HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Results for the year ended 31 January 2013

Harvey Nash, the global professional services group, announces increased revenues and profits exceeding expectations for the year ended 31 January 2013

Financial Results

	2013	2012	Change
Revenue	**£594.7m**	£533.0m	↑ 12%
Gross profit	**£83.0m**	£78.5m	↑ 6%
Adjusted operating profit*	**£9.4m**	£9.0m	↑ 5%
Non-recurring items**	**(£0.8m)**	-	
Operating profit	**£8.6m**	£9.0m	↓ 4%
Adjusted profit before tax*	**£8.7m**	£8.5m	↑ 2%
Profit before tax	**£7.9m**	£8.5m	↓ 7%
Adjusted earnings per share*	**8.33p**	7.97p	↑ 5%
Earnings per share	**7.49p**	7.97p	↓ 6%
Final dividend	**1.795p**	1.635p	↑ 10%
Cash generated from operating activities	**£6.7m**	£1.8m	↑ 269%
Positive net cash	**£5.0m**	£5.2m	↓ £0.2m

** Before non-recurring costs*
*** Costs related to the relocation of the Group's London headquarters and acquisition costs*

Financial highlights

- Revenue up 12% to £594.7m
- Profits increased for third successive year despite challenging market conditions
- Continuing geographical diversification: 62% of total Group gross profit from outside UK & Ireland
- Cash generation from operating activities up 269% to £6.7m
- Positive net cash position of £5.0m
- Relocation of Group's headquarters completed resulting in circa £0.9m annualised savings
- Recommended 10% increase in final dividend with a total for the year of 2.92 pence per share, the sixth successive annual increase

Operational Highlights

- Continued to gain market share particularly in the UK, Nordic and Benelux regions
- Market leadership in Benelux secured with the successful integration of Talent-IT
- Acquired remaining equity of Bjerke & Luther AS in Norway
- New offices in Asia and Europe on track
- New managed services contract wins in the USA & Ireland
- New strategic partnership in Vietnam with quoted Japanese group, Mitsui & Co

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

"I am delighted to report another excellent set of financial results for the year, which have exceeded expectations. As one of Europe's leading technology recruitment companies, we have focused on supporting our clients' investment in new digital and mobile growth strategies by helping them find talent in these areas, in which there is an acute skills shortage.

We have also continued to benefit from making market share gains, particularly in the UK and Europe, whilst capitalising on our unique capability to help our clients reduce costs through our market leading outsourcing facility in Vietnam."

ENQUIRIES:

Harvey Nash	Albert Ellis (CEO) and Richard Ashcroft (CFO)	**Tel: 020 7333 2635**
College Hill	Mark Garraway and Helen Tarbet	**Tel: 020 7457 2020**

CHAIRMAN'S STATEMENT

I am delighted to report another excellent set of results given the current market conditions, which have exceeded expectations during the year, with growth in revenues and profits for the third successive year.

Revenue exceeded last year's record peak as significant market share gains continued to drive activity in challenging markets. The Group's strategy of expanding and diversifying the business, in particular focussing on the more buoyant temporary and contract recruitment market, underpinned this strong performance despite a weakening macro-environment throughout 2012.

Financial Results

The Group's revenue for the year ended 31 January 2013 increased by 12% to £594.7m (2012: £533.0m) owing mainly to robust demand for temporary and contract recruitment. Gross profit increased by 6% to £83.0m (2012: £78.5m). Changes in the mix of services in favour of contract and temporary recruitment was responsible for the overall margin shift.

Operating profit, adjusted for non-recurring items, increased by 5% to £9.4m (2012: £9.0m) despite investment in three new offices in Hong Kong, Sydney and Ghent. Excluding the investment in new offices, operating profit increased 10% with the conversion margin consistent at 11%. Non-recurring costs of £0.8m (2012: £Nil) were incurred, comprising £0.6m property charges in relocating the Group's London office and £0.2m of acquisition related legal fees.

Adjusted basic earnings per share increased by 5% to 8.33p (2012: 7.97p), which is aligned to the increase in adjusted operating profit owing to a higher weighted average shares in issue arising from exercise of employee options offset by a lower income tax charge.

Cash flow from operating activities was strong, 107% higher at £9.6m (2012: £4.7m) after a substantial reduction in working capital required from £6.7m in the prior year to £1.3m in the year to 31 January 2013. Strong free cash flow facilitated the capital relocation costs, the initial consideration of the Talent IT acquisition, the dividend increase and share purchases on behalf of the Group's EBT.

The balance sheet remained strong with net cash of £5.0m (2012: £5.2m). Although the Group has no long-term debt, short-term working capital funding of circa £50m is available on a rolling twelve month basis to finance growth in the contracting and outsourcing payroll.

Dividend

The Board is recommending an increased final dividend of 1.795 pence per share, 10% up on the prior year (2012: 1.635p). If approved at the forthcoming Annual General Meeting, the final dividend, which would take total dividend payouts for the year to 2.92 pence per share (2012: 2.66p), will be paid on 12 July 2013 to shareholders on the register as at 21 June 2013. This marks the sixth successive annual increase.

