

**HARVEY NASH GROUP PLC**  
**Preliminary results for the year ended 31 January 2003**

Harvey Nash Group plc ("Harvey Nash"), the Global Professional Recruitment Group, announces its preliminary results for the year ended 31 January 2003.

**Financial Results**

	<b>31 Jan 2003</b>	31 Jan 2002
Turnover	<b>£156.7m</b>	£235.7m
Adjusted operating profit	<b>£1.2m</b>	£2.8m
Unadjusted operating loss	<b>£6.4m</b>	£8.3m
Cash flow from operating activities	<b>£5.7m</b>	£12.8m

- Adjusted profit before tax ahead of expectations, £0.1m (2002: £0.8m)
- Adjusted profit before tax of £0.5m achieved in H2 2003 (H1: Loss £0.4m)
- Net debt reduced by 74% to £5.6m (2002: £21.5m)
- Gross margin broadly maintained at 21.3% (2002: 21.9%)
- Cash generated of £5.7m from trading activities in 2003 (2002: £12.8m)
- Restructuring savings realised of £16.5m per annum
- US subsidiary returns to profit in H2

Adjusted means, adjusted for goodwill of £2.0m (2002: £1.4m) and exceptional items of £5.6m (2002: £9.7m) and this meaning shall apply throughout the preliminary results statement.

David Higgins, Harvey Nash's Chief Executive Officer, commented:

"I am very pleased with the Group's performance this year against the backdrop of an extremely difficult market. Our continued development of the Group's unique portfolio of services combined with proactive cost and cash management has resulted in adjusted profits ahead of expectations. During the year we have reduced our overheads and borrowings significantly. I am also pleased to report that our US business has continued its turnaround with an adjusted profit in the second half.

The fundamentals of our business remain strong, with our Resourcing businesses continuing to generate profits and the Group's overall financial performance mainly being affected by continuing weaker demand for our Consulting Services. Although we still see no improvement in the markets in which we operate and visibility remains limited, we are committed to managing the business for the medium term and we will continue to prudently invest in the Harvey Nash brand and portfolio of services to gain market share and be well positioned for future growth."

Enquiries:

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## **CHAIRMAN'S STATEMENT**

### **Review of the Year**

I am delighted that the Group has reported an adjusted operating profit for the year. In particular, adjusted profit before tax of £0.5m was achieved in the second half of the year (2002: £0.0m). For the first six months of the year the Group reported an operating loss of £0.4m before goodwill amortisation and before an exceptional restructuring charge of £5.2m, mainly relating to the reorganisation of the Group's property and reduction in headcount. As markets deteriorated and business confidence fell further, these actions put the Group in a strong position to respond to the competitive pressures by aggressively marketing its unique portfolio of services, strong brand and its global delivery capability.

The strategic review in 2001 focused on four key areas: market positioning, operations and management, fixed overheads and restructuring the Group's debt. I am pleased to report that considerable progress has been made to date on all four fronts.

Our market positioning and brand in the IT sector has been significantly enhanced with the successful introduction and development of our Software Development business; "Harvey Nash IT" is now Europe's leading provider of IT Resourcing services. This represents a step forward strategically as the Group differentiates its services and provides real added value to its clients.

The restructuring of the Group's operations and management resulted in a reduction in offices from 32 to 24 and a fall in headcount from 750 to 413 at the year end. Substantial reductions in property liabilities were achieved. In total, savings of £16.5m per annum have been realised in the year.

The Group has continued to generate positive cash flow during the year. Net borrowings have fallen by over 74% to £5.6m at 31 January 2002 (2002: £21.5m) as a result of the Placing and Open Offer in March 2002, lower investment in working capital and lower levels of trading.

Management actions have been, and will continue to be, guided by the principle of proactively maintaining the Group's operating cost base in line with its revenues and continued focus on positive cash flow.

The Group is underpinning its improved performance with investment in its services, brand and people. This will be achieved through further development of our IT initiatives (CMS and Assignment Tracker), brand enhancing "thought leadership" programmes and the training and development of the Group's staff and management.

### **Overview**

For the year ended 31 January 2003 turnover was £156.7m (2002: £235.7m). Adjusted operating profits were £1.2m (2002: £2.8m) before interest paid of £1.1m (2002: £2.1m), an exceptional charge of £5.6m (2002: £10.7m) and goodwill

amortisation of £2.0m (2002: £1.4m) resulting in an overall loss before tax of £7.5m (2002: £11.4m).

