HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Unaudited Half Year Results for the six months ended 31 July 2014

Harvey Nash, the global professional services group, announces results in line with management's expectations

Financial Results

	31 July 2014	31 July 2013	Change
Revenue	£355.9m	£329.2m	↑ 8.1%
Gross profit	£43.6m	£43.1m	↑ 1.1%
Adjusted operating profit[1]	£4.6m	£4.4m	↑ 4.7%
Adjusted profit before tax[1]	£4.2m	£4.0m	↑ 5.4%
Adjusted earnings per share[1]	4.16p	3.75p	↑10.9%
Non-recurring items[1]	-	(£2.2m)	
Operating profit	£4.6m	£2.1m	↑ 116.2%
Profit before tax	£4.2m	£1.8m	↑ 140.4%
Earnings per share	4.16p	1.66p	↑ 150.6%
Interim dividend	1.360p	1.238p	↑ 10%
Net cash/(debt)	(£4.3m)	£1.2m	↓£5.5m

Operational highlights

- Strong growth in revenue of 8% (12% on a constant currency basis[2])
- Adjusted operating profit increased by 5% (11% on a constant currency basis[2])
- Interim dividend increased by 10% to 1.360p
- Robust performances in the UK, Ireland, Benelux and United States
- Demand for contract recruitment continues in mainland Europe
- Fee-earner headcount up 5% to take advantage of growth opportunities
- Further growth in Asia as acquisition of executive recruitment business is made in Japan

Albert Ellis, Chief Executive Officer, said:

"I am very pleased with the performance of the business this year, which has been achieved despite currency headwinds and the continued challenging markets in Europe. On a constant currency basis Group revenues, profits and dividends have grown by at least 10%.

Global multinational clients are beginning to hire selectively at the executive and strategic level and have also been impacted by the severe skills shortages in the digital and mobile technology sectors. These trends have been the key drivers for growth in both contract and permanent recruitment in the first six months of the year.

Our investment in the growing markets of the UK, USA and parts of Asia provides a strong platform for further growth in the second half of the year."

ENQUIRIES:

Harvey Nash	Albert Ellis (CEO) and Richard Ashcroft (CFO)	Tel: 020 7333 2635
Tavistock Communications	Catriona Valentine and Keeley Clarke	Tel: 020 7920 3150

[1] Stated before non-recurring costs related to restructuring of £2.2m in the six months to 31 July 2014.

[2] Constant currency is calculated by re-translating current year figures at prior year rates.

CHAIRMAN'S STATEMENT

Financial Results

The Group's results for the six months ended 31 July 2014 were strong, with revenue and adjusted operating profit showing double-digit growth on a constant currency basis despite the on-going weakness in Europe.

Revenue increased by 8.1% to £355.9m (12.2% on a constant currency basis) compared to £329.2m in the previous period, while gross profit rose by 1.1% (5.9% on a constant currency basis) to £43.6m (2013: £43.1m).

Operating profit was 4.7% higher at £4.6m (2013: £4.4m[1]) due in particular to robust performances from the UK & Ireland, Benelux and the USA, with growth in demand for recruitment continuing. Strong contracting activity in Europe offset subdued demand for permanent recruitment, particularly in Germany. Asia also performed well despite subdued conditions in Australia. Profit before taxation rose by 5.4% to £4.2m (2013: £4.0m). There were no non-recurring items in the period (2013: costs of £2.2m).

The tax charge for the period was £1.2m (2013: £0.5m). The effective rate of tax before non-recurring items was 28.1% (2013: 30.5%). Adjusted basic earnings per share of 4.16p (2013: 3.75p[1]) rose by 10.9%, owing to a combination of higher profits, a lower effective tax rate and a lower weighted average number of shares in issue.

Balance Sheet

Harvey Nash maintains a sound balance sheet. Net assets decreased by 5.0% to £64.2m (2013: £67.6m) due mainly to the impact of foreign exchange on overseas assets. An addition of £0.7m in relation to the initial development of software for clients has been capitalised under intangible assets.