Strategy

Total shareholder returns over seven years ending 31 January 2013, were within the top quartile when compared to a comprehensive list of comparator companies. The Group's broad portfolio of services is the key factor delivering these yields.

The Group's portfolio has two distinct but overlapping services: recruitment; and IT outsourcing & offshoring services. In the recruitment division, the Group benefits from market leadership in Europe and a strong brand and reputation in the US and Asian markets.

In the outsourcing and offshoring business, the growth has been underpinned by our business in Vietnam which has pioneered the Group's entry into wireless telecoms outsourcing in Germany. Our offshoring capability provides competitive advantage and a measure of stability, especially in recent years, when there has been economic uncertainty and demand for recruitment is naturally lower.

With recent global macro-economic factors, demand has favoured lower cost offshore solutions rather than projects in mature economies in Europe. Accordingly, the Group's strategic focus is on growing its outsourcing business in Vietnam whilst reducing onshore headcount. This year will see the start of this transformation which will align the overall business with expected demand.

Opportunities for making earnings enhancing bolt-on acquisitions continue to arise and we will explore these as part of our growth strategy. As tighter credit markets squeezed smaller recruitment companies, the Group was able to acquire the Talent-IT business in Belgium and is now the market leader in Benelux.

Finally, tight control of costs has always been at the heart of our strategy. For example, achieving significant savings by relocating our head office.

In summary, the Group is well positioned to consolidate its substantial market share gains in the recruitment sector, whilst at the same time re-shaping its outsourcing division to take advantage of new and evolving opportunities in the future and also continuing to take advantage of bolt-on acquisition opportunities as they arise.

Employees

In my last review of a full year I would like to pay tribute to the outstanding staff which Harvey Nash employs, in whichever country they work. I would like to thank all members of staff for their contribution over the past year, a time which has been far from ideal for recruitment.

The management team, ably led by Albert Ellis, our increasingly outstandingly recognised CEO, strongly supported by Richard Ashcroft, Simon Wassall and Margot Katz are all to be congratulated on giving the Group such positive direction.

Board

As I announced in June 2012, I will be retiring following the Annual General Meeting in 2013. We subsequently announced that Julie Baddeley, Senior Independent Director and Chairman of the Remuneration Committee, would be appointed Non-Executive Chairman with effect from the close of the Annual General Meeting in 2013. Julie joined the Group in September 2011 and is currently a Senior Independent Director of Greggs plc and a Non-Executive Director at Chrysalis VCT plc having previously served on a number of boards including Camelot Group plc and Spice plc.

Ian Davies, Non-Executive Director and Chairman of the Audit Committee, will take on the role of Senior Independent Director, also with effect from the close of the Annual General Meeting in 2013. Ian is currently deputy Chairman of BMT Group Limited and is Chairman of the Remuneration Committee of the Institute of Chartered Accountants in England and Wales, a Senior Independent Director of its Board and a member of Council and the Technical Advisory Committee.

Having overseen the appointment of two Non-Executive Directors, I am delighted that the Board is announcing today, the appointment of David Bezem, as a third Non-Executive Director with effect from 1st June 2013. David has more than 25 years' experience providing corporate finance and general advice to quoted UK based companies with specialist expertise in the support services and media sectors. David has a B.Sc (econ.) from the London School of Economics and qualified as a Chartered Accountant with Arthur Andersen & Co. He has held a number of roles, most recently as a Managing Director in Altium's corporate finance business and prior to that as a managing director at Close Brothers Corporate Finance.

I am confident that the Group will benefit from the leadership and guidance of this excellent team of Non-Executive Directors as it continues to deliver shareholder value in challenging markets.

Current trading and Outlook

The outlook for temporary recruitment and offshore projects remains encouraging, however, owing mainly to weak demand in Europe, the short-term outlook for the first half of the year reflects the caution in the market.

The Board anticipates that market conditions will improve later in the year and therefore expects trading momentum in the second half to improve, with the full year results in line with current expectations.

Ian Kirkpatrick
Chairman
29 April 2013

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland increased 21% to £210.4m (2012: £173.4m) and gross profit increased 9% to £31.2m (2012: £28.6m). Operating profit was up 13% at £2.7m compared to £2.4m the previous year. These results are excellent given the widely reported challenging conditions in the UK and Ireland market. Executive recruitment was patchy throughout the year but contract and temporary recruitment were robust.

Whilst the financial services and banking sector was weak, demand from the public sector began to recover, in education, healthcare and local authority recruitment. Budgetary constraints and fiscal consolidation is driving management change, demanding new commercial skills on Boards and a broad investment in technology systems. A recent report into the higher education sector recommended harnessing technology to enable individual benchmarking and to solve the challenges facing UK universities.