The adjusted loss per share of 0.92p compares with earnings per share of 1.75p last year and the Board is not recommending the payment of a dividend (2002: Nil).

During the year 22,632,181 new ordinary shares were issued in relation to the Placing and Open Offer and 3,212,003 new ordinary shares were issued in satisfaction of the final consideration relating to the acquisitions of Broadbay Networks Inc and European Experts NV. There are no further deferred consideration liabilities outstanding at the year end.

### **Staff and Management**

I would like to thank all employees for their contribution to the Group's achievements this year. As a result of the hard work and perseverance in both front and back office the financial performance of the Group was ahead of expectations. In spite of the difficult trading environment, profits increased in many of the Group's subsidiaries in the second half mainly as a result of actions taken by local management teams.

In addition, the Board has been strengthened by the appointment of Ian Bassar in November 2002 as Operational Director with responsibility for the UK and Asia. Ian has brought with him substantial international recruitment experience having previously worked extensively in Asia and North America.

### **Current Trading and Prospects.**

Currently we see no improvement in the markets in which we operate and in line with our peers, we have seen further deterioration over the last twelve months in the UK and particular in Europe. Although the US economy remains fragile we have stabilised our revenues in the second half of last year. Since the start of the current financial year demand in the UK and Europe has weakened and visibility across all of these markets is limited. Markets in Asia Pacific have also weakened and therefore break-even in our Hong Kong and Sydney offices is likely to be delayed.

Looking forward we will manage the cost base of the Group in line with revenues, and will continue to prudently invest in the Harvey Nash brand and unique portfolio of services to ensure that we increase market share and have a sound platform for future growth as market conditions improve.

Ian Kirkpatrick  
Chairman

## **OPERATING REVIEW**

### **Resourcing Services**

Despite difficult market conditions, Resourcing Services once again demonstrated its quality and relative resilience with turnover of £141.7m (2002: £205.7m) and adjusted operating profits of £4.2m (2002: £5.7m).

Through an aggressive cost reduction programme in the UK and the US this division improved its adjusted profits from £1.6m in the first half to £2.6m in the second half of the year, an excellent result in the current trading environment.

### **UK**

In the UK the business was restructured to align more closely all of the different services under one brand and management team. This enabled "Harvey Nash IT" to leverage its unique portfolio of services and increase its market share. Weaker demand for contractors, together with margin pressure and rate deflation contributed to a decline in turnover from £113.9m to £72.9m during the year. The inclusion of Resource Management revenues of £15.7m in the prior year's turnover has exacerbated the decline. This service has now been discontinued. However the impact on profits has been reduced due to management actions to realign the cost base, which resulted in the business reporting an adjusted profit for the year of £1.1m (2002: £1.8m). The benefits of the cost savings flowed through in the second half of the year with adjusted profits of £0.8m being achieved compared to £0.3m for the first six months.

Through leveraging our added value IT initiatives such as our Contractor Management System we have been able to win new clients and increase our permanent revenues by 25%.

### **Europe**

Our European Resourcing business experienced a 22% decline in turnover from £78.2m to £60.8m during the year. This division produced the best result in the Group, an adjusted profit of £3.4m (2002: £5.9m). Weaker than expected demand affected all offices in Europe particularly in Zurich and Frankfurt where the client base is concentrated in the Financial Services sector. Although the number of Harvey Nash Consultants working on client sites did not decline to the same extent in our Benelux businesses, the financial results in Holland and Belgium were negatively impacted by the number of employed consultants on the "bench" throughout the year. Actions have been taken to limit the potential risk in the year ahead.

Our strategy in Europe is to develop the UK model of Group services, value added IT initiatives and marketing to help gain market share in each of the countries. Also, we are actively focusing on developing the Group's major accounts on a pan-European basis. Our software development service was created to augment the Group's portfolio, enabling Harvey Nash to act as a strategic partner to solve clients resourcing and software development issues.



