

Harvey Nash

ANNUAL REPORT 2000

HARVEY NASH GROUP PLC

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Harvey Nash est un Groupe international, leader sur le marché de la délégation de personnel hautement spécialisé dans les secteurs Informatique, Télécom et Internet, au niveau européen.

Le Groupe Harvey Nash, à travers ses divisions Conseil, Délégation de Personnel et Services en Ligne, ambitionne de se positionner en tant qu'acteur majeur du marché du recrutement et de participer au développement des entreprises de demain, en proposant une gamme de services répondant à l'ensemble des besoins du marché.

Harvey Nash ist eine führende internationale Unternehmensgruppe, die durch Vermittlung von Spezialisten auf den Gebieten IT, Telekommunikation und Internet, europaweit Lösungen für Personalengpässe anbietet. Das Tätigkeitsfeld der Gruppe gliedert sich in drei Servicebereiche: Beratungs-, Resourcing- und Online-Dienste.

Unsere Vision sieht Harvey Nash als ein globales Resourcingunternehmen, das durch die Bereitstellung professioneller Dienstleistungen dazu beiträgt, die Organisation von morgen zu gestalten und den Personalbedarf unserer Kunden auf allen Ebenen zu decken.

Harvey Nash is een toonaangevende internationale Resource Solutions Groep, die over heel Europa, naast IT-experten, ook telecommunicatie- en internetspecialisten ter beschikking stelt. De Groep is actief binnen drie divisies: Consulting-, Resourcing- en On-line-diensten.

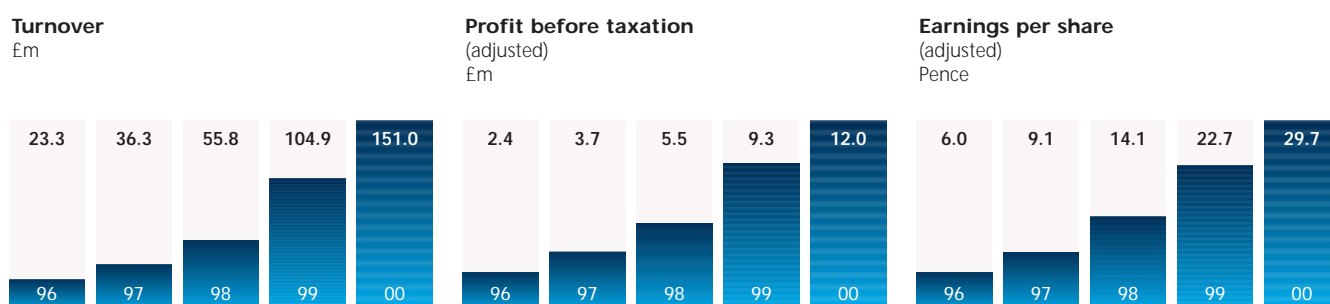
Harvey Nash wil een wereldwijd Resource Solution-bedrijf zijn. Door het aanbieden van professionele diensten die op alle niveaus tegemoet komen aan de noden van onze cliënten, helpen we mee de organisaties van morgen op te bouwen.

FINANCIAL HIGHLIGHTS

For the year ended 31 January 2000

	2000	1999	% increase
Turnover	£151.0m	£104.9	44%
Operating profit*	£12.6m	£9.6m	31%
Adjusted earnings per share*	29.74p	22.66p	31%
Dividends per share	6.30p	5.40p	17%

* adjusted for amortisation of goodwill



Harvey Nash is a leading international resource solutions group providing specialist IT, Telecomms and Internet professionals across Europe. The Group operates through three Divisions; Consulting Services, Resourcing Services and On-line Services.

Our vision is for Harvey Nash to be a global resourcing business, helping to create the organisations of tomorrow, by providing professional services that solve our clients' resourcing requirements at all levels.



The year ended 31 January 2000 has been an excellent 12 months for the Harvey Nash Group. We are moving forward in all parts of the business and have benefited from our strength in Telecomms and E-Business and also our significant expansion in Europe. Our strategy this year has been to increase further our European capability by opening five new offices, restructure the business to maximise organic growth and integrate acquisitions. We have also developed new services, such as Resource Management and our on-line career management portal. As a result, the Group has made significant progress towards becoming a leading international resource solutions group.

Market conditions in the UK were strong for the first half of last year. However, as predicted, many companies took a cautious view of IT investment as a result of Y2K issues. Whilst this had a noticeable effect on many in the sector, the Group continued to grow revenue and profits by expanding its Telecomms and E-business market share across Europe as clients continued to demand our full range of higher value added services.

We continue to benefit from the critical shortage of IT skills across Europe and in line with our strategy, we are investing in staff, geographical expansion and the development of our IT and infrastructure in order to become a world class organisation.

SUMMARY OF RESULTS

The Group increased turnover by 44% to £151.0m (1999: £104.9m) and operating profit before amortisation of goodwill by 31% to £12.6m (1999: £9.6m)

The profit before taxation was £12.0m (1999: £8.9m) which represents an increase of 35%. This included an exceptional profit of £0.7m relating to the disposal of the Group's share in its associate Internet Appointments Limited. Underlying profit before tax, adjusted for amortisation and before the exceptional item was £12.0m (1999: £9.3m) an increase of 29%.

Earnings per share adjusted for amortisation were 29.74p (1999: 22.66p) an increase of 31%. The earnings per share for the Group increased by 41% to 29.50p (1999: 20.89p).

Profits from the European businesses continued to increase and for the year ended 31 January 2000, profits generated from mainland Europe represented 30% of adjusted Group profits compared to 23% in the previous year.

DIVIDEND

The Board has recommended payment of a final dividend of 4.2p (1999: 3.6p) to bring the total dividend payable for the year to 6.3p (1999: 5.4p) an increase of 17%. The



1 Our strategic approach to the changing market place enables us to anticipate new challenges, delivering enhanced performance and helping create the organisations of the future.
Ian Kirkpatrick Chairman

2 The appointment of Tom Crawford as Deputy Chairman signifies our determination to build on our strengths and our commitment to achieving our vision.

We have strategically reshaped our management structure and operational divisions to better position the company and reflect the changing dynamics of our market place. We have the financial strength to continue our policy of organic growth and appropriate acquisition programme.

dividend will be payable on 16 June to shareholders on the register at 2 May 2000. The Group's policy is to maintain dividend growth at a steady rate taking into account working capital requirements and growth in earnings.

PEOPLE

The changes we have made to our management structure of separating strategic and operational functions has allowed us to increase our capability to maximise organic growth and integrate acquisitions. David Higgins became Chief Executive on 1 February 2000 with responsibility for the overall business, strategic direction and corporate development of the Group. Tom Crawford became Deputy Chairman with responsibility for acquisitions and corporate development. Ian Furniss became Managing Director for Group Operations with responsibility for the Group's businesses. Albert Ellis joined the Group Board as Group Finance Director. David Treacher, formerly joint managing director, became a non-executive director. 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.

Building on the management restructuring we are re-organising the business into three divisions; Consulting Services, Resourcing Services and On-line Services.

I would like to thank all our employees for their continuing hard work and enthusiasm which has been the key factor in our success. Once again, new employees have joined the Group throughout our Pan-European office network and we now employ 425 staff compared to 325 in April last year.