The regional offices continued to grow with revenues up 18% driven by market share gains, new mandates and the addition of new vertical skills markets. Recent office openings such as in Manchester and the continued success of Scotland combined with Dublin's rapid recovery (gross profit was up 38%) resulted in strong financial results despite the challenging market. Growth in Ireland is supported by a buoyant market for temporary and contract roles and multinationals based in Dublin with staffing needs.

Our London business performed well compared to the market, growing existing accounts and acquiring new supplier relationships. Permanent placements in the digital sector were lower than in the prior year, but demand for software development for smartphones and tablets continued to drive acute skills shortages and strong demand.

A feature of the technology market is the renewed interest in offshore services with clients seeking to outsource existing operations and resource new projects at lower costs. This cyclical trend of demand ebbs and flows along with corporate earnings and pressure on costs, and resulted in our UK offshore business increasing gross profit by 30%.

During the year, we took the opportunity to reduce the Group's property overheads through relocation of the London office. The move resulted in a non-recurring charge, with like-for-like savings over the ten-year period of the lease anticipated to be circa £0.9m per annum.

Mainland Europe

Revenue in Europe increased 5% to £334.0m (2012: £319.0m) but gross profit was 2% lower at £38.0m (2012: £39.0m). However, operating profit increased 5% to £5.9m (2012: £5.6m) as a result of tight cost control, changes in the mix of revenue in favour of contracting and the margin enhancing acquisition. As we have reported previously, clients continue to favour temporary and contract recruitment and demand for permanent recruitment is very weak. Accordingly, given the uncertainty and volatility in the Eurozone and weakness of the permanent recruitment market, we are very pleased with this performance.

Our strategy has been to expand in the Nordic and Benelux markets, including Germany and Poland whilst maximising cost control and productivity in Switzerland and France, which have been more challenging.

The strongest growth in the region was in the Benelux with gross profit up 18% and operating profit up 38%. This reflected robust organic and acquisition-led growth. The Netherlands increased revenues and profits and in Belgium the new office in Ghent achieved breakeven during the final quarter of the year. The acquisition of Talent-IT in Belgium has resulted in the combined Harvey Nash Benelux business becoming the clear market leader in technology and project recruitment in the region.

Integration into the wider Group is on track and the combined business is performing in line with expectations. One of the benefits to flow to the Group is Talent IT's innovation in relation to skills shortages developing a technology apprenticeship model bringing new talent to market on the client's behalf.

Demand in the Netherlands was weak and sentiment in the labour market has been severely impacted by the instability in the Eurozone and additional regulation of recruitment businesses. Despite these challenges, the number of temporary contractors working at client's sites increased by 13%, and resulted in a 9% increase in revenues. France made a reduced loss following the closure of the contingent permanent recruitment business.

In the Nordic region, the business is the market leader in executive recruitment. Despite this focus on permanent recruitment, gross profit revenue was only 8% below the prior year with operating profit 26% below the year ended 31 January 2012. In Sweden, the mid-market professional recruitment brand performed well, up 18% whilst the successful introduction of interim management resulted in gross profit increasing 230%, reflecting the broader European trend to temporary recruitment. Finland and Norway were broadly similar to the prior year. As separately announced today, the Group has exercised its option to acquire the remaining share capital in the Norwegian subsidiary Bjerke & Luther AS, which has been successfully integrated during the period since initial acquisition.

Central & Eastern Europe includes Germany, Switzerland and Poland. Gross profit was 8% lower and operating profit was 9% lower than the prior year. Switzerland continues to be severely impacted by the rapid appreciation of the Swiss Franc and by the downturn of the financial services sector, in particular the two large recruiters based in Zurich are global banks. A strategy for diversification in Geneva in the consumer goods sector has been implemented. We have continued to support our major clients through their on-going restructuring and strategic reviews, but with demand materially lower, gross profit was down 12%.

German contract recruitment revenues were robust and permanent recruitment relatively stable compared to other Eurozone countries. The strongest growth came from the Munich office with revenue doubling compared to the prior year. The engineering discipline was also very strong as demand from the automotive and manufacturing sectors contributed to a 27% increase in revenues. Results from the Group's outsourcing locations in Nuremberg and Stuttgart were lower than in the prior year owing to project delays by the key client, particularly in the second half of the year. The business will be right-sized in the current year to align it to current demand.

Poland reported a contribution to overhead for the year as a whole, as demand is stable and the business is undertaking recruitment across Eastern Europe. The next phase of growth is likely to come from professional technology recruitment in Poland itself and also in generating placements into Germany and other European countries as skills shortages continue and wage differentials persist. This investment will create a loss in the first three quarters of the current year with a target to breakeven in the final quarter.

United States

Revenue in the USA was up 20% at £45.6m (2012: £38.0m) and gross profit up 11% to £11.0m (2012: £9.9m). Operating profit was up 14% to £1.0m (2012: £0.8m). The US recruitment sector has continued to be challenging over the last two years. Demand for recruitment was affected by increasingly volatile business sentiment, linked to the political deadlock which resulted in the so-called fiscal cliff in the final quarter of the year. The Group's executive search business was adversely affected whilst its offshore and managed services offerings were beneficiaries as clients looked to reduce risk through lowering headcount and offshoring projects.

