HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Harvey Nash, the Global Professional Recruitment and Outsourcing services group, announces preliminary results for the year ended 31 January 2007, ahead of expectations, with a strong performance in the second half.

Financial Results

	2007	2006	Change
Revenue	**£251.7m**	£202.3m	↑ 24%
Net Fee Income *	**£48.3m**	£42.9m	↑ 13%
Adjusted Operating Profit **	**£7.0m**	£5.3m	↑33%
Operating Profit	**£6.7m**	£5.1m	↑32%
Profit Before Tax	**£5.8m**	£4.0m	↑45%
Basic Earnings Per Share	**6.33p**	5.59p	↑13%

Source: Unaudited consolidated Financial Statements of Harvey Nash Group Plc
**Net Fee Income = Gross Profit (and this will apply throughout the statement)*
*** Operating profit before disposal of investment, property lease provision and share based payments*

Highlights

- Strong organic revenue growth of 24%
- Dividend re-instated with final dividend of 1p per share
- Excellent increase in Profit Before Tax of 45%
- Strong cash generation of £5.3m from operating activities
- New offices opened in USA, Europe and UK
- Continued growth of Outsourcing revenues in Europe
- Strong performance from Offshore Services with revenues up 47%

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

"The Group's performance for the year has exceeded expectations. Our unique portfolio of services and global geographic spread are key strategic advantages which are delivering strong growth and increased operating margins.

Building on our successful organic led growth strategy, we have identified bolt on acquisition opportunities in new and existing fast growing markets.

Current trading in the first quarter has been strong with the excellent run rates from last year continuing and therefore we are confident of further progress."

ENQUIRIES:

Harvey Nash **Tel: 020 7333 2635**
Albert Ellis, Chief Executive Officer
Richard Ashcroft, Group Finance Director

College Hill **Tel: 020 7457 2020**
Mark Garraway/Matthew Gregorowski

A presentation for analysts will take place at 09:30 this morning at the offices of College Hill, 78 Cannon Street, London, EC4N 6HH

CHAIRMAN'S STATEMENT

Once again I am pleased to be able to report that the Group's financial results for the year ended 31 January 2007 exceeded expectations, with a stronger than expected performance in the second half, particularly in the UK. Trading conditions remain favourable and demand is robust across all of the Group's markets.

Financial Results

The Group's revenue for the year ended 31 January 2007 increased by 24% to £251.7m (2006: £202.3m). Net fee income was £48.3m (2006: £42.9m). Profit before tax increased 45% to £5.8m (2006: £4.0m). Basic earnings per share increased 13% to 6.3p (2006: 5.6p).

There was trading cash inflow of £7.5m (2006: £6.1m) generated from operations before movements in working capital. As a result, the Group's net borrowings reduced by 59% to £2.6m (2006: £6.4m), significantly strengthening the Group's balance sheet.

Dividend

Following the completion of its capital reorganisation in July 2006, the Board is pleased to declare a final dividend for the year of 1p per share, which will be paid on 28 June 2007 to shareholders on the register as at 8 June 2007.

Strategy

A key success factor is the Group's strategy of diversifying its geographic coverage. This year over 63% (2006: 61%) of revenue was generated from outside the United Kingdom.

In the 2005 Annual Report, we set out the details of our three year plan intended to leverage growth opportunities and deliver better than average market returns. The Group has continued to make targeted investment in additional headcount, new offices and its Outsourcing services during the year. As a result of the implementation of the strategy, strong organic growth has been achieved and over the past two years (February 2005 to January 2007) profit before tax has increased by over 80%.

Our broad portfolio of services gives the Group a unique competitive advantage as major clients benefit from our comprehensive approach to the recruitment of their senior executives and IT professionals and their strategic IT requirements. The trend to offshore projects has gathered momentum with strong demand for our project based Offshore Software Development and Outsourcing services. These partnerships are longer term in nature and less susceptible to short term cyclical changes, thereby enhancing the Group's quality and visibility of earnings.

The Group's ongoing strategy is based on the success achieved in combining a strong organic growth model with bolt on, earnings enhancing acquisitions in new markets.