## **US**

Following the downturn in the US economy particularly in the TMT sector, and our restructuring, turnover declined from £13.2m for the year ended 31 January 2002 to £7.9m in the year under review. Management actions to reduce the fixed overhead to more appropriate levels resulted in the turnaround of our US subsidiary from a loss of £2.0m in the year ended 31 January 2002 to a small adjusted operating profit in the second half of the year ended 31 January 2003. This business has successfully diversified into financial recruitment taking advantage of the increased demand for financial professionals following changes in the regulatory environment. Our strategy going forward is to invest in key strategic hires in order to position the business to take advantage of any market recovery.

## **Consulting**

Consulting Services has been affected by low levels of business confidence, particularly in Germany where the Executive Search market has been severely affected by the economic and political uncertainty. This division has undergone extensive restructuring throughout the year in terms of headcount reduction and the integration of offices into our Resourcing business.

Turnover declined by 50% to £15.0m (2002: £30.0m) and adjusted operating losses remained at the same level as last year at £3.0m (2002: loss £3.0m). The Group's strategy is to leverage the Group's services and brand by maintaining critical mass in the UK and a presence in each country in Europe, to enable us to deliver a pan-European service to our international clients. In the UK our market leading Executive Search and Selection business has diversified its exposure to the TMT sector by developing Healthcare, Finance and Public Sector clients. Although the loss was reduced in Europe as a result of management actions, the loss in Asia was slightly higher than expected at £0.6m for the year (2002: loss £0.5m).

## **UK**

Revenues in the UK were down 53% year on year to £11.4m (2002: £24.0m) and adjusted losses increased to £1.5m (2002: loss £1.0m). Revenues have stabilised in the final quarter of the year despite business confidence declining further. We have continued to broaden our sector focus and in particular have been successful in developing the Public Sector. In the year, 57% of the Division's revenues derived from non-TMT sectors (2002: 50%).

## **Europe**

The Group is represented in France, Belgium, Holland and Germany. Adjusted losses have been reduced from £1.5m in 2002 to £1.0m in the year under review. As a result of poor economic conditions we have downsized all the businesses and integrated them into our Resourcing offices. Our strategy going forward is to broaden the sector focus and invest when markets improve.

## **Asia Pacific**

Our start-up offices in Sydney and Hong Kong have increased revenues to £0.8m for the year (2002: £0.5m) in spite of tough market conditions. The loss for the year is £0.6m (2002: loss £0.5m), mainly due to investing to attain critical mass in very difficult markets. In the current year these offices are unlikely to break-even and their performance will be closely monitored.

## **FINANCIAL REVIEW**

### **Profit and Loss Account**

In a difficult trading environment turnover from continuing operations was £156.7m for the year ended 31 January 2003 (2002: £235.7m). This represents a fall of 33.5% of which 6.7% relates to the closure of our Resource Management division in the previous year.

The gross margins were broadly maintained at 21.3% (2002: 21.9%) despite downward pressure on pricing. The proportion of turnover relating to the Resourcing Division was 90.4% (2002: 87.3%). Turnover from the Consulting Division fell 50% to £15.0m (2002: £30.0m), reflecting falling demand for this service throughout the year under review.

The cost base of the Group for the year was £32.2m (2002: £48.7m) excluding exceptional charges and goodwill amortisation. The Group's cost base in the second half of the year was £14.2m compared to £18.0m in the first half, showing the benefits of the restructuring. Cost savings of £16.5m in total were realised during the year.

£2.0m (2002: £1.4m) of goodwill was amortised during the year. The comparative charge for the previous year was affected by a one-off credit of £0.3m.

Group operating profits for the year were £1.2m (2002: £2.8m) from which interest payable of £1.1m (2002: £2.1m), goodwill amortisation of £2.0m (2002: £1.4m) and exceptional items of £5.6m (2002: £10.7m) have been deducted, resulting in a loss before taxation of £7.5m (2002: loss £11.3m).

### **Exceptional Items**

The Group incurred exceptional costs of £5.6m (2002: £10.7m) mainly in relation to restructuring the Group's property portfolio and costs associated with the headcount reduction. In Europe, the Executive Search business was further restructured in the second half at an additional cost of £0.3m.

### **Interest**

Net interest payable in the year reduced from £2.1m to £1.1m primarily due to the reduction of debt and the benefit from lower underlying interest rates.

### **Taxation**

There is a nil tax charge in the year (2002: £0.4m). A deferred tax asset of £0.9m has been recognised (2002: £0.9m) which represents unrelieved tax losses of £0.6m in Europe and short-term timing differences of £0.3m.