However, the first half of the year was strong, buoyed up by improving economic indicators and a broad recovery in investment in technology. This resulted in a switch in the technology market from temporary to permanent with IT permanent placements increasing by 27% year on year. IT temporary contractor placements also increased 20% year on year with increased demand throughout the country. Outsourcing and offshoring continued to grow strongly, increasing revenues by 62% year on year. Offshoring growth was attributable to existing clients and new markets such as Australia, which is managed and led from the USA.

Geographically, revenue and profit growth was strongest in the Midwest as both Chicago and Denver offices continued strong recoveries from the recent recession. The West Coast was robust as Seattle benefited from improved market conditions while market conditions in San Francisco were more challenging. The East Coast offices, New York and New Jersey reported modest growth as we have been able to diversify our client base away from the financial services sector and have proportionately more offshoring and outsourcing clients.

Asia Pacific

This division, which includes the profitable Vietnam business and the two new offices opened during the period in Hong Kong and Sydney saw a 169% increase in gross profit, including start-up losses of £0.5m (included within the overall result).

Hong Kong and Sydney saw impressive revenue growth, facilitating the expansion of the new offices to approximately 20 consultants by year-end. Rising demand for outsourcing around the world, the Group's success in Australia and the strong growth in the UK have contributed to record headcount in Vietnam with approximately 1,500 software developers and BPO staff working on client projects.

We are preparing for the next phase of growth, further building on our strength as a provider of offshore services assisting clients to increase efficiencies and reduce costs. As we align our in-house capability in Germany to take account of the changing market trends in Europe, we will continue to grow our client project headcount in Vietnam, our global off-shoring hub.

New Strategic Partnership

Following the year-end, and as separately announced today, the Group concluded an agreement with Japanese quoted group Mitsui & Co to build the largest call centre in Vietnam and promote software development and business process outsourcing to the Japanese market. Under the venture, Harvey Nash Vietnam will take a 15% stake in MOCAP Vietnam and transfer its non-core call centre business to the new strategic partnership. Mitsui & Co will provide access to the Japanese markets whilst Harvey Nash will focus on its core outsourcing services: software development and business process outsourcing.

Albert Ellis
Chief Executive Officer
29 April 2013

FINANCIAL REVIEW

Profit & Loss

The Group's overall revenue increased by 12%, gross profit by 6% and operating profit adjusted for non-recurring items by 5%. Gross profit margin was 14% (2012: 15%), with a change in the mix of services in favour of contract and temporary recruitment being responsible for the movement.

Operating profit, adjusted for non-recurring items, increased by 5% to £9.4m (2012: £9.0m). The conversion rate of gross profit to operating profit was consistent at 11%. Cost were tightly controlled during the year, rising by just 6% compared to a growth in revenue of 12% despite investment in new offices in Hong Kong, Sydney and Ghent. Headcount increased during the year by 18% through a combination of organic growth and acquisition.

The non-recurring item represents costs associated with the Group relocating its head office to the Heron Tower £0.6m plus legal fees associated with the acquisition of Talent IT in Belgium £0.2m. Net interest payable during the year was £0.8m (2012: £0.5m).

Taxation

The overall effective rate of tax is a function of the mix of profits between the various countries in which the group operates, with higher rates in the United States, Germany and Belgium in particular being offset by lower rates elsewhere.

The tax charge for the year was £2.3m (2012: £2.6m) giving an overall effective rate of tax of 28.6% (2012: 30.3%). This included an adjustment to current taxation in respect of prior years of £1.1m and an offsetting prior year deferred taxation credit of £1.1m. The deferred tax asset of £2.7m (2012: £2.0m) related primarily to accrued Group interest charges payable by the US business (£1.0m), tax losses (£1.0m) and post-employment liabilities (£0.5m) and was offset by a deferred tax liability (£0.5m) relating mainly to unremitted earning (£0.2m) and accrued revenue (£0.2m).

Non-Controlling Interests

The non-controlling interest (£0.1m) represents the minority share of profit after tax of Bjerke & Luther AS in Norway, in which the group has 50.1% stake. The remaining 49.9% stake was acquired by the Group on 29th April 2013 for a consideration of £1.3m.

Earnings per Share

Adjusted basic earnings per share (which excludes the effect of non-recurring costs) rose by 5% to 8.33p (2012: 7.97p). Basic earnings per share, after non-recurring costs, fell by 6% to 7.49p (2012: 7.97p).

Balance Sheet

Total net assets at the year-end were £68.5m (2012: £63.5m), an increase of 8%.

Property, plant and equipment rose by £0.8m owing mainly to the cost of leasehold improvements (£1.2m) relating mainly to the cost of fitting out the new premises in London, additions to computer equipment (£1.2m) and fixed assets related to the acquisition of Talent IT, less depreciation £2.3m. Fixed asset disposals (£8.5m cost) included a lease acquired as part of the acquisition of Talent IT (£0.8m) which was resold immediately at the purchase price. The balance related mainly to the write-off of fully depreciated fixed assets in London, which ceased to be used following the move to new premises.