PROSPECTS

Looking forward we expect positive growth in our market place as all surveys indicate that the shortage of IT skills throughout Europe is set to increase over the next three years. We will continue our strategy of maximising organic growth, integrating acquisitions and developing new services to further our position as a leading international resource solutions Group. This will enable us

to take advantage of market trends and the globalisation of client relationships.

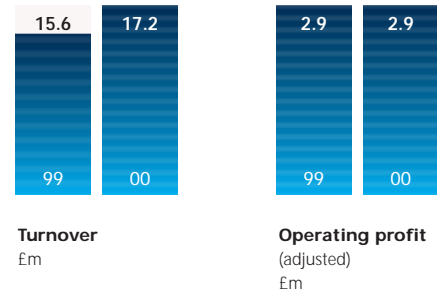
We believe that the resourcing firms of the future will be companies with the ability to provide resourcing solutions at every level, together with the capability to service their clients internationally. We anticipate another year of strong growth with investment in our on-line and other services. We expect the benefit of this to flow through in the second half of the year. The Group is committed to investment in new on-line services which will provide new revenue streams and open up new markets.

We remain confident about the future growth prospects for the Group and we are looking forward to continued expansion into new markets.

Ian Kirkpatrick
Chairman

OPERATING REVIEW

Executive Search & Selection



CONSULTING SERVICES

Consulting Services has enhanced its reputation as a world class provider of Executive Recruitment, Human Resource Consulting and Interim Management services by expanding its international office network.

Executive Search and Selection

The Executive Search and Selection business has established market leadership in the fields of IT, Telecomms and E-Business working with clients ranging from blue chip global organisations and high growth Telecomms companies to new technology start-ups. In the UK we have continued to dominate our market and for the third year in succession this business has achieved the number one status as the leading advertiser for executive positions in the Sunday Times.

As many business sectors have become more global, our strategy has been to develop the capability to service our clients internationally by expanding our office network by four. Turnover for the business increased by 10% to £17.2m (1999:£15.6m) and an operating profit of £2.9m (1999: £2.9m) was generated.

The slowdown in activity within the corporate sector affected the business in this area, however, there was strong demand for our services in the Telecomms sector and E-Commerce related business. Our FMCG, Healthcare and Financial Services practices produced positive growth as a result of winning market share from their competitors.

We are delighted with the integration of the Varley Walker team in the middle of last year. Their experience and client relationships developed over the last ten years in the North of England has enabled the Division to develop its service regionally by opening two new offices in Leeds and Newcastle.

The strategy of becoming a truly Pan-European business was completed by the opening of offices in Brussels in August 1999 and in Munich in January 2000. These new locations and the management expertise that has been added to the Division will provide a solid platform for growth over the next twelve months.

Case study SEARCH & SELECTION

Client	a global business solutions provider.
Task	a new global business unit, within this recently-restructured organisation, urgently needed to recruit more than 20 individuals, all with strong retail banking expertise from across Europe. Roles included Practice Partners, Consultancy Managers, Solutions Sales Specialists, Business Consultants, Project Managers and Technical Consultants.
Solution	we created a Europe-wide regional delivery team consisting of Country Consultants and Researchers, led by a Delivery Director to manage all aspects of delivering a complex, cross border project. We conducted executive search across Europe, ran a campaign of high profile advertising in the leading UK recruitment and regional press, together with internet advertising. The recruitment strategy proved highly successful, all the required individuals being identified and secured.



1 The diverse nature of European markets and economies offers insurance against fluctuations in demand, while delivering opportunities for long term growth.

David Higgins Chief Executive

2 Innovation and inspiration are not just ideas, they are key management tools in the Harvey Nash human resources approach.

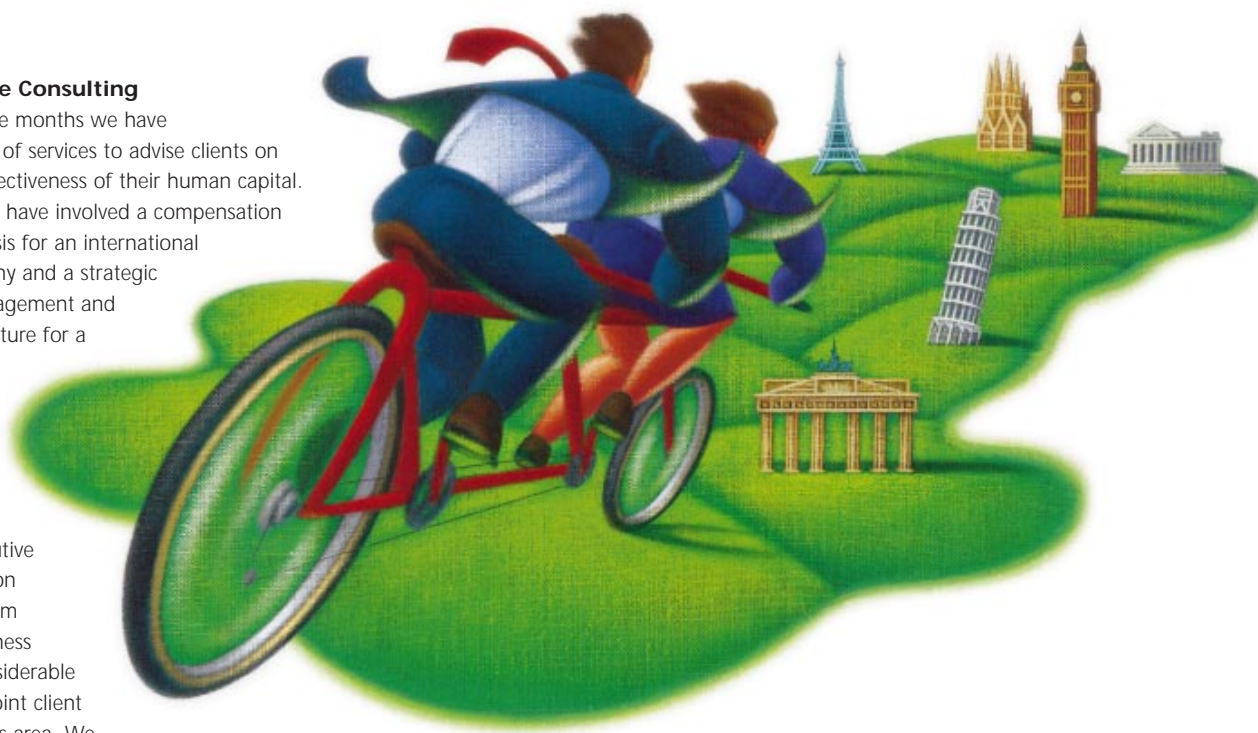
The development and launch of innovative products such as Resource Management and FirstPersonGlobal.com will enable us to unlock the potential of new markets, with the roll-out fuelling growth across Europe.

Human Resource Consulting

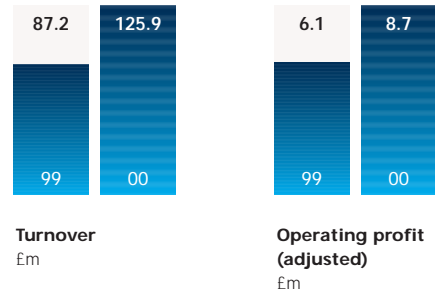
Over the last twelve months we have developed a range of services to advise clients on maximising the effectiveness of their human capital. Two major projects have involved a compensation and benefits analysis for an international Telecomms company and a strategic review of the management and remuneration structure for a global professional services firm.