Board and Employees

Having made a major contribution to the Group over the years as both a founder and Chief Executive, David Higgins will move to a non-executive role with effect from 1 May 2007. He will step back from day to day operations but will continue to be involved in the Group's ongoing business development and in maintaining key client relationships.

On behalf of the Board, I would like to thank all of the Group's employees and associates, who have worked hard and made possible another year of successful growth.

Prospects and Outlook

Following the excellent performance in the year ended January 2007, current trading remains strong and business sentiment is positive.

The US business has seen improved profitability notwithstanding the softening of growth in that market and we expect to take advantage of an improved economic forecast in the second half. In Europe, demand is strong and our business continues its solid growth. In the UK demand has accelerated in the second half and the excellent run rates continue into the current year.

Overall, trading in the first quarter has been strong with the excellent run rates from last year continuing and therefore we are confident of further progress.

We will build on this successful organic led growth strategy, while we continue to identify earnings enhancing bolt on acquisition opportunities in new markets.

Ian Kirkpatrick
Chairman

OPERATIONAL REVIEW

United Kingdom

Revenue in the UK increased by 16% to £92.2m (2006: £79.2m) and operating profit increased by 41% to £3.5m (2006: £2.5m). The increase in operating profit margin has been brought about by our continued focus on higher margin added value services such as Offshore Software Services.

The macro economic picture was positive compared to the previous year with accelerated UK GDP growth in 2006 having a positive impact on demand.

The IT business in particular, benefited from the strong demand for IT professionals as companies continue to invest in their IT systems and infrastructure. Revenues were up 14% with an increase in both permanent and contract placements with revenue from Offshore services increased by 47%. The Financial Services and Oil sectors were key drivers for growth, with demand for IT professionals also strong in the Media sector as convergence continues to drive mergers and acquisitions.

The Group successfully established a Board level practice during the year, building delivery capability at the senior level in both the private and public sectors. An office was also opened in Edinburgh in September to broaden the geographic reach of the UK business.

Continental Europe

Revenue in mainland Europe increased by 39% to £132.6m (2006: £95.7m), and operating profit increased by 28% to £2.3m (2006: £1.8m). Economic conditions were favourable throughout the year, with client demand for technology professionals outstripping supply.

The Netherlands once again delivered the strongest result with revenues up by 64%. Our business continues to grow with additional headcount taken on during the year to support our large blue chip clients with specialist recruitment, workforce risk management, Outsourcing and Executive Search services.

In Belgium, revenue increased by 24%. Investment in headcount helped grow the numbers of IT consultants significantly. Productivity improved and the business experienced no bench costs in relation to its employed IT consultants working on project based assignments during the year.

As stated in October 2006, in France we are leveraging the economic recovery with increased fee earning capacity. This has now been implemented in February 2007 following the appointment of key management. Forecast investment of circa £0.3m will be made in our Paris office and we anticipate reaching profitability in the fourth quarter of this year.

In Germany, revenues increased by 14%. Margins have been slightly lower over the last two years but this has been offset by rising volumes of IT consultants. The Group's specialist competencies in SAP, Engineering and Systems Management have all experienced increased demand driven by skills shortages.

In Switzerland, revenues increased by 13%, generated mainly from demand for both IT consultants and permanent IT professionals in the Financial Services sector. The Geneva office has been successfully established and is already making a contribution in its first full year. Additional headcount in the final quarter of last year has been taken on to further develop this growing market.

United States

Operating profit increased by 6% to £0.9m (2006: £0.8m) notwithstanding revenues being at similar levels to last year at £27.0m (2006: £27.4m). Although the fluctuating currency has had a small adverse affect on the reported trading results a process of ongoing yield management of lower margin contracts and an increase in the growth of Executive Search has improved gross margin in the period from 30% to 31%. The operating margin also increased to 11% (2006: 10%).

Two new offices in Boston and Phoenix were opened during the year to further expand our geographic footprint. Although the Accountancy business generated lower revenues than in the previous year, the IT market was buoyant and Executive Search revenues increased by 75%.

The market currently favours permanent hiring which has resulted in a change of mix in gross profit to 78:22 (contracting:permanent) compared to 81:19 in the previous year.