Intangible assets rose by £4.3m owing to goodwill arising on the acquisition of Talent-IT (£3.2m) plus exchange adjustments (£1.1m) less brand amortisation (£0.1m).

The deferred income tax asset rose by £0.7m owing mainly to a switch between current tax and deferred tax relating to post-employment liabilities in Germany.

Net trade receivables rose to £86.6m (2012: £78.2m) as a result of higher revenue. Prepayments and accrued income rose by £2.0m owing mainly to increases in accrued revenue in the United Kingdom and outsourcing contracts in Germany. Debtor days fell to 42.5 days (2012: 42.9 days). Trade payables fell by £0.7m to £47.4m, while accruals for taxes and social security payable rose by £1.9m owing to higher staff costs. Other accruals rose by £8.0m owing to mainly to higher accruals for contractor costs in the United Kingdom and the Netherlands. The overall reduction of £0.1m in provisions for liabilities and charges relates to the utilisation during the year of a provision for an onerous lease. The remaining provision relates to an onerous lease which expires in September 2014.

The Group had a positive net cash position at 31 January 2013 of £5.0m (2012: £5.2m) and has no long-term debt.

Cash Flow

Cash flow from operating activities was strong, 107% higher at £9.6m (2012: £4.7m) after a substantial reduction in the working capital required from £6.7m in the prior year to £1.3m in the year to 31 January 2013. This excellent free cash flow facilitated all of the capital and move costs of the relocation, the initial consideration of the Talent-IT acquisition, the dividend increase and share buy backs.

Banking Facilities

As at the 31 January 2013, the Group had total borrowings of £9.4m. The Group maintains substantial headroom in its banking facilities to fund working capital. The facilities were increased on 12th February 2013 to £52.4m, comprising £50m of invoice discounting facilities of which £25m is in the United Kingdom, the equivalent in Euros of £15m is in the Netherlands, the equivalent in US $ of £5m is in the United States and the equivalent in Euros of £5 million is in Belgium, plus a £2m and €0.5m overdraft facility in the United Kingdom and Belgium respectively.

Acquisitions

On 31 May 2012 the Group acquired 100% of the share capital of Talent-IT BVBA, a Belgian based IT project and recruitment company, and its subsidiary Team4Talent BBVA for an initial cash consideration of £1.4m. Contingent consideration of a further £2.2m is payable subject to certain earn out thresholds being met over a 3 year period.

Richard Ashcroft
Group Finance Director
29 April 2013

Consolidated income statement
for the year ended 31 January 2013

	Notes	**2013 £ '000**	2012 £ '000
Revenue	4	**594,697**	532,952
Cost of sales		**(511,739)**	(454,433)
Gross profit	4	**82,958**	78,519
Total administrative expenses		**(73,518)**	(69,543)
Operating profit before non-recurring items	4	**9,440**	8,976
Non-recurring items	7	**(813)**	-
Operating profit	4	**8,627**	8,976
Finance income		**9**	25
Finance costs		**(767)**	(466)
Profit before tax		**7,869**	8,535
Income tax expense	5	**(2,250)**	(2,588)
Profit for the year		**5,619**	5,947
Attributable to:			
Owners of the parent		**5,481**	5,815
Non-controlling interest		**138**	132
		5,619	5,947

Earnings per share for profit attributable to Owners of the parent

- Basic earnings per share	6	**7.49p**	7.97p
- Diluted earnings per share	6	**7.44p**	7.86p
- Basic earnings per share (excluding non-recurring items)	6	**8.33p**	7.97p
- Diluted earnings per share (excluding non-recurring items)	6	**8.27p**	7.86p

Consolidated statement of comprehensive income
for the year ended 31 January 2013

	2013 £ '000	2012 £ '000
Profit for the year	**5,619**	5,947
Foreign currency translation differences	**1,438**	(1,594)
Other comprehensive income for the year	**1,438**	(1,594)
Total comprehensive income for the year	**7,057**	4,353
Total comprehensive income attributable to:		
Owners of the parent	**6,919**	4,221
Non-controlling interest	**138**	132
	7,057	4,353