Interim Management

The synergies between our Executive Search and Selection practices and Interim Management business have provided considerable opportunities for joint client development in this area. We expect to develop this service into the new technology and Internet marketplace.



IT Contract Services



RESOURCING SERVICES

In the year under review Resourcing Services has focused on organic growth of revenues and development of new services and client relationships. The Division has benefited from revenues from four new locations, three in mainland Europe.

IT Contract Services

This business unit increased its turnover by 44% to £125.9m (1999: £87.2m) and operating profit by 44% to £8.7m (1999: £6.1m). Despite the impact of unfavourable exchange rate movements, operating profits from Europe grew by 99% and now represent 42% (1999: 33%) of this business' profits.

The performance of IT Contracts was

particularly strong considering the market conditions. In the UK, much of the corporate sector concentrated on Y2K issues which led to development projects being put on hold, reducing the use of consultants. Our business was largely insulated from this by two main factors. Firstly, we focused our efforts on developing greater revenues from two growth markets, Telecomms and E-Business. Secondly, the majority of our clients continued to demand the most highly skilled consultants who were working on their business critical projects. Harvey Nash has always provided the most senior level consultants with 20% of our consultants working as project managers or interim IT Directors.

The market in mainland Europe was stronger as companies had a more measured reaction to Y2K issues and because most markets are less developed than in the UK. Our German and Swiss businesses had the most exciting growth and will continue to benefit from the increasing demand for flexible resources. New offices were opened in Luxembourg, Dusseldorf, Frankfurt in the latter part of the



- 1 The launch of FirstPersonGlobal.com, a career management portal focusing on individual needs, has created an opportunity to bring Harvey Nash closer to the business leaders in technology.
Ian Furniss Managing Director
- 2 Investment in new technologies brings us closer to our clients and our candidates, critical in the provision of a global service.

Our clients now want more sophisticated longer term relationships with partners who can provide resourcing solutions at all levels and service them on an international basis.

year and are expected to contribute to the revenues and profitability of the business in the second half of next year.

The level of service and strength of client relationships have always been important factors in the success of the Group. During the year significant progress was made in developing new relationships by means of preferred supplier agreements with Merrill Lynch, MCI Worldcom, Computacenter and Hewlett Packard. We have also increased the number of permanently employed consultants in mainland Europe to 20% of the Group's total European consultants. Clients appreciate the greater level of added value service in terms of management and commitment that this partnership brings.

Prospects for the first half of the year are for steady growth in revenues and profits, with increased demand for our services in the second half of the year. Our mainland European businesses will continue to develop strongly and the new offices will begin to impact positively on the business in the second half of the year.

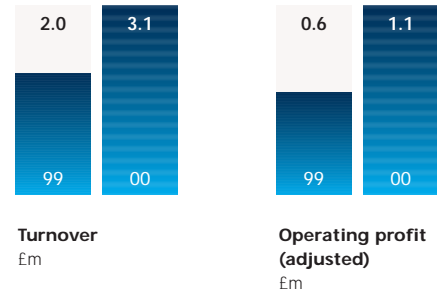
RESOURCE MANAGEMENT

We are particularly pleased with the development of our Resource Management business, which provides outsourcing programmes designed to managed a client's entire procurement and administration of their IT staff. We started this service in February 1999 through our association with Computer Sciences Corporation (CSC), a global IT services organisation, and in the first half of the year we made significant investment in developing the expertise and technology to support what is a unique, highly consultative added value service.

For the second half of the year breakeven was achieved, as forecast, and the service incurred a total loss of £173,000 for the full year. During this period we have expanded and developed two new major relationships with Merrill Lynch and AT&T. Both of these relationships are for at least two years and we are particularly excited by the opportunity to develop a truly Pan-European Resource Management programme with AT&T over the next 6 months, as they anticipate rolling out our programmes across their European locations.

Case study - RESOURCE MANAGEMENT	
Client	a leading IT services organisation.
Task	to take responsibility for the procurement and administration of IT Contract staff to enable the client to enhance quality control, cost management and free up line managers from the recruitment process allowing them to concentrate on their core competencies.
Solution	we established an implementation team including key client representatives to produce a comprehensive business and process review. This was used to identify process improvements, supplier selection criteria and cost savings opportunities based on their specific needs. We then established a dedicated contract resource centre staffed by five full time Harvey Nash Resource Managers on site at the clients which has ensured that new contracts, terminations and renewals are managed more effectively and within an optimum timeframe.

IT File Search



Harvey Nash’s broad range of services and high quality brand together with our network of 19 offices across Europe means that we are well positioned to support our clients in the IT, telecommunications and e-commerce sectors.

We anticipate further growing the revenue from this service in the new financial year. The Group will benefit in two ways: firstly, these relationships provide guaranteed long term revenue streams and secondly, the Group evolves its client relationships from supplier status to strategic partner.

IT File Search

This business unit operates under the brand name of Mortimer Spinks and provides permanent IT recruitment services. It achieved strong growth increasing turnover by 55% to £3.1m (1999: £2.0m) and operating profit by 80% to £1.1m (1999: £0.6m).

The market for IT File Search services has been strong as both clients and candidates have viewed permanent employment more favourably than contractor status. These changes in market conditions and the clear synergies between these two resourcing services have spurred us on to develop this service throughout our European offices. This service in Europe will be branded NashDirect to clearly differentiate IT File Search from the

Harvey Nash Executive Search & Selection services.

We anticipate solid growth in revenues from this business over the forthcoming year as we are investing significant resources into the roll out of NashDirect into eight European locations. As a result of this investment we expect modest growth in profits in the first half of the year, with the benefits of this investment coming through in the second half.



1 The revolution in E-commerce will enable us to develop new markets and offer the Group exciting potential for growth.
Albert Ellis Group Finance Director

2 We continue to foster and develop strong partnerships with our clients, overcoming chronic skills shortages and forming successful long term alliances.