Demand for Offshore and Outsourcing is strong in the US and the Group is seeking to leverage the opportunities that exist in this market. Currently a number of UK based clients have asked the Group to assist their subsidiaries in the US both in providing Offshore Software services and recruitment, the benefits of which are anticipated in the latter part of 2007. The Managed Service division increased its revenues with an extension at Sunguard and a new contract win at Smith & Nephew.

As has been well documented, growth slowed in the US economy in the final quarter of last year with business sentiment slighter softer than at the start of the year. This has resulted in lower demand for IT consultants. However, with a robust pipeline mainly in the Outsourcing and Offshore business and a strong Executive Search practice, we believe our US business is well placed for growth in the future, particularly in the second half when an acceleration of economic growth is forecast.

Summary

The Group's performance for the year has exceeded expectations. Our unique portfolio of services and global geographic spread are key strategic advantages which are delivering strong growth and increased operating margins. We intend building on our successful organic led growth strategy, and continue to identify bolt on acquisition opportunities in new markets and geographic areas.

Albert Ellis
Chief Executive Officer

FINANCIAL REVIEW

Profit and Loss

Revenue increased by 24% to £251.7m for the year ended 31 January 2007 (2006: £202.3m). This increase was 100% organic and reflected improved trading conditions both in the United Kingdom and continental Europe.

Adjusted operating profit (before profit on disposal of investment, property lease provision and share based payments) increased by 32% to £7.0m (2006: £5.3m) as the conversion ratio (adjusted operating profit as a percentage of gross profit) improved from 12% in the previous year to 15%.

The profit on disposal of investment of £0.45m represents cash consideration for the sale of the 10% shareholding in the Hong Kong company St. Georges Harvey Nash Limited. The property provision of £0.3m relates to the cost of re-letting vacant premises in Lower Regent Street, London. The share based payments expense represents the share options charge (£0.2m) and a provision for share based management bonuses (£0.2m).

Net interest payable fell by 15% to £0.9m from £1.1m in the previous year as a result of lower net borrowings, despite increases in interest rates during the year.

Taxation

The tax charge for the year was £1.7m (2006: £0.5m), giving an overall effective rate of tax of 29.5% (2006: 13.1%). Excluding adjustments in respect of prior years, the effective rate of tax was 28.4% (2006: 27.6%).

Earnings per Share

Basic earnings per share rose by 13% to 6.33p (2006: 5.59p). Fully diluted earnings per share rose by 22% to 6.18p (2006: 5.05p).

Balance Sheet

Tight control over capital expenditure during the year resulted in a total spend of £0.6m, which was lower than the depreciation charge of £0.8m.

The value of intangible assets (goodwill) fell during the year by £0.9m, as a result of foreign exchange movements of £0.8m and an adjustment to the value of goodwill in SBS Inc of £0.1m.

Trade and other receivables have increased by £8.7m as a result of increased trading. The increase in trade and other receivables (20%) is slightly lower than the increase in revenue (24%), reflecting tight control over receivables. Trade and other payables increased by £6.5m, also as a result of increased trading.

Provisions and other liabilities (£0.3m) comprise the costs relating to the property in Lower Regent Street, London.

Cash Flow

There was a trading cash inflow of £7.5m generated from operating activities before working capital movements. Of this, £2.2m was absorbed in working capital despite the 24% increase in revenue. Tax payment of £0.6m, capital expenditure of £0.6m and net interest paid of £0.9m was partly offset by cash proceeds from the sale of investment of £0.4m.

Banking Facilities

The Group's banking facilities total circa £21.4m, comprising working capital of £12.0m in the UK and €5.0m in Germany, an overdraft facility of £4.0m and a residual £2.0m term loan with two re-payments of £1.0m each, on 31 January 2008 and 31 January 2009. These facilities are available to fund growth in the group's operations.

Acquisitions

The final tranche of deferred consideration of up to $1.0m in relation to the acquisition of Snowdogs LLC, the Group's Seattle based business, was based on the results for the year ended 31 January 2006 and was satisfied in April 2006 by the issue of 833,061 shares following the successful achievement of the earnout.