Trade and other receivables increased by 13.2% to £133.5m (2013: £117.9m) due to a combination of higher revenue and a year-on-year increase in debtor days (2014: 46.1 vs. 2013: 43.3). Trade and other payables increased by 9.7% to £117.5m (2013: £107.1m) owing mainly to higher levels of trading.

The deferred tax asset decreased by £0.8m, owing mainly to the de-recognition of the deferred tax asset related to the restructuring costs in Europe. Consideration of £2.1m represents a contingent liability in relation to the acquisition of Talent-IT BVBA and its wholly owned subsidiary Team4Talent BVBA, and is based on performance over the three-year earn-out period ending on 31 March 2015.

The Group's balance sheet remains robust with the increase in net borrowings at 31 July 2014 of £4.3m (2013: net cash £1.2m) related to increased working capital.

Cash Flow

Cash generated from operating activities during the period, before movements in working capital, was £5.4m (2013: £3.2m). In the six months to 31 July 2014 there was a net increase in working capital of £7.9m. Tax paid in the period was £1.3m (2013: £0.5m), with the low figure in the previous year due to tax refunded in Germany. Combined outflows on net share purchases of £1.3m, dividend payments of £1.4m and net interest paid of £0.3m resulted in an overall net cash outflow in the six months to 31 July 2014 of £8.2m (2013: outflow of £3.7m).

Capex totalled £0.7m (2013: £0.8m), broadly split 70/30 between internal investment and external client-related spend. Internal capex relates to investment in modernising and updating the Group's technology platforms, and external client capex is the investment in the Group's networks laboratory in Vietnam. An amount totalling £0.8m (2013: £nil) of software development was capitalised in relation to a specific opportunity for new client product development in Germany.

The Group maintains substantial headroom in its banking facilities used to fund working capital peaks to allow for future growth. The facilities were increased on 12 February 2013 to £52.0m and currently comprise £50.0m of invoice discounting facilities and £2.0m of overdraft facilities. The geographic split of the invoice discounting facilities is as follows: £26.0m in the UK, the euro equivalent of £19.0m in Benelux and the US dollar equivalent of £5.0m in the USA.

Strategy

The Group's strategy is to continue to grow the business, increasing revenues, profits and dividends through a balanced portfolio of services across an increasingly broad geographic base. This portfolio delivers competitive advantages and a cash-generative business model, which enables the Group to grow organically through investment in new services, geographic locations and

[1] Stated before non-recurring costs related to restructuring of £2.2m in the six months to 31 July 2014.

increasing headcount, as well as through earnings enhancing bolt-on acquisitions. The core of the Group's business model is its unique portfolio of services, which enables client engagement at each stage of the business cycle. This relationship model underpins the delivery of resilient financial results, demonstrated during the last downturn, and supports returns to shareholders.

A balance of permanent recruitment, contract recruitment, managed solutions and offshore services, combined with our market-leading position in technology and executive recruitment, provides Harvey Nash with competitive advantages.

On 21 August 2014, the Group completed the acquisition of Beaumont KK, an executive recruitment company in Tokyo. This small but strategically valuable bolt-on acquisition builds on our existing office in Tokyo, expanding the portfolio into executive recruitment and consulting services, and complements existing Asia Pacific operations in Hong Kong, Vietnam and Australia.

The Group's broad geographical spread diversifies the risk of reliance on a single country or economic area. Operating in 16 countries, revenue and gross profit generated outside the UK represented 71% (2013: 69%) and 63% (2013: 65%) respectively in the six months to 31 July 2014.

As part of the Group's on-going review of its technology platforms the Board believes that investment in modern digital systems supports the recruitment business model, takes advantage of new technology innovation and can strengthen existing or add new client relationships. This process has begun in 2014 and will continue into next year eventually covering all offices and each service line.