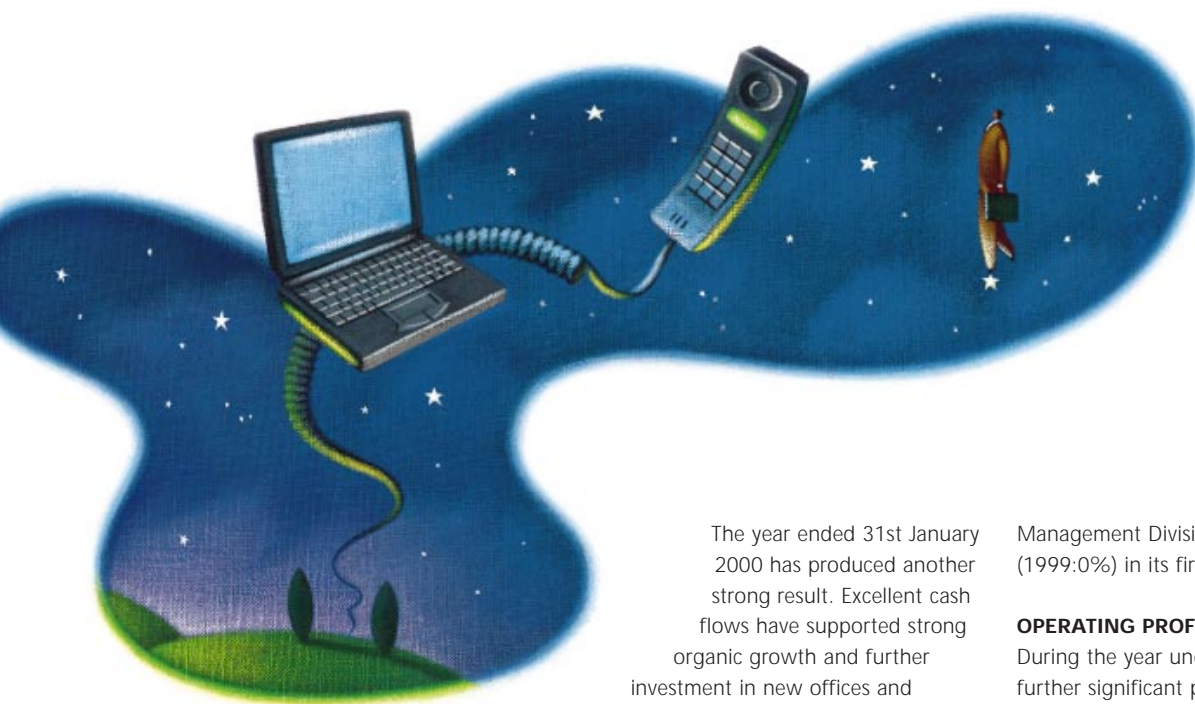
ON-LINE SERVICES

The challenge and opportunity of the Internet has meant that we have concentrated our expertise in developing market leading new services which will create growth for the Group in the medium to long term.

In March 2000 we launched the Group's first fully on-line service called FirstPersonGlobal.Com. This is an on-line career management portal for business leaders in technology. This service provides interactive career advice to key executives in our core markets and enables us to establish an on-line relationship with new and potential candidates. This will also enhance the effectiveness of our existing services and improve the quality of service to our clients. There is also the opportunity of developing new markets with this exciting innovative product. We will be investing in marketing and web technology to create a market leading product.

The Group is determined to leverage its competitive strengths through formal and informal strategic alliances and joint ventures with key organisations, such as our recently announced partnership with incubator company Cube8.com. The key benefit for the Group is an exclusive agreement for Harvey Nash Group to be their human resources partner. This gives the Group access to high growth and dynamic start-up new technology companies.

New on-line initiatives are being developed for other core services.



The year ended 31st January 2000 has produced another strong result. Excellent cash flows have supported strong organic growth and further investment in new offices and services including our internet strategy.

TURNOVER

Turnover increased by 44% (1999:88%) overall with particularly impressive growth in Continental Europe of 92% (1999:160%). The more developed markets in the UK yielded turnover growth of 29% (1999:73%).

Turnover from Continental Europe represented 32% of the Group's turnover up from 24% in the year ended 31 January 1999.

The business mix changed slightly with turnover from the IT Contracts & File Search Division continuing to represent 85% (1999:85%) of the Group. Executive Search and Selection is now 11% (1999:15%) with the new services from the Resource

Management Division representing 3% (1999:0%) in its first full year of operation.

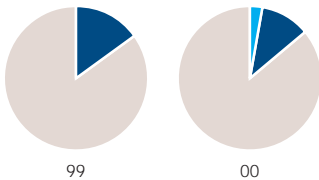
OPERATING PROFITS

During the year under review we achieved further significant profit growth of 71% in Continental Europe which represented 30% (1999:23%) of the Group total. The underlying profit in the UK increased by a healthy 30% before investment in Resource Management, the investment in internet strategy and foreign exchange items.

Profits from the IT Contracts Division increased by 44% (1999:120%) and File Search by 80% (1999:100%). Executive Search and Selection opened 4 new offices during the 2nd half of the year and an operating profit of £2.9m was generated (1999: £2.9m).

Headline pre-tax profit (before goodwill amortisation and exceptional items) has risen to £12.0m from £9.3m the previous year, an increase of 29% (1999:69%). The Group sold its shares in Internet Appointments Limited releasing an

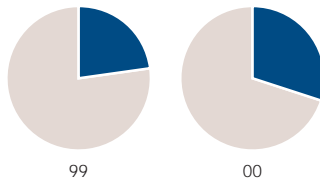
Business Mix



TURNOVER
divisional analysis



Europe



PROFITS (ADJUSTED)
geographic analysis



Turnover from Continental Europe represented 32% of the Group's turnover, up from 24% in the year ended January 1999.

exceptional profit of £0.7m. A net interest charge of £0.4m was incurred during the year as a result of acquisition financing. This charge was covered 31 times by pre-interest profit.

EARNINGS PER SHARE

Earnings per share, adjusted for goodwill amortisation and exceptional items have increased by 31% to 29.74p (1999:22.66p).

TAXATION

The lower tax rate in the UK combined with unrelieved losses in the previous year in Continental Europe now utilised has reduced the effective rate from 34.6% last year to 32.9% this year. This is based on profit before tax excluding amortisation and exceptional items.

DIVIDEND

The Group paid an interim dividend of 2.1p per ordinary share amounting to £565,000 on 23rd November and a final dividend of 4.2p per share amounting to £1,126,000 is proposed. After these payments have been taken into account £6.2m retained profit for

the year was transferred to reserves.

BALANCE SHEET AND CASH FLOW

Goodwill arising on acquisition has been capitalised. The Directors have reviewed each acquisition separately and continue to attribute a 20 year life to each one. Goodwill has been amortised through the profit and loss account. No new acquisitions were made during the year, however final deferred consideration for the acquisition of IMIT Ltd was satisfied by the issue of 268,984 shares and a cash payment of £0.9m.

Debtors have increased 21% to £26.8m (1999:£22m) in line with turnover. Strong cash collection and slower growth in working capital requirement in the IT Contracts Division in the final quarter of the year has resulted in cash inflow from operating activities of £10.7m. Advance payments on account in the UK increased tax paid to £3.8m. Capital expenditure of £1.2m was invested mainly in the IT network and four new offices. £0.4m was spent on purchasing Harvey Nash Group

shares in order to satisfy future obligations of the Long Term Incentive Plan.

The continuing focus on a strong Balance Sheet has resulted in a reduction in overall net debt this year to £3m from £6.4m in 1999.

BOARD OF DIRECTORS

Ian Kirkpatrick, aged 55, 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.



David Higgins, aged 41, is Chief Executive, appointed in February 2000 and founder of the business. He was previously Joint Managing Director with responsibility for the Executive Search & Selection Division.



Ian Furniss, aged 38, is Managing Director Group Operations, appointed in February 2000. He joined the Group in February 1997 as Group Finance Director. He was previously Finance Director for Hays Personnel Services.



Albert Ellis, aged 36, 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.



Tom Crawford, aged 49, 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.



David Treacher, aged 37, is a non-executive Director and founder of the business. He was previously Joint Managing Director with responsibility for the IT Contract Services Division.



Brian Berg, aged 52, is a non-executive Director. He is currently managing partner of Berg Kaprow Lewis, Chartered Accountants. He was appointed a non-executive Director of Harvey Nash in February 1997.



Gus Moore, aged 62, 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 Thomas Francis Alexander Crawford David Charles Higgins, BSc Ian William Furniss, BSc, ACA Albert George Hector Ellis, CA (SA) (appointed 1.2.00) Gus Moore David Hedley Treacher, BSc Brian Berg, BSc, FCA	Non-Executive Chairman Deputy Chairman Chief Executive Managing Director Group Operations Group Finance 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 W1X 7AH	
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 2000

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2000.

