| <b>Total operating profit</b>                             |  |  |                                       |
| <i>Geographical area by location of client operations</i> |  |  |                                       |
| United Kingdom  | 4,337  | 4,102  | 8,587                                 |
| Rest of Europe  | 1,519  | 1,484  | 3,238                                 |
| Rest of World   | 301  | —  | —                                     |
| Associate   | —  | (54)   | (127)                                 |
|   | <b>6,157</b>                                     | <b>5,532</b>                                     | <b>11,698</b>                         |
| <i>Market Sector</i>                                      |  |  |                                       |
| Resourcing Services                                       |  |  |                                       |
| Resourcing  | 3,758  | 4,165  | 9,084                                 |
| Resource Management                                       | (44)   | (154)  | (173)                                 |
|   | <b>3,714</b>                                     | <b>4,011</b>                                     | <b>8,911</b>                          |
| Consulting Services                                       | 2,939  | 1,575  | 2,914                                 |
| On-line Services  | (496)  | —  | —                                     |
| Associate   | —  | (54)   | (127)                                 |
|   | <b>6,157</b>                                     | <b>5,532</b>                                     | <b>11,698</b>                         |

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 the Resourcing Division and Executive Search and Selection has become the Consulting division.

### 3 Acquisitions

#### Techpartners International

On 20 April 2000 the Group acquired 100% of the share capital of the Techpartners Group (consisting of Techpartners International Limited, Techpartners International Inc and Techpartners International Pty), an international human 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 of up to £7.0m is payable in April 2001 and final deferred consideration of up to £2.0m is payable in April 2002 and up to £25.0m is payable in April 2003.

#### Procomp NV

On 19 July 2000 the Group acquired the contracts and assets of Procomp NV, a Belgian IT Services company for a cash consideration of BEF 98.5m (£1.5m).

## NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 200

### 4 Taxation on profit on ordinary activities

|   | Unaudited<br>6 months<br>to 31 July 2000<br>£000 | Unaudited<br>6 months<br>to 31 July 1999<br>£000 | Year ended<br>31 January 2000<br>£000 |
|---|--|--|---------------------------------------|
| United Kingdom corporation tax<br>for the period at 30% (1999: 31%) | 1,595  | 1,426  | 3,149                                 |
| Adjustment in respect of prior year                                 | —  | —  | (49)                                  |
| Overseas tax  | 551  | 473  | 861                                   |
|   | <b>2,146</b>                                     | <b>1,899</b>                                     | <b>3,961</b>                          |

### 5 Dividends

The Employee Benefit Trust, which owns 1,264,705 shares, has agreed to waive its entitlement to the interim dividend. An interim dividend of 2.4p (1999: 2.1p) will be paid to shareholders of 28,264,583 shares, which represents a total dividend payable of £678,350.

### 6 Reconciliation of net cash flow to movement in net debt

|   | Unaudited<br>31 July<br>2000<br>£000 | Unaudited<br>31 July<br>1999<br>£000 | 31 January<br>2000<br>£000 |
|---|--------------------------------------|--------------------------------------|----------------------------|
| (Decrease)/increase in cash during the period     | (2,816)                              | (783)                                | 2,297                      |
| (Increase)/decrease in debt and lease finance     | (10,293)                             | (379)                                | 148                        |
|   | <b>(13,109)</b>                      | <b>(1,162)</b>                       | <b>2,445</b>               |
| Foreign exchange                                  | (76)                                 | 366                                  | 989                        |
| Loans and finance leases acquired                 | (2,205)                              | —                                    | —                          |
| (Increase)/decrease in net debt during the period | (15,390)                             | (796)                                | 3,434                      |
| Net debt at beginning of period                   | (3,015)                              | (6,449)                              | (6,449)                    |
| <b>Net debt at end of period</b>                  | <b>(18,405)</b>                      | <b>(7,245)</b>                       | <b>(3,015)</b>             |
| Net cash  | 1,025                                | 839                                  | 3,787                      |
| Borrowings  | (19,430)                             | (8,084)                              | (6,802)                    |
|   | <b>(18,405)</b>                      | <b>(7,245)</b>                       | <b>(3,015)</b>             |

## NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 2000

### 7 Analysis of changes in net debt

|                        | 1 February<br>2000<br>£000 | Cash<br>flow<br>£000 | Acquisitions<br>£000 | Non Cash<br>movements<br>£000 | Foreign<br>exchange<br>£000 | 31 July<br>2000<br>£000 |
|------------------------|----------------------------|----------------------|----------------------|-------------------------------|-----------------------------|-------------------------|
| Cash                   | 4,453                      | (3,482)              | —                    | —                             | 54                          | 1,025                   |
| Overdrafts             | (666)                      | (666)                | —                    | —                             | —                           | —                       |
|                        | 3,787                      | (2,816)              | —                    | —                             | 54                          | 1,025                   |
| Debt due within 1 year | (5,782)                    | 5,782                | —                    | —                             | —                           | —                       |
| Debt due after 1 year  | (1,000)                    | (15,779)             | —                    | —                             | (130)                       | (16,909)                |
| Factoring              | —                          | 878                  | (1,619)              | —                             | —                           | (741)                   |
| Acquired debt          | —                          | 569                  | (569)                | —                             | —                           | —                       |
| Loan notes             | —                          | —                    | —                    | (1,758)                       | —                           | (1,758)                 |
| Finance leases         | (20)                       | 15                   | (17)                 | —                             | —                           | (22)                    |
|                        | (6,802)                    | (8,535)              | (2,205)              | (1,758)                       | (130)                       | (19,430)                |
| Total                  | (3,015)                    | (11,351)             | (2,205)              | (1,758)                       | (76)                        | (18,405)                |

## NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 2000

### 8 Earnings per share

|  | Unaudited<br>6 months<br>to 31 July 2000<br>£000/shares | Unaudited<br>6 months<br>to 31 July 1999<br>£000/shares | Year ended<br>31 January 2000<br>£000/shares |
|--|---|---|--|
| Profit attributable to shareholders      | 3,586   | 3,397   | 7,930  |
| Weighted average number of shares        | 27,583,953  | 26,810,024  | 26,881,157                                   |
| <b>Basic earnings per ordinary share</b> | <b>13.00p</b>   | 12.67p  | 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 period, excluding those held in the Employee Benefit Trust, which are treated as cancelled.

|  |               |            |            |
|--|---------------|------------|------------|
| Profit attributable to shareholders        | 3,586         | 3,397      | 7,930      |
| Weighted average number of shares          | 27,583,953    | 26,810,024 | 26,881,157 |
| Effect of dilutive securities              | 1,683,617     | 1,958,444  | 1,810,107  |
| Adjusted weighted average number of shares | 29,267,570    | 28,768,468 | 28,691,264 |
| <b>Diluted earnings per ordinary share</b> | <b>12.25p</b> | 11.81p     | 27.64p     |

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 dilutive securities represent share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

|   |               |            |            |
|---|---------------|------------|------------|
| Profit attributable to shareholders         | 3,586         | 3,397      | 7,930      |
| Amortisation                                | 899           | 376        | 738        |
| Exceptional item                            | —             | —          | (674)      |
| Adjusted profit after tax                   | 4,485         | 3,773      | 7,994      |
| Weighted average number of shares           | 27,583,953    | 26,810,024 | 26,881,157 |
| <b>Adjusted earnings per ordinary share</b> | <b>16.26p</b> | 14.07p     | 29.74p     |

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

### 9 Post balance sheet events

On 6 October 2000 Harvey Nash Group plc agreed in principle to acquire the Impact Executives Group for an initial cash consideration of £5.9m with further cash consideration of up to £4.1m payable in September 2001. Impact Executives is an international interim management business operating from offices in the UK, Germany and Hong Kong.

On 29 August 2000 Harvey Nash Group plc sold 1,000,000 of its shares in Stepstone ASA for proceeds of £2.3m, realising a profit of £1.7m. On 31 August 2000 the Group disposed of 113,900 shares for proceeds of £0.3m, realising a profit of £0.2m.

# INDEPENDENT REVIEW REPORT TO HARVEY NASH GROUP PLC

## INTRODUCTION

We have been instructed by the company to review the financial information set out on pages 6 to 14 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

## DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2000.

**PRICEWATERHOUSECOOPERS** 

**PricewaterhouseCoopers**

Chartered Accountants

London

6 October 2000

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