## **Balance Sheet and Cash Flow**

Fixed assets have reduced from £5.2m last year to £2.2m this year as a result of the write-down in relation to property restructuring and lower levels of capital expenditure of £0.7m (2002: £2.1m).

Tight control of working capital ensured a positive cash flow from trading activities of £5.7m (2002: £12.8m). Debtors have reduced to £22.2m (2002: £30.0m) as a result of a 5% reduction year on year in average days sales in debtors and lower trading. Creditor days have increased to 45 days (2002: 38 days).

Net debt reduced significantly from £21.5m last year to £5.6m this year. The improvement in the Group's financial position was achieved through a combination of active cash management and the application of the net proceeds from the Placing and Open Offer.

The provision for liabilities and charges of £1.5m (2002: £nil) relates to an estimate of the Group's future property lease obligations, mainly in the UK.

Taxation of £1.0m, mainly in relation to the year ended 31 January 2001, was paid during the year.

The overall cash inflow during the year was £4.6m compared to an outflow of £1.2m in the prior year.

## Analysts Presentation

Brunswick Group  
17 Lincolns Inn Fields  
London WC2A 3ED

Friday 11 April 2003  
9.30am

# Consolidated Profit and Loss Account

for the year ended 31 January 2003

	Note	Results before amortisation of goodwill and exceptional items 2003 £'000	Amortisation of goodwill and exceptional items 2003 £'000	Results after amortisation of goodwill and exceptional items 2003 £'000	2002 £'000
Turnover	2	156,692	—	156,692	235,720
Cost of sales		(123,348)	—	(123,348)	(184,211)
<b>Gross profit</b>		<b>33,344</b>	<b>—</b>	<b>33,344</b>	<b>51,509</b>
Administrative expenses excluding goodwill amortisation	4	(32,190)	(5,587)	(37,777)	(58,412)
Goodwill amortisation		—	(1,972)	(1,972)	(1,386)
<b>Group operating profit/(loss)</b>		<b>(32,190)</b> <b>1,154</b>	<b>(7,559)</b> <b>(7,559)</b>	<b>(39,749)</b> <b>(6,405)</b>	<b>(59,798)</b> <b>(8,289)</b>
Amounts written off investments		—	—	—	(1,026)
Interest receivable		61	—	61	70
Interest payable		(1,146)	—	(1,146)	(2,101)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>69</b>	<b>(7,559)</b>	<b>(7,490)</b>	<b>(11,346)</b>
Taxation on profit on ordinary activities		—	—	—	—
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>69</b>	<b>(7,559)</b>	<b>(7,490)</b>	<b>(11,346)</b>
Equity minority interest		—	—	—	(76)
<b>Profit/(loss) for the financial year</b>		<b>69</b>	<b>(7,559)</b>	<b>(7,490)</b>	<b>(11,422)</b>
Dividends		—	—	—	—
<b>Retained profit/(loss) for the financial year</b>		<b>69</b>	<b>(7,559)</b>	<b>(7,490)</b>	<b>(11,422)</b>
<b>Basic loss per share</b>	3			<b>(14.91)p</b>	(39.38)p
<b>Adjusted earnings per share</b>	3			<b>(0.92)p</b>	1.75p