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 within Europe.

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 £12.0m. An interim dividend of 2.1p per ordinary share was paid on 23 November 1999. A final dividend of 4.2p per ordinary share amounting to £1.1m is proposed and, if approved, will be paid on 16 June 2000. Following the payment of the final dividend, the retained profit for the year of £6.2m will be transferred to reserves.

SHARE CAPITAL

On 5 July 1999 the Company issued 268,984 new ordinary shares in relation to the final consideration for the purchase of Interim Management in Information Technology Limited and related companies and these shares were admitted to the Stock Exchange Official List.

This issue increased the number of shares in issue to 28,457,608 ordinary shares with a nominal value of £1,422,880.

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the period and at the date of this report are shown on page 13. In accordance with the Company's Articles of Association, Ian Kirkpatrick and Brian Berg retire by rotation and Ian Kirkpatrick, being eligible, offers himself for reappointment. Gus Moore and Albert Ellis, having been appointed since the last Annual General Meeting will retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. All executive directors have service contracts with the Company terminable by either party giving to the other not less than 12 months notice.

The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in greater detail in the Remuneration Report. Their beneficial interests in the ordinary share capital of the Company during the financial period were as follows:

	31 January 2000	31 January 1999
I Kirkpatrick	3,000	3,000
TFA Crawford	4,953,018	4,953,018
DC Higgins	5,850,300	5,850,300
IW Furniss	5,714	5,714
G Moore	—	—
DH Treacher	5,679,050	5,679,050
B Berg	5,714	5,714

There has been no change to Directors' interests between 31 January 2000 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 (1999: 7 days) of receipt of their invoice. Other trade creditor days of the Group for the year ended 31 January 2000 were 25 days (1999: 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 7 April 2000 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
Norwich Union	1,832,500	6.4%
Cavendish Limited	1,787,500	6.3%
Turtle Holdings Limited	1,787,500	6.3%
Employment Benefit Trust Limited	1,505,707	5.3%
Cleveley Investments Limited	1,487,500	5.2%

TFA Crawford, DC Higgins and DH Treacher are beneficially interested in Cleveley Investments Limited, Cavendish Limited and Turtle Holdings Limited respectively. The holdings of these companies have been included in Directors' Interests.

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.

YEAR 2000

The Group has experienced no disruption or malfunctions since the turn of the year arising from its own computer systems or from those of its suppliers or service providers.

The total cost to complete modifications to computer hardware and software and prepare the Group for the potential impact of the Year 2000 issue was not significant. The Group does not expect to incur further costs relating to the Year 2000 issue.

On behalf of the Board

Albert Ellis

Company Secretary

7 April 2000

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 7 April 2000 the Board of Directors comprised four Executive and four 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), Brian Berg and Gus Moore 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), Brian Berg and Gus Moore, all 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 FINANCIAL 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.

'Internal Control: Guidance for Directors on the Combined Code' (the 'Turnbull' guidance) was published in September 1999. The Directors have, however, taken advantage of the London Stock Exchange's transitional rules, therefore the comments below relate to internal financial controls in accordance with the Institute of Chartered Accountants in England and Wales' 1994 guidance 'Internal Control and Financial Reporting'.

Nevertheless, the Board confirms that it has established procedures necessary to implement the Turnbull guidance, with the effect that the group can fully comply with such guidance for the whole of the accounting period ending 31 January 2001.

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, Brian Berg and David Treacher 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 2000/2001 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

7 April 2000

REMUNERATION REPORT

The Remuneration Committee is composed of three Non-Executive Directors, Ian Kirkpatrick, Brian Berg 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 2000 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 objectives for annual bonuses are set by the Remuneration Committee for each financial year. Superior performance is encouraged by providing challenging goals which must be achieved before the maximum bonus is payable. Directors' bonuses become payable in respect of each financial year based upon growth in earnings per share.

If the percentage growth in earnings per share is above 10% then 3% of the fixed salary will be payable as a bonus for every further 1% growth in earnings per share above 10%, subject to a maximum bonus of 60% of the fixed salary. These bonuses are not pensionable.

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.

Contracts of service

No Director has a notice period in excess of 12 months, which is consistent with Group policy. Ian Kirkpatrick and Brian Berg, being the directors proposed for re-election at the forthcoming annual general meeting have service contracts with one months notice.

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	—	—	—	—	40,000	40,000
Brian Berg	—	—	—	—	18,000	18,000
Gus Moore	—	—	—	—	12,750	12,750
	509,125	43,650	50,913	305,475	70,750	979,913

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 JANUARY 1999

	Salary £	Car allowance £	Pension £	Bonus £	Fees £	Total £
David Treacher	104,500	9,000	10,450	52,250	—	176,200
David Higgins	104,500	9,000	10,450	52,250	—	176,200
Tom Crawford	104,500	9,000	10,450	52,250	—	176,200
Ian Furniss	99,000	9,000	9,900	49,500	—	167,400
Brian Berg	—	—	—	—	15,000	15,000
Ian Kirkpatrick	—	—	—	—	35,000	35,000
	412,500	36,000	41,250	206,250	50,000	746,000

	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	—	—	—	—	—

At 31 January 2000 Albert Ellis held 28,776 options under the Performance Related Scheme at an exercise price of £3.475 and 6,617 options under the Sharesave Scheme at an exercise price of £2.55.

REMUNERATION REPORT

(continued)

	Ordinary Shares	At 31 January 1999 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 2000, the interest was in a total of 1,448,085 ordinary shares.

Prior to the flotation of the Group in April 1997, Ian Furniss received options over 285,714 shares, exercisable from 25 March 2000 onwards at nil cost. These shares as at 31 January 2000 had a market value of £2,217,141. Further details are included below. The market price of an ordinary share at 31 January 2000 was 776p and the range during the year was 295p to 776p.

SHARE OPTION SCHEMES

The Harvey Nash Option Scheme

The Harvey Nash Option Scheme holds 1,382,857 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	Lapsed	Options at 31 January 2000
8 April 1997	217,992	1.835	76,300	141,692
8 April 1997	187,778	1.750	—	187,778
11 May 1998	261,507	4.225	82,830	178,679
31 July 1998	86,109	3.475	57,331	28,776
28 May 1999	303,000	2.985	48,000	255,000
3 November 1999	16,373	4.275	—	16,373
	1,072,759		264,461	808,298

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. Since that date, options over 148,027 shares have been cancelled as the relevant employees left the Company.

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 33,442 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 are 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

7 April 2000

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.

AUDITORS' REPORT

To the Shareholders of Harvey Nash Group plc

We have audited the financial statements on pages 24 to 47 which have been prepared under the historical cost convention and the accounting policies set out on pages 28 to 30 and information set out in the details on pages 18 to 21 within the Remuneration Report.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report. As described on page 22, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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.