Operational Review

United Kingdom and Ireland

Revenue in the UK and Ireland increased by 2% to £114.2m (2013: £112.2m) and gross profit increased by 9% to £17.7m (2013: £16.3m). Operating profit increased strongly by 10% to £1.9m (2013: £1.7m[1]), as market share gains and growth from new offices increased operating margins and profits.

Growth was delivered by Birmingham, Leeds and Manchester, where investment in headcount in the prior year is having a positive impact. The new locations in Bristol, Newcastle and Warrington are performing as expected. In Scotland, buoyant demand in the first quarter appears to have slowed as the vote on Independence drew closer.

Gross profit from offshore services increased by 27% on the prior period, benefiting from contracts secured with a number of new clients along with additional software and development work from existing clients.

In Ireland, revenues were up 21% despite currency headwinds, due to strong demand from multi-national corporations for IT contractors and a full period of revenues from the Cork office. Operating profit was broadly flat year on year due to investment, leaving the office well positioned for the full year.

Rest of Europe

Revenue in mainland Europe increased by 13% to £217.1m (2013: £192.4m), whilst gross profit decreased by 4% to £18.9m (2013: £19.7m). Operating profit was 1% above the prior period at £2.3m (2013: £2.3m[1]), which was mainly as a result of strong contracting revenues in Benelux offset by muted permanent revenue in Germany and the Nordics.

The Group's operations in the Benelux grew strongly, with revenues increasing by 21% and gross profit increasing by 7%. The gross margin change is due to a change in the mix towards contract services management. This excellent performance was attributable to strong organic growth from increased contracting revenues in both Brussels and Antwerp. The new office opened in Ghent in the prior year also performed well, increasing gross profit by 46% on the comparable period last year.

In the Nordics, turnover increased by 1% whilst gross profit and operating profit were broadly flat. The Group's business in Sweden performed well despite the challenging trading conditions, with 6% growth in both turnover and gross profit. Good permanent recruitment activity was supported by growth in interim and specialist technology recruitment services. Finland and Denmark also performed well, with strong organic growth and the stabilisation of demand for permanent recruitment services in the region. Whilst there are some concerns in Finland in relation to Russian trade sanctions, no visible impact has been reported yet. Norway has been impacted by a weakening economic backdrop, and a necessary rightsizing of the operation and property was implemented over the period. With a lower fixed cost base, performance is expected to improve in the final quarter.

Results from Central and Eastern Europe were mixed. Poland continued to grow revenue and headcount with the technology team expecting to move into profit in the second half. Increased demand from the financial services sector in Switzerland increased gross profit by 11% but revenue was flat overall in Germany with permanent recruitment down 71% compared to the same period in 2013.

[1] Stated before non-recurring costs related to restructuring of £2.2m in the six months to 31 July 2014.

In the telecoms outsourcing business, revenue for the period was £10.1m (2013: £12.3m), producing gross profit of £2.2m (2013: £2.7m) and a small loss of £0.1m (2013: £0.2m). Software development totalling £0.8m (2013: £nil) capitalised in relation to the development of a wireless solution for the automotive and rail sectors has been received well by the market and we are encouraged by the feedback so far. This innovation is expected to drive new client acquisition and revenues from new faster growing sectors.

United States & Asia Pacific

In the USA, revenue and gross profit were broadly flat at £22.2m and £5.3m as a slow start to the year impacted the results, mainly due to the winter storms on the East Coast. Permanent recruitment revenues were up 2% on the prior period, whilst contracting and outsourcing were slightly down. Demand continues to be strongest on the West Coast, with the pipeline improving across the other offices as the market begins to pick up. Investment in headcount was significant (an additional 10% in headcount including Vietnam) to take advantage of the stronger outlook.