In January 2007 the Group issued 1,146,331 shares in connection with the Group's deferred consideration for the acquisition of the business and certain assets of Bluesuit Consulting Inc, the Group's Chicago based business. The final tranche of the deferred consideration of up to $0.7m is payable in shares, based on the results for the year ending on 16 December 2007.

Richard Ashcroft
Group Finance Director

Unaudited Consolidated Income Statement
for the year ended 31 January 2007

	Notes	**2007**	2006
		£ '000	£ '000
Revenue	3	**251,742**	202,294
Cost of sales		**(203,480)**	(159,390)
Gross profit		**48,262**	42,904
Total administrative expenses		**(41,530)**	(37,803)
Operating profit before disposal of investment, property lease provision and share based payments		**7,034**	5,286
Profit on disposal of investment		**449**	-
Property lease provision		**(328)**	-
Share based payments		**(423)**	(185)
Operating profit		**6,732**	5,101
Finance costs		**(1,235)**	(1,117)
Finance income		**299**	19
Profit before tax		**5,796**	4,003
Income tax expense	5	**(1,712)**	(527)
Profit for the year	7	**4,084**	3,476
Basic earnings per share	4	**6.33p**	5.59p
Diluted earnings per share	4	**6.18p**	5.05p

Unaudited Consolidated Statement of Recognised Income and Expense
for the year ended 31 January 2007

	2007	2006
	£ '000	£ '000
Profit for the year	**4,084**	3,476
Foreign currency translation differences	**(978)**	(70)
Total recognised income and expense for the year	**3,106**	3,406

The above results are derived from continuing activities.

Unaudited Consolidated Balance Sheet
for the year ended 31 January 2007

	Notes	**2007**	2006
		£ '000	£ '000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,450**	1,744
Intangible assets		**27,516**	28,463
Deferred income tax assets		**1,304**	1,190
		30,270	31,397
Current assets			
Trade and other receivables		**51,747**	43,032
Total assets		**82,017**	74,429
LIABILITIES			
Current liabilities			
Trade and other payables		**(40,736)**	(34,219)
Current income tax liabilities		**(1,388)**	(459)
Financial liabilities - borrowings	6	**(1,784)**	(6,392)
Provisions		**(328)**	(14)
		(44,236)	(41,084)
Non-current liabilities			
Financial liabilities - borrowings	6	**(819)**	-
Deferred income tax liabilities		**(175)**	(233)
		(994)	(233)
Total liabilities		**(45,230)**	(41,317)
Net assets		**36,787**	33,112
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital		**3,325**	3,137
Share premium		**4,111**	19,064
Shares to be issued		**595**	2,532
Fair value and other reserves		**15,079**	13,152
Own shares held		**(656)**	(656)
Cumulative translation reserve		**(885)**	93
Retained earnings	7	**15,218**	(4,210)
Total equity		**36,787**	33,112

Unaudited Consolidated Cash Flow Statement
for the year ended 31 January 2007

	Notes	**2007**	2006
		£ ’000	£ ’000
Profit before taxation		**5,796**	4,003
Adjustments for:			
- depreciation		**789**	797
- loss on disposal of fixed assets		**33**	-
- finance income		**(299)**	(19)
- finance costs		**1,235**	1,117
- profit on sale of investment		**(449)**	-
- share based employee settlement and share option charge		**423**	185
Operating cash flows before changes in working capital		**7,528**	6,083
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- increase in trade and other receivables		**(7,639)**	(12,477)
- increase in trade and other payables		**5,138**	11,479
- increase/(decrease) in provisions for liabilities and charges		**314**	(266)
Cash flows from operating activities		**5,341**	4,819
Income tax (paid)/ received		**(630)**	55
Net cash generated/ (absorbed) from operating activities		**4,711**	4,874
Cash flows from investing activities			
Purchases of property, plant and equipment		**(565)**	(1,109)
Proceeds from sale of investment		**449**	-
Net cash absorbed from investing activities		**(116)**	(1,109)
Cash flows from financing activities			
Repayment of borrowings		**(1,000)**	(3,308)
Proceeds from issue of ordinary shares		**129**	13
Interest received		**299**	19
Interest paid		**(1,235)**	(1,117)
Net cash used in financing activities		**(1,807)**	(4,393)
Increase / (decrease) in cash and cash equivalents		**2,788**	(628)
Cash and cash equivalents at the beginning of the year		**(3,371)**	(2,694)
Exchange (losses)/gains on cash and cash equivalents		**(201)**	(49)
Cash and cash equivalents at the end of the year	6	**(784)**	(3,371)

Notes to the Unaudited Consolidated Financial Statements

1. General Information

Harvey Nash Group plc (the Company) and its subsidiaries (together "the Group") is a leading provider of specialist recruitment and outsourcing solutions. The Group has offices in the UK, Europe and the United States and a branch in Vietnam.