We review whether the statement on pages 16 to 17 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 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

*Chartered Accountants
and Registered Auditors*

PricewaterhouseCoopers
No 1 Embankment Place
London WC2N 6NN

7 April 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 January 2000

	Notes	2000 £'000	1999 £'000
Turnover	2&3	150,998	104,851
Cost of sales		(118,071)	(81,538)
Gross Profit		32,927	23,313
Administrative expenses		(21,102)	(14,225)
Operating Profit before amortisation of capitalised goodwill		12,563	9,563
Amortisation		(738)	(475)
Group Operating Profit		11,825	9,088
Share of operating loss of associated undertaking		(127)	(84)
Total Operating Profit:			
Group and Share of Associate	3&4	11,698	9,004
Exceptional item – Profit on disposal of associated undertaking	14	674	—
Interest receivable	6	35	71
Interest payable	6	(433)	(206)
Profit on ordinary activities before taxation		11,974	8,869
Taxation on profit on ordinary activities	7	(3,961)	(3,237)
Profit on ordinary activities after taxation		8,013	5,632
Equity minority interest		(83)	(48)
Profit for the financial year		7,930	5,584
Dividends	8	(1,691)	(1,448)
Retained profit for the financial year		6,239	4,136
Earnings per share	10	29.50p	20.89p
Diluted earnings per share	10	27.64p	19.29p
Adjusted earnings per share	10	29.74p	22.66p

CONSOLIDATED AND COMPANY BALANCE SHEETS

as at 31 January 2000

	Notes	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Fixed assets					
Intangible fixed assets	11	12,082	14,107	—	—
Tangible fixed assets	12	2,199	1,874	—	—
Investments	13	401	—	24,094	24,094
		14,682	15,981	24,094	24,094
Current assets					
Debtors	15	26,768	22,042	3,318	3,928
Investments	14	1,117	—	—	—
Cash at bank		4,453	1,645	—	—
		32,338	23,687	3,318	3,928
Creditors due within one year	16	(25,530)	(18,402)	(1,185)	(2,830)
Net current assets		6,808	5,285	2,133	1,098
Total assets less current liabilities		21,490	21,266	26,227	25,192
Creditors due after more than one year	17	(2,110)	(8,333)	—	—
		19,380	12,933	26,227	25,192
Capital and Reserves					
Share capital	20	1,423	1,409	1,423	1,409
Share premium account	21	4,336	3,494	4,336	3,494
Capital contribution	21	—	—	20,000	20,000
Other reserves	21	1,742	1,742	—	—
Profit and loss account	21	11,690	6,156	468	289
Equity shareholders' funds		19,191	12,801	26,227	25,192
Equity minority interests	23	189	132	—	—
		19,380	12,933	26,227	25,192

The financial statements on pages 24 to 47 were approved by the Board on 7 April 2000 and signed on its behalf by:

Ian Kirkpatrick Chairman
Albert Ellis Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 January 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities	24	10,748	6,315
Returns on investments and servicing of finance			
Interest received		35	71
Interest paid		(426)	(198)
HP interest paid		(6)	(8)
Net cash outflow from returns on investments and servicing of finance			
		(397)	(135)
Tax paid		(3,799)	(2,750)
Capital expenditure			
Purchase of tangible fixed assets		(1,245)	(1,114)
Sale of tangible fixed assets – proceeds		30	26
Net cash outflow from capital expenditure			
		(1,215)	(1,088)
Acquisition and disposals			
Purchase of subsidiary undertaking	22	(856)	(11,273)
Net cash acquired with subsidiary undertaking		—	811
Net proceeds from part disposal of associated undertaking		7	—
Loan to associated undertaking		(110)	(57)
Net cash outflow from acquisitions and disposals			
		(959)	(10,519)
Equity dividends paid		(1,531)	(1,304)
Financing			
Purchase of own shares		(401)	—
Short term borrowings		—	(510)
Long term borrowings		(118)	7,754
Capital element of finance lease repayments		(31)	(106)
Net cash (outflow)/inflow from financing			
		(550)	7,138
Increase/(decrease) in cash in the period	25	2,297	(2,343)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 January 2000

	2000 £'000	1999 £'000
Profit for the financial year	7,930	5,584
Currency translation differences on foreign currency net investments	(705)	73
Total recognised gains for the year	7,225	5,657

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 2000

	2000 £'000	1999 £'000
Profit for the financial year	7,930	5,584
Equity dividends	(1,691)	(1,448)
Issue of share capital	14	15
Share premium	842	1,237
Currency translation differences on foreign currency net investments	(705)	73
Net increase in equity shareholders' funds	6,390	5,461
Opening shareholders' funds	12,801	7,340
Closing equity shareholders' funds	19,191	12,801

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000

1 BASIS OF PREPARATION

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

2 ACCOUNTING POLICIES

(a) Acquisitions

The results of companies acquired are included in the consolidated results from the date of acquisition.

(b) Associated undertakings

Associated undertakings represent companies in which Harvey Nash Group plc has a participating interest which are held for the long term and over whose operating and financial policies it exercises 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.

The principal exchange rates affecting the Group were:

	2000		1999	
	31 January	Average	31 January	Average
German Mark	3.2403	3.0022	2.8293	2.9140
Swiss Franc	2.6643	2.4575	2.3317	2.4046
Dutch Guilder	3.6509	3.3826	3.1879	3.2784
Belgian Franc	66.8319	61.9210	58.3546	59.1300
French Franc	10.8674	10.0689	9.4889	9.4215

2 ACCOUNTING POLICIES (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

2 ACCOUNTING POLICIES (continued)

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

	2000 £'000	1999 £'000
Turnover		
<i>Geographical area by location of client operations</i>		
United Kingdom	102,411	79,547
Rest of Europe	48,587	25,304
	<hr/>	<hr/>
	150,998	104,851
<hr/>		
<i>Geographical area by location of Group operations</i>		
United Kingdom	105,588	93,070
Rest of Europe	45,410	11,781
	<hr/>	<hr/>
	150,998	104,851
<hr/>		
<i>Market sector</i>		
IT Contract Services	125,898	87,241
Executive Search & Selection	17,194	15,587
IT File Search	3,132	2,023
Resource Management	4,774	—
	<hr/>	<hr/>
	150,998	104,851
<hr/>		

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

	2000 £'000	1999 £'000
Total operating profit		
<i>Geographical area by location of client operations</i>		
United Kingdom	8,587	7,165
Rest of Europe	3,238	1,923
Associate	(127)	(84)
	11,698	9,004
<i>Market sector</i>		
IT Contract Services	8,006	5,583
Executive Search & Selection	2,914	2,906
IT File Search	1,078	599
Resource Management	(173)	—
Associate	(127)	(84)
	11,698	9,004
	2000 £'000	1999 £'000
Total operating profit before goodwill amortisation and associate		
<i>Geographical area by location of client operations</i>		
United Kingdom	8,781	7,347
Rest of Europe	3,782	2,216
	12,563	9,563
<i>Market sector</i>		
IT Contract Services	8,744	6,058
Executive Search & Selection	2,914	2,906
IT File Search	1,078	599
Resource Management	(173)	—
	12,563	9,563

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

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

	2000 £'000	1999 £'000
Net Assets		
<i>Geographical area by location of client operations</i>		
United Kingdom	17,409	10,876
Rest of Europe	1,971	2,057
	<hr/>	<hr/>
	19,380	12,933

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:

	2000 £'000	1999 £'000
Depreciation of tangible fixed assets	834	610
Amortisation of goodwill	738	475
Profit on disposal of tangible fixed assets	(17)	(9)
Auditors' remuneration		
– audit services parent company	10	10
– audit services other Group companies	104	85
– non-audit services	58	46
Operating lease rentals		
– plant and equipment	396	67
– land and buildings	526	304
Exchange losses/(gains) on trading	296	(138)