Our Hong Kong office produced another excellent result with gross profit 105% ahead of the prior period, leading to a positive contribution to profit from the business for the first time. This was achieved through a number of executive placements with new multi-national clients, despite an increase in fee-earners. In Australia gross profit declined by 15%: the domestic economy appeared to stabilise following a period of corporate restructuring and job cuts but overall market conditions remained subdued. In Vietnam, demand for permanent recruitment in the first quarter was subdued but picked up in the second quarter with gross profit increasing by 21%. We continue to invest in our outsourcing business in Japan.

Board

As previously announced, Tom Crawford and Margot Katz stepped down from the Board on 3 July 2014. Kevin Thomas was appointed as an independent non-executive on 1 May 2014. Kevin is a main board director of FTSE 100-listed engineering support services group Babcock International and is CEO of its Support Services division, which generates about a third of Babcock's £3bn plus turnover. His division employs over 11,000 staff in over 10 countries worldwide. Kevin is also a director of a range of Babcock subsidiaries and joint venture companies providing training and support services to civil government and international blue-chip customers.

Ian Davies continues in his role as Senior Independent Director but stepped down as Chair of the Remuneration Committee on 1 September 2104. David Bezem has assumed this role.

Dividends

The Board has approved the payment of an interim dividend of 1.360p per share (2013: 1.238p), an increase of 10%, on 21 November 2014, to be paid to shareholders on the register as at 24 October 2014.

Outlook

The Board is pleased with the way the Group's market-leading recruitment businesses in the UK and mainland Europe have performed, increasing revenues and profits despite currency headwinds and challenging market conditions for permanent recruitment in Europe. While this factor continues to impact results, the Group is prudently investing in headcount in selective markets.

Looking ahead, we expect the market for executive recruitment and technology professionals to continue its steady recovery, although it is clear we are still at the very early stages of a return to global growth. Subject to continued improvement in the market throughout the second half, the Board is confident that the Group is on track to deliver results in line with current market expectations for the full year.

Julie Baddeley
Chairman
30 September 2014

Consolidated Income Statement

	Notes	**Unaudited 6 months ended 31 July 2014 £'000**	Unaudited 6 months ended 31 July 2013 £'000	Audited 12 months ended 31 January 2014 £'000
Revenue	4	**355,905**	329,208	697,321
Cost of sales		**(312,300)**	(286,097)	(608,751)
Gross profit	4	**43,605**	43,111	88,570
Total administrative expenses		**(39,036)**	(38,748)	(81,443)
Operating profit before non-recurring items	4	**4,569**	4,363	9,706
Non-recurring items	13	**-**	(2,250)	(2,579)
Operating profit	4	**4,569**	2,113	7,127
Finance income		**57**	39	21
Finance costs		**(404)**	(396)	(721)
Profit before tax		**4,222**	1,756	6,427
Income tax expense	5	**(1,188)**	(501)	(2,543)
Profit for the period		**3,034**	1,255	3,884
Attributable to:				
Equity holders of the Company		**3,034**	1,217	3,846
Non-controlling interests		**-**	38	38
		3,034	1,255	3,884
Basic earnings per share	6	**4.16p**	1.66p	5.24p
Diluted earnings per share	6	**4.13p**	1.65p	5.22p
Adjusted* basic earnings per share	6	**4.16p**	3.75p	8.76p
Adjusted* diluted earnings per share	6	**4.13p**	3.73p	8.72p

Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 31 July 2014 £'000	**Unaudited 6 months ended 31 July 2013 £'000**	Audited 12 months ended 31 January 2014 £'000
Profit for the period	**3,034**	1,255	3,884
Foreign currency translation differences**	**(1,665)**	2,140	(1,339)
Other comprehensive (expense) / income for the period	**(1,665)**	2,140	(1,339)
Total comprehensive income for the period	**1,369**	3,395	2,545
Total comprehensive income attributable to:			
Equity holders of the company	**1,369**	3,357	2,507
Non-controlling interests	**-**	38	38
	-	3,395	2,545

Key: * excluding non-recurring items ** which may be recycled into the profit if specific conditions are met.