Consolidated balance sheet
as at 31 January 2013

	Notes	**2013**	2012
		£ ’000	£ ’000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,373**	3,545
Intangible assets		**52,320**	48,052
Deferred income tax assets		**2,662**	1,983
		59,355	53,580
Current assets			
Cash and cash equivalents		**14,346**	18,550
Trade and other receivables		**108,577**	97,357
		122,923	115,907
Total assets		**182,278**	169,487
LIABILITIES			
Non-current liabilities			
Contingent consideration	9	**(2,262)**	(19)
Deferred income tax liabilities		**(469)**	(908)
Provision for liabilities and charges	8	**-**	(88)
		(2,731)	(1,015)
Current liabilities			
Trade and other payables		**(100,774)**	(91,113)
Current income tax liabilities		**(583)**	(178)
Borrowings		**(9,386)**	(13,366)
Provision for liabilities and charges	8	**(313)**	(287)
		(111,056)	(104,944)
Total liabilities		**(113,787)**	(105,959)
Net assets		**68,491**	63,528
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares		**3,673**	3,673
Share premium		**8,425**	8,425
Fair value and other reserves		**15,079**	15,079
Own shares held		**(50)**	(424)
Cumulative translation reserve		**7,635**	6,197
Retained earnings		**33,477**	30,203
Total shareholders’ funds		**68,239**	63,153
Non-controlling interest in equity		**252**	375
Total equity		**68,491**	63,528

Consolidated statement of changes in equity
for the year ended 31 January 2013

	Share capital	Share premium	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total	Non-controlling interest in equity	Total equity
	£ '000	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**		**£ '000**	**£ '000**
Balance at									
1 February 2011	**3,673**	**8,425**	**15,079**	**(304)**	**7,791**	**26,203**	**60,867**	**481**	**61,348**
Profit for the year	-	-	-	-	-	5,815	5,815	132	5,947
Currency translation adjustments	-	-	-	-	(1,594)	-	(1,594)	-	(1,594)
Total comprehensive income and expense for the year	-	-	-	-	(1,594)	5,815	4,221	132	4,353
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(238)	**(238)**
Employee share option and bonus plan*	-	-	-	142	-	13	155	-	**155**
Own Shares purchased*	-	-	-	(262)	-	-	(262)	-	**(262)**
Dividends paid	-	-	-	-	-	(1,828)	(1,828)	-	**(1,828)**
31 January 2012	**3,673**	**8,425**	**15,079**	**(424)**	**6,197**	**30,203**	**63,153**	**375**	**63,528**
1 February 2012	**3,673**	**8,425**	**15,079**	**(424)**	**6,197**	**30,203**	**63,153**	**375**	**63,528**
Profit for the year	-	-	-	-	-	5,481	5,481	138	**5,619**
Currency translation adjustments	-	-	-	-	1,438	-	1,438	-	**1,438**
Total comprehensive income and expense for the year	-	-	-	-	1,438	5,481	6,919	138	7,057
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(197)	**(197)**
Acquisition of non-controlling interest**						64	64	(64)	-
Employee share option and bonus plan*	-	-	-	758	-	(245)	513	-	**513**
Own Shares purchased*	-	-	-	(384)	-	-	(384)	-	**(384)**
Dividends paid	-	-	-	-	-	(2,026)	(2,026)	-	**(2,026)**
31 January 2013	**3,673**	**8,425**	**15,079**	**(50)**	**7,635**	**33,477**	**68,239**	**252**	**68,491**

* The movements in the Own shares held reserve relate to shares awarded from and purchased by the Employee Benefit Trust.
** Acquisition of non-controlling interest relates to the acquisition of the remaining shares in Tech Discovery Inc.

Consolidated cash flow statement
for the year ended 31 January 2013

	Notes	**2013 £ ’000**	2012 £ ’000
Profit before tax and non-recurring items		**8,682**	8,535
Adjustments for:			
- Depreciation	4	**2,300**	2,255
- amortisation	4	**67**	73
- loss on disposal of property, plant and equipment		**22**	30
- finance income		**(9)**	(25)
- finance costs		**767**	466
- share based employee settlement and share option charge		**13**	-
- non-recurring items	7	**(813)**	-
Operating cash flows before changes in working capital		**11,029**	11,334
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- Increase in trade and other receivables		**(12,900)**	(12,496)
- Increase in trade and other payables		**11,578**	5,773
- (Decrease) / increase in provisions	8	**(62)**	46
Cash flows from operating activities		**9,645**	4,657
Income tax paid		**(2,962)**	(2,847)
Net cash generated from operating activities		**6,683**	1,810
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,656)**	(1,275)
Purchases of property, plant and equipment – rechargeable to clients		**(181)**	(721)
Cash acquired with acquisitions	9	**254**	-
Purchase of subsidiary undertakings	9	**(1,736)**	-
Interest received		**9**	25
Net cash absorbed from investing activities		**(4,310)**	(1,971)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**453**	147
Purchase of own shares		**(451)**	(262)
Dividends paid to group shareholders		**(2,026)**	(1,828)
Dividends paid to non-controlling interests		**(261)**	(238)
Interest paid		**(767)**	(466)
(Decrease) /increase in borrowings		**(3,980)**	6,056
Net cash (used)/ generated in financing activities		**(7,032)**	3,409
(Decrease) / increase in cash and cash equivalents		**(4,659)**	3,248
Cash and cash equivalents at the beginning of the year		**18,550**	15,588
Exchange gains/(losses) on cash and cash equivalents		**455**	(286)
Cash and cash equivalents at the end of the year		**14,346**	18,550

Notes to the Preliminary Statement

1. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 January 2013 or 2012, for the purpose of the Companies Act 2006, but is derived from those accounts.