The Company is a public listed company incorporated in the UK. Its registered address is 13 Bruton Street, London W1J 6QA and its listing is on the London Stock Exchange.

2. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out in the 31 January 2006 annual report. These policies have been consistently applied to both years presented unless otherwise stated.

The financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 January 2007 will be dispatched to shareholders during May 2007 for approval at the Annual General Meeting to be held on 25 June 2007.

Basis of preparation

The main section of these financial statements presents the financial statements of the Group prepared under International Financial Reporting Standards (IFRS) adopted by the European Union.

3. Segment Information

The consolidated entity operates in one business segment being that of recruitment and outsourcing services. As a result, no additional business segment information is required to be provided. The Group's secondary segment is geography. The segment results by geography are shown below including revenue by origin. The directors do not consider revenue by origin to be materially different from revenue by destination.

	Revenue		**Segment assets**		**Capital expenditure**	
	2007	2006	**2007**	2006	**2007**	2006
	£ '000	£ '000	**£ '000**	£ '000	**£ '000**	£ '000
United Kingdom	**92,220**	79,229	**26,798**	24,001	**352**	704
Netherlands	**74,668**	45,574	**22,787**	17,780	**6**	8
Germany	**29,935**	26,196	**6,209**	5,220	**18**	42
Rest Of Europe	**27,960**	23,920	**15,188**	15,265	**24**	270
United States	**26,959**	27,375	**9,731**	10,944	**165**	85
Asia Pacific	**-**	-	**-**	29	**-**	-
Total	**251,742**	202,294	**80,713**	73,239	**565**	1,109

4. Earnings Per Share

	2007	2006
Profit attributable to shareholders £'000	**4,084**	3,476
Weighted average number of shares	**64,542,753**	62,224,342
Basic earnings per share	**6.33p**	5.59p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of potential ordinary shares: those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the year, and deferred consideration shares to be issued.

	2007	2006
Profit attributable to shareholders £'000	**4,084**	3,476
Weighted average number of shares	**64,542,753**	62,224,342
Effect of dilutive securities	**1,533,120**	6,670,461
Adjusted weighted average number of shares	**66,075,873**	68,894,803
Diluted earnings per share	**6.18p**	5.05p

5. Taxation

	2007 **£ '000**	2006 £ '000
Corporation tax on profits in the year	**1,542**	664
Adjustments in respect of prior years	**65**	(577)
Total current tax	**1,607**	87
Deferred tax	**105**	440
Total tax charge	**1,712**	527

6. Analysis of Changes in Net Debt

	1 February 2006 **£'000**	**Cash flow** **£'000**	**Non cash movements** **£'000**	**Foreign exchange movements** **£'000**	**31 January 2007** **£'000**
Cash and cash equivalents	(3,371)	2,788	-	(201)	(784)
	(3,371)	2,788	-	(201)	(784)
Debt due within one year	(3,021)	1,000	819	202	(1,000)
Debt due after one year	-	-	(819)	-	(819)
	(3,021)	1,000	-	202	(1,819)
Total	**(6,392)**	**3,788**	**-**	**1**	**(2,603)**

The non-cash movements reflect changes in the maturity of the debt following a debt restructuring in the year.

7. Retained Earnings

	2007 **£ '000**	2006 £ '000
At 1 February	**(4,210)**	(7,234)
Employee share options and bonus plan	**160**	(226)
IFRS 2 Deferred Tax charge to equity	**277**	(226)
Capital Restructuring	**15,063**	-

Goodwill adjustment	**(156)**	-
Profit for the year	**4,084**	3,476
At 31 January	**15,218**	(4,210)