Consolidated Balance Sheet

		Unaudited 31 July 2014 £'000	Unaudited 31 July 2013 £'000	Audited 31 January 2014 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	9	**3,680**	4,145	3,830
Intangible assets	9	**49,631**	53,343	50,386
Investment		**209**	234	217
Deferred income tax assets		**2,617**	3,401	2,552
		56,137	61,123	56,985
Current assets				
Cash and cash equivalents		**9,500**	1,184	15,881
Trade and other receivables	14	**133,497**	117,948	136,083
		142,997	119,132	151,964
Total assets		**199,134**	180,255	208,949
LIABILITIES				
Non-current liabilities				
Contingent consideration		**-**	(2,277)	(2,150)
Deferred income tax liabilities		**(424)**	(448)	(355)
		(424)	(2,725)	(2,505)
Current liabilities				
Trade and other payables		**(117,510)**	(107,120)	(126,796)
Current income tax liability		**(932)**	(562)	(988)
Borrowings		**(13,826)**	(14)	(12,050)
Contingent consideration		**(2,076)**	-	-
Provisions for liabilities and charges		**(160)**	(2,231)	(1,142)
		(134,504)	(109,927)	(140,976)
Total liabilities		**(134,928)**	(112,652)	(143,481)
Net assets		**64,206**	67,603	65,468
Capital and reserves attributable to equity shareholders				
Share capital		**3,673**	3,673	3,673
Share premium		**8,425**	8,425	8,425
Fair value and other reserves		**15,079**	15,079	15,079
Own shares held		**(1,077)**	(24)	(172)
Cumulative translation reserve	14	**3,103**	8,247	4,768
Retained earnings		**35,003**	32,203	33,695
		64,206	67,603	65,468
Non-controlling interest in equity		**-**	-	-
Total equity		**64,206**	67,603	65,468

Consolidated Statement of Changes in Equity

	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	£ '000
1 February 2013 (14)	3,673	8,425	15,079	(50)	6,107	33,477	66,711	252	66,963
Profit for the period	-	-	-	-	-	1,217	1,217	38	1,255
Currency translation adjustments	-	-	-	-	2,140	-	2,140		2,140
Total recognised income and expense for the period	-	-	-	-	2,140	1,217	3,357	38	3,395
Acquisition of non-controlling interest	-	-	-	-	-	(1,173)	(1,173)	(110)	(1,283)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(180)	(180)
Employee share option and bonus plan	-	-	-	104	-	-	104	-	104
Own shares purchased	-	-	-	(78)	-	-	(78)	-	(78)
Dividends paid	-	-	-	-	-	(1,318)	(1,318)	-	(1,318)
31 July 2013 (14)	3,673	8,425	15,079	(24)	8,247	32,203	67,603	-	67,603
1 August 2013 (14)	3,673	8,425	15,079	(24)	8,247	32,203	67,603	-	67,603
Profit for the period	-	-	-	-	-	2,629	2,629	-	2,629
Currency translation adjustments	-	-	-	-	(3,479)	-	(3,479)	-	(3,479)
Total recognised income and expense for the period	-	-	-	-	(3,479)	2,629	(850)	-	(850)
Employee share option and bonus plan	-	-	-	724	-	(230)	494	-	494
Own shares purchased	-	-	-	(872)	-	-	(872)	-	(872)
Dividends paid	-	-	-	-	-	(907)	(907)	-	(907)
31 Jan 2014	3,673	8,425	15,079	(172)	4,768	33,695	65,468	-	65,468
1 February 2014	3,673	8,425	15,079	(172)	4,768	33,695	65,468	-	65,468
Profit for the period	-	-	-	-	-	3,034	3,034	-	3,034
Currency translation adjustments	-	-	-	-	(1,665)	-	(1,665)	-	(1,665)
Total recognised income and expense for the period	-	-	-	-	(1,665)	3,034	1,369	-	1,369
Employee share option and bonus plan	-	-	-	661	-	(285)	376	-	376
Own shares purchased	-	-	-	(1,566)	-	-	(1,566)	-	(1,566)
Dividends paid	-	-	-	-	-	(1,441)	(1,441)	-	(1,441)
31 July 2014	**3,673**	**8,425**	**15,079**	**(1,077)**	**3,103**	**35,003**	**64,206**	**-**	**64,206**