The statutory accounts for 2012 have been filed with the Registrar of Companies. The statutory accounts for 2013 will be filed with the Registrar of Companies following the Group's next annual general meeting. The Group's auditors have reported on the 2012 and 2013 statutory accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended January 2012 with the exception of the following new accounting standards and amendments which were mandatory for accounting periods beginning on or after 1 February 2012, none of which had any material impact on the Group's results or financial position:

- IFRS 7 (amended) 'Financial instruments: Disclosures'

These changes have no material impact on the consolidated result, financial position or cash flows of the Group.

3. Going concern

The Group's business activities for the year are described in the operational and financial reviews and the statement of financial performance, position and cash flow within this preliminary announcement. The directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result they continue to adopt the going concern basis of accounting in the preparation of the financial statements.

4. Segment information

IFRS 8 requires disclosure of information about the Group's operating segments. It requires a management approach under which segment information is presented on a similar basis as that used for internal reporting purposes. The chief operating decision maker has been identified as the Group Board.

In the prior year, this resulted in three reportable segments, UK & Ireland, Mainland Europe and USA and we have continued to use these segments as they continue to be relevant. Offshoring revenues and attributable contribution are reported within the country where the client is located and the sale is made. Immaterial revenues in relation to Vietnam and Asia was historically included in the UK segment.

With the expansion in operations in China and Australia and the growth in Vietnam, expanded granularity is now provided below through an increase in the visibility of individual countries or regions comprising the original segments and adding a new segment. Rest of World which includes the Pacific region of Asia and North America, has been combined as many of the business and reporting links cross over.

Services provided by each reportable segment are permanent recruitment, contracting and outsourcing.

Benelux includes our small operation in Paris and Central Europe is mainly Germany, but also Switzerland and our start up business in Warsaw, Poland. Asia Pacific is mainly Vietnam and also includes Hong Kong and Sydney.

4. Segment information (continued)

The Group Board analyses segmental information as follows:

Revenue

	2013	2012
	£ '000	£ '000
United Kingdom & Ireland	**210,447**	173,358
Mainland Europe	**333,982**	319,040
Benelux	218,257	201,273
Nordics	13,793	14,299
Central Europe	101,931	103,468
Rest of World	**50,269**	40,554
United States	45,555	37,961
Asia Pacific	4,714	2,593
Total	**594,697**	532,952

Gross profit

	2013	2012
	£ '000	£ '000
United Kingdom & Ireland	**31,154**	28,647
Mainland Europe	**38,033**	38,967
Benelux	10,219	8,672
Nordics	11,488	12,509
Central Europe	16,326	17,787
Rest of World	**13,771**	10,905
United States	10,980	9,869
Asia Pacific	2,791	1,036
Total	**82,958**	78,519

Operating profit (before non-recurring items)

	2013	2012
	£ '000	£ '000
United Kingdom & Ireland	**2,708**	2,403
Mainland Europe	**5,847**	5,582
Benelux	2,583	1,867
Nordics	520	701
Central Europe	2,744	3,014
Rest of World	**885**	991
United States	965	846
Asia Pacific	(80)	145
Total	**9,440**	8,976

Within the non-recurring items of £0.8m, £0.6m are attributable to the United Kingdom & Ireland and £0.2m to Benelux and France segments.

4. Segment information (continued)

Depreciation and amortisation charge

	2013	2012
	£ '000	£ '000
United Kingdom & Ireland	**433**	24
Mainland Europe	**1,571**	2,022
Benelux and France	129	27
Nordics	41	113
Central Europe	1,401	1,882
Rest of World	**363**	282
United States	80	71
Asia Pacific	283	211
Total	**2,367**	2,328

Within the Rest of Europe segment above there is an amortisation charge of £0.1m (2012: £0.1m).

5. Income tax expense

	2013	2012
	£ '000	£ '000
Corporation tax on profits in the year – UK	**-**	32
Corporation tax on profits in the year – overseas	**2,256**	1,384
Adjustments in respect of prior years	**1,113**	67
Total current tax	**3,369**	1,483
Deferred tax	**(1,119)**	1,105
Total tax charge	**2,250**	2,588

6. Earnings per share

	2013	2012
Profit attributable to shareholders £'000	**5,481**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Basic earnings per share	**7.49p**	7.97p

	2013	2012
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,092**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Basic earnings per share (excluding non-recurring items)	**8.33p**	7.97p

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.

6. Earnings per share (continued)

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.