# Consolidated and Company Balance Sheets

as at 31 January 2003

	<b>Group</b> 31 January	Group 31 January	<b>Company</b> 31 January	Company 31 January
	<b>2003</b> £'000	2002 £'000	<b>2003</b> £'000	2002 £'000
<b>Fixed assets</b>				
Intangible fixed assets	<b>29,250</b>	30,631	—	—
Tangible fixed assets	<b>2,227</b>	5,191	—	—
Investments	<b>400</b>	178	<b>46,917</b>	51,622
	<b>31,877</b>	36,000	<b>46,917</b>	51,622
<b>Current assets</b>				
Debtors	<b>22,222</b>	30,035	<b>5,767</b>	5,385
Cash at bank	<b>6,512</b>	1,587	—	23
	<b>28,734</b>	31,622	<b>5,767</b>	5,408
<b>Creditors due within one year</b>	<b>(17,532)</b>	(28,686)	<b>(954)</b>	(821)
<b>Net current assets</b>	<b>11,202</b>	2,936	<b>4,813</b>	4,587
<b>Total assets less current liabilities</b>	<b>43,079</b>	38,936	<b>51,730</b>	56,209
<b>Creditors due after more than one year</b>	<b>(11,874)</b>	(16,250)	<b>(10,527)</b>	(21,694)
<b>Provision for liabilities and charges</b>	<b>(1,546)</b>	—	<b>(1,447)</b>	—
<b>Net assets</b>	<b>29,659</b>	22,686	<b>39,756</b>	34,515
<b>Capital and reserves</b>				
Share capital	<b>2,801</b>	1,509	<b>2,801</b>	1,509
Shares to be issued	—	884	—	884
Share premium account	<b>16,445</b>	4,897	<b>16,445</b>	4,897
Capital contribution	—	—	<b>20,000</b>	20,000
Other reserves	<b>10,898</b>	9,538	<b>9,156</b>	7,796
Profit and loss account	<b>(485)</b>	5,858	<b>(8,646)</b>	(571)
<b>Equity shareholders' funds</b>	<b>29,659</b>	22,686	<b>39,756</b>	34,515

# Consolidated Cash Flow Statement

for the year ended 31 January 2003

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Net cash inflow from operating activities</b>	<b>5,721</b>	12,782
<b>Returns on investments and servicing of finance</b>		
Interest received	62	70
Interest paid	<b>(1,106)</b>	(2,085)
Interest element of finance lease repayments	<b>(38)</b>	(16)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,082)</b>	(2,031)
<b>Tax paid</b>	<b>(1,013)</b>	(3,583)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<b>(670)</b>	(2,090)
Purchase of own shares	<b>(221)</b>	—
<b>Net cash outflow from capital expenditure</b>	<b>(891)</b>	(2,090)
<b>Acquisitions and disposals</b>		
Settlement of deferred consideration	<b>(166)</b>	(4,581)
Net overdraft acquired with subsidiary undertakings	—	(21)
<b>Net cash outflow from acquisitions</b>	<b>(166)</b>	(4,602)
<b>Equity dividends paid</b>	—	(1,283)
<b>Financing</b>		
Issue of share capital	<b>1,132</b>	—
Issue of share premium	<b>13,126</b>	—
Payment of expenses on issue of equity shares	<b>(1,580)</b>	—
Repayment of loan notes	—	(1,999)
Repayment of acquired debt	—	(360)
Movement in borrowings	<b>(10,447)</b>	1,376
Proceeds from sale and finance leaseback	—	667
Capital element of finance lease repayments	<b>(210)</b>	(114)
<b>Net cash inflow/(outflow) from financing</b>	<b>2,021</b>	(430)
<b>Increase/(decrease) in cash in the year</b>	<b>4,590</b>	(1,237)

## Statement of Total Recognised Gains and Losses for the year ended 31 January 2003

	<b>2003</b>	2002
	<b>£'000</b>	£'000
Loss for the financial year	<b>(7,490)</b>	(11,422)
Currency translation differences on foreign currency net investments offset in reserves	<b>1,147</b>	(205)
<b>Total losses for the year</b>	<b>(6,343)</b>	(11,627)

## 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 for the year ended 31 January 2003

	<b>2003</b>	2002
	<b>£'000</b>	£'000
(Loss)/profit for the financial year	<b>(7,490)</b>	(11,422)
Issue of share capital	<b>1,292</b>	31
Reduction in shares to be issued	<b>(884)</b>	(8,578)
Share premium	<b>11,548</b>	12
Other reserves	<b>1,360</b>	2,056
Currency translation differences on foreign currency net investments offset in reserves	<b>1,147</b>	(205)
Net increase/(decrease) in equity shareholders' funds	<b>6,973</b>	(18,106)
Opening shareholders' funds	<b>22,686</b>	40,792
<b>Closing equity shareholders' funds</b>	<b>29,659</b>	22,686

# Notes to the Financial Statements continued

for the year ended 31 January 2003

## 1 Basis of Preparation

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

## 2 Segmental Reporting

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Turnover</b>		
<b>Geographical area by location of Group operations</b>		
United Kingdom	<b>85,095</b>	137,815
Rest of Europe	<b>62,940</b>	83,836
United States	<b>7,900</b>	13,211
Asia Pacific	<b>757</b>	858
	<b>156,692</b>	235,720
<b>Market sector</b>		
Resourcing Services	<b>141,684</b>	205,686
Consulting Services	<b>15,008</b>	30,034
	<b>156,692</b>	235,720