Consolidated Cash Flow Statement

	Notes	**Unaudited 6 months ended 31 July 2014 £'000**	Unaudited 6 months ended 31 July 2013 £'000	Audited 12 months ended 31 January 2014 £'000
Profit before taxation (before non-recurring items)		**4,222**	4,006	9,006
Adjustments for:				
- depreciation		**779**	1,009	1,911
- amortisation		**37**	37	75
- loss on disposal of fixed assets		**20**	80	86
- finance income		**(57)**	(39)	(21)
- finance costs		**404**	396	721
- share option charge		**17**	10	30
- non-recurring items	13	**-**	(2,250)	(2,579)
Operating cash flows before changes in working capital		**5,422**	3,249	9,229
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)				
- (Decrease) in trade and other receivables		**(856)**	(10,062)	(24,755)
- (Decrease) / increase in trade and other payables		**(6,075)**	5,507	22,053
- (Decrease) / increase in provisions for liabilities and charges		**(982)**	1,918	829
Cash inflow/(outflow) from operating activities		**(2,491)**	612	7,356
Income tax paid		**(1,336)**	(522)	(1,936)
Net cash generated from /(absorbed by) operating activities		**(3,827)**	90	5,420
Cash flows from investing activities				
Purchases of property, plant and equipment	9	**(741)**	(828)	(1,742)
Purchases of intangible assets	9	**(698)**		
Purchase of subsidiary undertakings	12	**-**	(1,283)	(1,294)
Interest received		**57**	39	21
Net cash absorbed from investing activities		**(1,382)**	(2,072)	(3,015)
Cash flows from financing activities				
Purchase of own shares		**(1,566)**	(78)	(950)
Proceeds from employee share options exercise		**393**	-	508
Dividends paid to group shareholders	8	**(1,441)**	(1,318)	(2,225)
Dividends paid to non-controlling interests		**-**	(180)	(180)
Interest paid		**(404)**	(396)	(721)
Increase / (decrease) in borrowings		**2,193**	(9,462)	2,206
Net cash (absorbed by)/generated in financing activities		**(825)**	(11,434)	(1,362)
(Decrease) / increase in cash and cash equivalents		**(6,034)**	(13,416)	1,043
Cash and cash equivalents at the beginning of the period		**15,881**	14,346	14,346
Exchange gain / (loss) on cash and cash equivalents		**(347)**	254	492
Cash and cash equivalents at the end of the period		**9,500**	1,184	15,881

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Corporate 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, the United States and Asia.

The Company is a public listed company incorporated in the UK. Its registered address is 110 Bishopsgate, London, EC2N 4AY and its primary listing is on the London Stock Exchange.

The condensed consolidated interim financial information for the six months ended 31 July 2014 was approved for issue on 30 September 2014.

2. 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, which remain the same as those reported on page 19 of the consolidated financial statements of the Group for the year ended 31 January 2014:

Risk	Description	Mitigation
Technological development and digital innovation	Technological advancement is at the forefront of maintaining excellent customer experience, as is understanding the impact of digital innovation on the recruitment sector. The growing use of social media to find candidates increases market competition.	The Group continually invests in customer experience technology and the improvement of customer service. The management team embrace the impact of digital innovation and train and encourage our consultants to utilise digital innovation to find the best solutions for our candidates and clients.
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 macroeconomic 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, but there is a risk that business performance might 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 on-going talent management programme, sponsored by the Group’s Executive Council.
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.
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.