	2013	2012
Profit attributable to shareholders £'000	**5,481**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Effect of dilutive securities	**529,643**	1,016,933
Adjusted weighted average number of shares	**73,666,928**	73,965,431
Diluted earnings per share	**7.44p**	7.86p

	2013	2012
Profit attributable to shareholders (Pre-exceptional items) £'000	**6,092**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Effect of dilutive securities	**529,643**	1,016,933
Adjusted weighted average number of shares	**73,666,928**	73,965,431
Diluted earnings per share (excluding non-recurring items)	**8.27p**	7.86p

7. Non-recurring items

During the year the Group relocated it's head office to Heron Tower, the non-recurring costs incurred in respect of the relocation were £649,839 and predominantly related to the payment of rent and associated charges for the old and new premises concurrently. Other non-recurring items included legal fees incurred on the acquisition of Talent IT of £126,654 and a charge of £37,000 for the buy back of an option in Belgium which also related to the acquisition.

8. Provisions

Provisions relate to a dilapidations provision on a lease which expired in June 2012 and an onerous property lease which expired in September 2012. The remaining provision relates to an onerous lease which expires in September 2014.

	2013 £ '000
At 1 February 2012	**375**
Charge in the year	**32**
Utilised in the year	**(94)**
At 31 January 2013	**313**

£313k will fall due within one year and £0k will be payable after more than one year.

9. Business combinations

On 31 May 2012, the Group acquired 100% of the share capital of Talent-IT BVBA, a Belgium based IT project and recruitment company, for an initial cash consideration of £1.4m.

The acquired business contributed revenues of £10.9m and operating profit of £0.7m to the Group for the period from acquisition to 31 January 2013. If the acquisition had occurred on 1 February 2012, consolidated revenue and consolidated profit for the year ended 31 January 2013 would have been £599.4m and £9.0m respectively.

The provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount, apart from the value of freehold property which has been re-valued in the acquisition balance sheet.

The excess of consideration above net asset values has been attributed in full to goodwill as no other intangible assets have been identified.

9. Business combinations (continued)

Details of the net assets acquired and the goodwill were as follows at the date of acquisition:

	£'000
Cash consideration	1,399
Contingent consideration	2,238
Fair value of net identifiable assets acquired	(424)
Goodwill	**3,213**

Acquisition-related costs (included in non-recurring items in the income statement for the period ended 31 January 2013) amount to £0.16m.

The contingent consideration arrangements require the Group to pay the former owners of Talent-IT BVBA 50% of the average profit before tax of Talent-IT BVBA for the 3 years to March 2015 less certain deductions, up to a maximum undiscounted amount of €3.0m. A second instalment of consideration of £337,376 was made in September 2012. Total consideration paid to date is £1,736,485.

The potential discounted amount of all future payments that the group could be required to make under this arrangement is between £0.3m and £2.2m . The fair value of the contingent consideration arrangement of £2.2m was estimated by applying the income approach. The fair value estimates are based on a discount rate of 2.75% and assumed a probability-adjusted annual profit before tax in Talent-IT BVBA of €1.5m.

The assets and liabilities arising from the acquisition were as follows at the date of acquisition:

	£'000
Tangible Fixed Assets	1,151
Cash	254
Receivables	2,724
Payables	(2,976)
Bank loans	(729)
Net identifiable assets acquired	**424**

Outflow of cash to acquire business, net of cash acquired:

	£'000
Cash Consideration	1,399
Cash and Cash equivalents in subsidiary acquired	(254)
Cash outflow on acquisition	**1,145**

10. Risk Management

The Board reviews the key risks facing the business regularly. Outlined below are the main risks that could potentially impact the Group's operating and financial performance:

Risk	**Description**	**Mitigation**
Economic Environment	The performance of the Group is impacted by the economic cycles of the economies of the countries in which it operates.	The Group has a number of policies in place to mitigate macro economic risks. These include a broad portfolio of services appropriate to different stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue.
Key Clients	The Group is not overly reliant on any one key client, however there is a risk that business performance may be impacted if a number of key clients were lost.	The Group ensures that there are regular reviews of relationships with all clients. The Group continues to invest heavily in customer experience and relationship management. The diversified geographical and sectoral footprint also reduces the risk of losing a number of key clients due to the macro economic conditions impacting a country or sector.
Talent	The loss of senior management or key personnel could adversely affect the Group's results.	This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council and Group Director of Talent.

10. Risk Management (continued)

Risk	Description	Mitigation
Regulatory Environment	The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market.	The Group mitigates this risk by taking external professional advice where appropriate and maintaining robust internal controls and processes to ensure compliance with respect to legal and contractual obligations.
Foreign Exchange	The Group has significant operations outside the UK and is therefore exposed to movements in exchange rates	Harvey Nash manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings. The currency risk of holding assets and liabilities in foreign currencies across the Group is managed by partially matching foreign currency assets with foreign currency liabilities.
Technological development and innovation	Technological advancement is at the forefront of maintaining excellent customer experience, as is understanding the impact of social media on the recruitment sector.	The group continually invests in customer experience technology and the improvement of customer service. Talent is key to the Group and consultants are trained in the use of social media and its impact on the traditional recruitment model.
Data protection	The Group operates with a number of complex systems which maintain confidential data.	Data protection remains a key priority. The Group has data protection and security policies in place and regularly reviews the effectiveness of these policies.