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

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Total operating loss</b>		
United Kingdom	<b>(3,640)</b>	(2,700)
Rest of Europe	<b>486</b>	2,819
United States	<b>(2,584)</b>	(7,809)
Asia Pacific	<b>(667)</b>	(599)
	<b>(6,405)</b>	(8,289)
<b>Market sector</b>		
Resourcing Services	<b>(2,627)</b>	(3,697)
Consulting Services	<b>(3,778)</b>	(4,592)
	<b>(6,405)</b>	(8,289)

Notes to the Financial Statements continued  
for the year ended 31 January 2003

**2 Segmental Reporting (continued)**

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Total operating (loss)/profit before goodwill amortisation and exceptional items</b>		
<b>Geographical area</b>		
United Kingdom	(344)	1,274
Rest of Europe	2,345	4,037
United States	(236)	(1,991)
Asia Pacific	(611)	(535)
	<b>1,154</b>	<b>2,785</b>
<b>Market sector</b>		
Resourcing Services	4,197	5,736
Consulting Services	(3,043)	(2,951)
	<b>1,154</b>	<b>2,785</b>

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Net assets</b>		
<b>Geographical area by location of client operations</b>		
United Kingdom	30,159	17,519
Rest of Europe	5,478	8,428
United States	(4,425)	(2,299)
Asia Pacific	(1,553)	(962)
	<b>29,659</b>	<b>22,686</b>

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

**3 Earnings Per Share**

	<b>31 January</b>	31 January
	<b>2003</b>	2002
	<b>£'000</b>	£'000
Loss attributable to shareholders	(7,490)	(11,422)
Weighted average number of shares	<b>50,241,818</b>	29,003,638
Basic loss per ordinary share	<b>(14.91)p</b>	(39.38)p

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.

## Notes to the Financial Statements continued

### for the year ended 31 January 2003

The Company has share options however, the impact on the net loss of these potential ordinary shares is anti-dilutive and therefore, the diluted earnings per share is the same as the basic earnings per share.

	<b>31 January 2003 £'000</b>	31 January 2002 £'000
Loss attributable to shareholders	<b>(7,490)</b>	(11,424)
Amortisation of goodwill	<b>1,972</b>	1,386
Exceptional items (see note 14)	<b>5,587</b>	10,714
Tax on exceptional items	<b>(532)</b>	(168)
Adjusted (loss)/profit attributable to shareholders	<b>(463)</b>	508
Weighted average number of shares	<b>50,241,818</b>	29,003,638
<b>Adjusted earnings per ordinary share</b>	<b>(0.92)p</b>	1.75p

Adjusted earnings per share has been calculated before amortisation and exceptional items in order that their effect on reported earnings can be fully appreciated.

#### 4 Exceptional Items

	<b>2003 £'000</b>	2002 £'000
<b>Analysis of exceptional items</b>		
Operating exceptional items	<b>5,587</b>	9,688
Non-operating exceptional items	<b>—</b>	1,026
	<b>5,587</b>	10,714

#### Operating exceptional items

Operating exceptional items comprise the following costs:

	<b>2003 £'000</b>	2002 £'000
Impairment of Techpartners International Inc. goodwill	<b>—</b>	5,000
Provision for client dispute	<b>(921)</b>	1,504
Restructuring costs	<b>1,887</b>	3,184
Provision for property disposals	<b>4,621</b>	—
	<b>5,587</b>	9,688

#### 5 Analysis of changes in net debt

	1 February 2002 £'000	Cash flow £'000	Foreign Exchange movements £'000	<b>31 January 2003 £'000</b>
Cash	1,587	4,590	335	<b>6,512</b>
	1,587	4,590	335	<b>6,512</b>
Debt due within one year	(6,667)	6,667	—	—
Debt due after one year	(15,900)	3,780	367	<b>(11,753)</b>
Finance leases	(560)	210	—	<b>(350)</b>
	(23,127)	10,657	367	<b>(12,103)</b>
<b>Total</b>	<b>(21,540)</b>	<b>15,247</b>	<b>702</b>	<b>(5,591)</b>