5 EMPLOYEES

Employee costs (including Directors) were as follows:

	2000 £'000	1999 £'000
Wages and salaries	16,826	13,001
Social security costs	2,182	1,432
Pension costs	182	198
	19,190	14,631

Average staff numbers for the year were as follows:

	No	No
Directors	4	4
Sales	292	197
Administration	93	72
	389	273

6 INTEREST RECEIVABLE/(PAYABLE)

	2000 £'000	1999 £'000
Bank interest receivable	35	71
Interest payable		
Bank loans and overdrafts	(426)	(198)
Hire purchase interest	(7)	(8)
	(433)	(206)
Net interest payable	(398)	(135)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax for		
current period at 30% (1999: 31%)	3,149	2,725
Adjustment in respect of prior year	(49)	(6)
Overseas tax	861	518
	<hr/>	<hr/>
	3,961	3,237

No provision for deferred taxation is considered necessary. The full potential liability for deferred taxation on the capital gain that might arise on the disposal of the Group's investment in Stepstone at its balance sheet amount is £192,000.

8 DIVIDENDS

	2000 £'000	1999 £'000
Ordinary shares		
Interim dividend paid 2.1p per share (1999: 1.8p)	565	483
Final dividend proposed 4.2p per share (1999: 3.6p)	1,126	965
	<hr/>	<hr/>
	1,691	1,448

The Harvey Nash Employee Benefit Trust, which owns 1,505,707 shares, has agreed to waive its entitlement to dividends for the statutory period.

9 PROFIT ATTRIBUTED TO THE PARENT COMPANY

The profit for the year ended 31 January 2000 in the financial statements of Harvey Nash Group plc, the Company, was £1,870,476 (1999: £1,691,015). 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 2000 £'000/shares	31 January 1999 £'000/shares
Profit attributable to shareholders	7,930	5,584
Weighted average number of shares	26,881,157	26,734,929
Basic earnings per ordinary share	29.50p	20.89p

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	7,930	5,584
Weighted average number of shares	26,881,157	26,734,929
Effect of dilutive securities	1,810,107	2,213,954
Adjusted weighted average number of shares	28,691,264	28,948,883
Diluted earnings per ordinary share	27.64p	19.29p

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 one category 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.

Profit attributable to shareholders	7,930	5,584
Amortisation of goodwill	738	475
Exceptional item	(674)	—
Adjusted profit after tax	7,994	6,059
Weighted average number of shares	26,881,157	26,734,929
Adjusted earnings per ordinary share	29.74p	22.66p

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

11 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 February 1999	14,582
Exchange movements	(1,404)
At 31 January 2000	13,178
Aggregate amortisation	
At 1 February 1999	475
Charge for the year	738
Exchange movements	(117)
At 31 January 2000	1,096
Net book value	
At 31 January 2000	12,082
At 31 January 1999	14,107

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 1 February 1999	527	351	557	1,265	105	2,805
Additions	156	109	146	771	63	1,245
Disposals	(1)	—	(1)	(12)	(8)	(22)
Exchange movements	(21)	(7)	(48)	(42)	2	(116)
At 31 January 2000	661	453	654	1,982	162	3,912
Depreciation						
As at 1 February 1999	44	160	200	494	33	931
Charge for the year	68	105	142	500	19	834
Disposals	—	—	(1)	(8)	—	(9)
Exchange movements	(4)	(2)	(16)	(18)	(3)	(43)
At 31 January 2000	108	263	325	968	49	1,713
Net book value						
At 31 January 2000	553	190	329	1,014	113	2,199
At 31 January 1999	483	191	357	771	72	1,874

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 2000	—	23	—	23
Accumulated depreciation at 31 January 2000	—	17	—	17
Net book value at 31 January 2000	—	6	—	6
Cost at 31 January 1999	37	28	41	106
Accumulated depreciation at 31 January 1999	22	11	25	58
Net book value at 31 January 1999	15	17	16	48

13 INVESTMENTS

	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Investment in subsidiary undertakings	—	—	24,094	24,094
Investment in own shares	401	—	—	—
	401	—	24,094	24,094

Investment in own shares

Investment in own shares of £401,000 (1999: £nil) represents the cost of 1,505,707 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 31.1.00 (£)
25.3.97	HNOS	1,382,857	69,142.85	Nil	Nil ¹	10,730,970
3.6.99	LTIP	122,850	6,142.50	3.24	401,000 ²	953,316
Total		1,505,707	75,285.35		401,000	11,684,286

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 £2,966 commission.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

13 INVESTMENTS (continued)

Subsidiary undertakings

The details of the subsidiary companies existing at 31 January 2000 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
Ortus.net Ltd (formerly Churchill Fry Limited)	England	Recruitment consultancy
Harvey Nash Resource Management Limited (formerly Telecommunications Executive Management Limited)	England	Resource management
Inston Services BV and subsidiaries	The Netherlands	Recruitment consultancy and holding company
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
European Experts NV	Luxembourg	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 European Experts NV, where 90% of the ordinary share capital and voting rights are owned.

14 EXCEPTIONAL ITEM / INVESTMENT

At 31 January 1999 Harvey Nash owned a 23.23% share of Internet Appointments Limited, a company which supplies Internet products to the recruitment industry.

In June 1999, Harvey Nash made a part disposal to reduce its shareholding to 21.77%.

On 11 October 1999, Internet Appointments Limited was sold to Jobshop ASA (subsequently renamed Stepstone ASA), consideration for which was satisfied by 1.92% of the share capital of Jobshop (subsequently diluted to 0.99%).

The consideration was estimated at £1.1m by the Directors at the time of the transaction, based on the Directors' valuation of Internet Appointments Limited of £5m and Harvey Nash's share in Internet Appointments Limited at the time of the disposal.

The Group has recorded an exceptional profit of £674,000 in the financial statements after related disposal costs.

There is no effect on the corporation tax charged in the profit and loss account in the year and no deferred taxation has been provided, as explained in note 7, as the gain has been rolled over.

Investment

The amount shown under current asset investments relates to the 0.99% interest in Stepstone ASA, shown at the Directors' valuation of £1.1m described above.

The investment is carried as a current asset because the Directors do not intend it to be held for use on a continuing basis in the Group's activities.

The earliest Harvey Nash is able to dispose of this investment is 10 September 2000.

In March 2000, Stepstone ASA listed on the Norwegian Stock Exchange. On 3 April 2000 the market value of Harvey Nash's interest was £2,748,070.

15 DEBTORS

	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Trade debtors	24,108	19,992	—	—
Loan to associated undertaking	—	95	—	—
Amounts owed by subsidiary undertakings	—	—	3,318	3,928
Other debtors	94	149	—	—
Prepayments and accrued income	2,566	1,806	—	—
	26,768	22,042	3,318	3,928

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Bank overdraft	666	43	—	—
Bank loans – secured	5,782	1,000	—	—
Obligations under finance lease and hire purchase contracts	14	28	—	—
Trade creditors	5,893	5,329	—	—
Corporation tax	2,633	2,474	59	65
Other taxes and social security	2,773	2,076	—	—
Accruals and deferred income	6,597	4,671	—	—
Deferred consideration	—	1,800	—	1,800
Other creditors	46	16	—	—
Proposed dividend	1,126	965	1,126	965
	25,530	18,402	1,185	2,830

The bank overdraft is secured by a fixed and floating charge on the assets of the UK companies.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Bank loans – secured	1,000	7,000	—	—
Deferred consideration	1,105	1,266	—	—
Share of associates's net liabilities	—	44	—	—
Obligations under finance leases and hire purchase contracts	5	23	—	—
	2,110	8,333	—	—

The bank loan is a revolving credit facility to a maximum limit of £7m, which can be drawn down in Euros and bears interest charged at 1.125% over LIBOR. The loans are secured on the share capital of Inston Services BV and European Experts NV. The loans are repayable in instalments to 31 January 2002.