3. Accounting policies

Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 July 2014 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ and the disclosure and transparency directives of the FCA. It does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 as it does not include all the information required for full statutory accounts. The interim financial statements should be read in conjunction with the statutory accounts for the year ended 31 January 2014, which were prepared in accordance with IFRS as adopted by the European Union and were approved by the Board of Directors on 25 April 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the

3. Accounting policies (continued)

Companies Act 2006. This condensed consolidated interim financial information has not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers LLP.

Significant accounting policies

In preparing these interim financial statements the same accounting policies, methods of computation and presentation have been applied as those set out in the Harvey Nash Group plc Annual Report for the year ended 31 January 2014. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 January 2014.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 January 2014, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 5) and non-recurring items (see Note 13).

Going concern basis

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's services; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

4. Segment information

The chief operating decision maker has been identified as the Group Board. There have been no changes since the year ended January 2014 in the way the Group Board analyses segmental information. Services provided by each reportable segment are permanent recruitment, contracting and outsourcing.

The Group Board analyses segmental information as follows:

Revenue

	Unaudited 6 months ended 31 July 2014 £ '000	Unaudited 6 months ended 31 July 2013 £ '000	Audited 12 months ended 31 January 2014 £'000
United Kingdom & Ireland	**114,177**	112,189	223,741
Mainland Europe	**217,146**	192,436	421,161
Benelux and France	**166,327**	137,246	310,475
Nordics	**7,893**	7,846	15,293
Central Europe	**42,926**	47,344	95,393
Rest of World	**24,582**	24,583	52,419
United States	**22,179**	21,852	46,938
Asia Pacific	**2,403**	2,731	5,481
Total	**355,905**	329,208	697,321

4. Segment information (continued)

Gross Profit

	Unaudited 6 months ended 31 July 2014 £ '000	Unaudited 6 months ended 31 July 2013 £ '000	Audited 12 months ended 31 January 2014 £'000
United Kingdom & Ireland	**17,723**	16,253	33,360
Mainland Europe	**18,860**	19,744	40,204
Benelux and France	**6,705**	6,269	13,186
Nordics	**5,999**	6,022	11,869
Central Europe	**6,156**	7,453	15,149
Rest of World	**7,022**	7,114	15,006
United States	**5,344**	5,451	11,394
Asia Pacific	**1,678**	1,663	3,612
Total	**43,605**	**43,111**	88,570

Operating Profit before non-recurring items

	Unaudited 6 months ended 31 July 2014 £ '000	Unaudited 6 months ended 31 July 2013 £ '000	Audited 12 months ended 31 January 2014 £'000
United Kingdom & Ireland	**1,900**	1,721	3,161
Mainland Europe	**2,344**	2,328	5,609
Benelux and France	**2,286**	1,929	4,052
Nordics	**57**	28	314
Central Europe	**1**	371	1,243
Rest of World	**325**	314	936
United States	**470**	465	852
Asia Pacific	**(145)**	(151)	84
Total	**4,569**	4,363	9,706

The results for the year ended 31 January 2014 are stated before non-recurring items of £2.6m, £2.2m of which was incurred in the six months to 31 July 2013 and is attributable to Central Europe. £0.3m was incurred in the six months to 31 January 2014 and is attributable to Benelux and France (31 July 2013: £0.8m of which £0.6m was attributable to the UK and Ireland and £0.2m to Benelux).

5. Taxation

Taxation (before non-recurring items) for the six-month period is charged at 28.1% (six months ended 31 July 2013: 30.5%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period.