18 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	Group 31 January 2000 £'000	Group 31 January 1999 £'000
Repayable within one year	6	32
Repayable between one and five years	17	26
<hr/>		
Total gross payments	23	58
Less finance charges and interest allocated to future periods	3	(7)
<hr/>		
	20	51
<hr/>		
Due within one year	5	28
Due after more than one year	15	23
<hr/>		
	20	51
<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 2000 £'000	Group 31 January 1999 £'000
Land and buildings		
Leases expiring within one year	175	—
Leases expiring between one and five years	332	414
Leases expiring in more than five years	63	43
<hr/>		
	570	457
<hr/>		
Other operating leases		
Leases expiring within one year	56	48
Leases expiring between one and five years	400	362
Leases expiring in more than five years	—	—
<hr/>		
	456	410
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

20 SHARE CAPITAL

	Group 31 January 2000 £'000	Group 31 January 1999 £'000	Company 31 January 2000 £'000	Company 31 January 1999 £'000
Authorised				
40,000,000 ordinary shares of 5p each	2,000	2,000	2,000	2,000
Allotted and fully paid				
28,457,608 ordinary shares of 5p each (1999: 28,188,624)	1,423	1,409	1,423	1,409

Shares issued during the year related to the IMIT acquisition. See note 22.

21 RESERVES

Group	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
1 February 1999	3,494	1,742	6,156
Premium on shares issued	842	—	—
Retained profits for the year	—	—	6,239
Exchange loss	—	—	(705)
31 January 2000	4,336	1,742	11,690
Company	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000
1 February 1999	3,494	20,000	289
Premium on shares issued	842	—	—
Retained profits for the year	—	—	179
31 January 2000	4,336	20,000	468

22 ACQUISITIONS

IMIT

In June 1999 the Group paid the final consideration for the acquisition of IMIT. This was satisfied by the issue of 268,984 shares at a price of 318.2p per share with a value of £855,906 and cash of £855,906.

23 ANALYSIS OF MINORITY INTEREST

	£'000
Balance at 1 February 1999	132
Minority interest in profit on ordinary activities after tax	83
Exchange movements	(26)
Balance at 31 January 2000	189

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW

	2000 £'000	1999 £'000
Group operating profit	11,825	9,088
Depreciation	834	610
Amortisation	738	475
Profit on disposal of fixed assets	(17)	(9)
Increase in debtors	(5,897)	(7,472)
Increase in creditors	3,265	3,623
Net cash inflow from operating activities	10,748	6,315

25 RECONCILIATION TO NET DEBT

	31 January 2000 £'000	31 January 1999 £'000
Increase/(decrease) in cash during the year	2,297	(2,343)
Decrease/(increase) in debt and lease finance	148	(7,138)
	2,445	(9,481)
Loans and finance leases acquired	—	(297)
Foreign exchange	989	(189)
Decrease(increase) in debt during the year	3,434	(9,967)
Net debt at beginning of period	(6,449)	3,518
Net debt at end of period	(3,015)	(6,449)
Net cash	3,787	1,602
Borrowings	(6,802)	(8,051)
	(3,015)	(6,449)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

25 RECONCILIATION TO NET DEBT (continued)

	1 February 1999 £'000	Cash flow £'000	Non cash movements £'000	Foreign exchange £'000	31 January 2000 £'000
Cash	1,646	2,919	—	(112)	4,453
Overdraft	(44)	(622)	—	—	(666)
	1,602	2,297	—	(112)	3,787
Debt due within one year	(1,000)	118	(5,837)	937	(5,782)
Debt due after one year	(7,000)	—	5,837	163	(1,000)
Finance leases	(51)	31	—	—	(20)
	(8,051)	149	—	1,100	(6,802)
Total	(6,449)	2,446	—	988	(3,015)

26 DIRECTORS

	2000 £'000	1999 £'000
Total emoluments of the Directors		
Fees	71	50
Basic salaries, allowances and taxable benefits	509	413
Car allowance	44	36
Bonuses	305	206
Pension contributions	51	41
Total emoluments	980	746
Emoluments of Chairman	40	35
Emoluments of highest paid Director (including pension contributions)	250	176

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.

The retirement scheme is provided on a defined contribution basis. The contributions in the period were £50,400 (1999: £41,250).

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 2000, there were 65 members (Prior Year: 43) of the Plan. The Company's total contribution to the Plan for the period to 31 January 2000 was £107,702 (1999: £58,705).

28 RELATED PARTY TRANSACTIONS

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

An amount of £250,000 is payable to a senior manager within the Group as part of the costs associated with the disposal of Internet Appointments Limited. The amount is deductible in calculating the profit on disposal and is included in creditors at 31 January 2000.

29 FINANCIAL INSTRUMENTS

An explanation of the Group's treasury policy and controls is included on pages 29 and 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 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2000 (continued)

29 FINANCIAL INSTRUMENTS (continued)

As at January 1999	Floating rate £000	Non interest bearing £000	Total £000
Sterling	—	707	707
German Mark	—	488	488
Swiss Franc	—	218	218
Dutch Guilder	—	34	34
Belgian Franc	—	133	133
French Franc	—	65	65
	—	1,645	1,645

b) Financial liabilities

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

As at January 1999	Floating rate £000	No interest paid £000	Total £000
Sterling	—	37	37
German Mark	—	2	2
Swiss Franc	—	—	—
Dutch Guilder	3,673	4	3,677
Belgian Franc	4,327	—	4,327
French Franc	—	—	—
	8,000	43	8,043

The floating rate financial liabilities comprise bank loans and overdrafts bearing interest rates based on local money market rates. The Dutch Guilder and Belgian Franc loans were converted to Euros during the year.

29 FINANCIAL INSTRUMENTS (continued)

c) Maturities of financial liabilities

Total borrowings are repayable as follows:

	2000 £000	1999 £000
Within one year	1,000	1,000
Between one and two years	4,782	6,000
Between two and five years	1,000	1,000
	<hr/>	<hr/>
	6,782	8,000

The maturities of other financial liabilities are as follows:

	2000 £000	1999 £000
Within one year	—	1,800
Between one and two years	1,104	1,266
Between two and five years	—	—
Over five years	—	—
	<hr/>	<hr/>
	1,104	3,066

Other financial liabilities comprise finance leases and 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:

	2000 £000	1999 £000
Between one and two years	2,182	—
Between two and five years	—	—
	<hr/>	<hr/>
	2,182	—

30 POST BALANCE SHEET EVENT

On 17 February 2000 the Group made a £600,000 investment for 6% of the shares in Cube8.com plc an internet incubator company which subsequently floated on the London Stock Exchange on 29 February 2000 at a price of 17p per share.

Harvey Nash

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