6. Earnings per share

	Unaudited 6 months ended 31 July 2014	Unaudited 6 months ended 31 July 2013	Audited 12 months ended 31 January 2014
Profit for the period £'000	**3,034**	1,217	3,846
Weighted average number of shares	**72,972,450**	73,392,852	73,351,850
Adjusted basic earnings per share	**4.16p**	1.66p	5.24p
Adjusted profit for the period £'000	**3,034**	2,749	6,425
Weighted average number of shares	**72,972,450**	73,392,852	73,351,850
Basic earnings per share	**4.16p**	3.75p	8.76p

6. Earnings per share (continued)

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's potential ordinary shares are comprised of share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

	Unaudited 6 months ended 31 July 2014	Unaudited 6 months ended 31 July 2013	Audited 12 months ended 31 January 2014
Profit for the period £'000	**3,034**	1,217	3,846
Weighted average number of shares	**72,972,450**	73,392,852	73,351,850
Effect of dilutive securities	**428,141**	384,869	335,539
Adjusted weighted average number of shares	**73,400,591**	73,777,721	73,687,389
Adjusted diluted earnings per share	**4.13p**	1.65p	5.22p
Adjusted profit for the period £'000	**3,034**	2,749	6,425
Weighted average number of shares	**72,972,450**	73,392,852	73,351,850
Effect of dilutive securities	**428,141**	384,869	335,539
Adjusted weighted average number of shares	**73,400,591**	73,777,721	73,687,389
Diluted earnings per share	**4.13p**	3.73p	8.72p

7. Analysis of changes in net funds

	1 February 2014 £'000	Unaudited cash flow £'000	Unaudited foreign exchange movements £'000	**Unaudited 31 July 2014 £'000**
Cash and cash equivalents	15,881	(6,034)	(347)	**9,500**
Borrowings	(12,050)	(1,359)	(417)	**(13,826)**
Net funds	3,831	(7,393)	(764)	**(4,326)**

Net funds comprise cash and cash equivalents less invoice discounting and overdrafts utilised.

8. Dividends

The Group paid a final dividend of 1.974p per share on 11 July 2014 to shareholders on the register as at 20 June 2014 (2013: final dividend of 1.795p per share was paid on 12 July 2013).

9. Purchases of property, plant and equipment

The Group made cash purchases of property, plant and equipment of £0.7m (2013: £0.8m) in the period. The Group also capitalised costs of £0.7m in the development of internally generated software.

10. Capital commitments

The Group had capital commitments of nil at 31 July 2014 (2013: £0.04m) for which no provision has been made in the accounts. 2013 commitments relate to the acquisition of property, plant and equipment.

11. Related party transactions

There have been no related party transactions or changes in the related party transactions described in the January 2014 Annual Report in the six month period to 31 July 2014.

12. Non-controlling interests

On 29 April 2013, the Group acquired the remaining 49.9% of the share capital of Bjerke and Luther AS, a Norway-based executive search, assessment and technical recruitment company, for a cash consideration of NOK 11.5m (£1.3m). The difference between the consideration paid and the reduction in non-controlling interest has been adjusted against retained earnings, attributable to owners of the Company.

13. Non-recurring items
There were no non-recurring costs incurred in the period. Non-recurring costs of £2.2m were incurred in the prior year. Prior period costs relate to termination costs associated with the restructuring of the european outsourcing business.

14. Prior year adjustment
The other debtors and cumulative translation reserve account lines are restated to reflect a historic error of £1.5m as disclosed in the January 2014 Annual Report.

15. Post balance sheet events
On 21 August 2014, Harvey Nash purchased 100% of the share capital of Beaumont KK, a recruitment business in Tokyo, Japan for an initial cash consideration of JPY 61,163,000 (£0.4m). The contingent consideration arrangements require the Group to pay the former owners of Beaumont KK based on a multiple of profit before tax, over threshold performance, for the three years ending August 2017 up to a maximum of JPY 243,231,000 (£1.4m).

Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Harvey Nash Group plc are listed in the Harvey Nash Group plc Annual Report for 31 January 2014. A list of current directors is maintained on the Harvey Nash Group plc website: www.harveynash.com

The directors are also responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Richard Ashcroft
Group Company Secretary
30 September 2014

Cautionary statement

This Half Year Report (the "Report") has been prepared in accordance with the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance.