27 April 2017

HARVEY NASH GROUP PLC
("Harvey Nash" or the "Group")

PRELIMINARY RESULTS

Resilient performance, increased dividend and current financial year started well

Harvey Nash, the global recruitment and professional services group, announces its preliminary results for the year ended 31 January 2017, delivering growth in key service lines.

	Financial Results			Constant Currency
	2017	2016[1]	Change	Change
Revenue	**£784.3m**	£676.5m	↑ 16%	↑ 6%
Gross profit	**£97.9m**	£90.3m	↑ 8%	↓ 1%
Operating profit before non-recurring items	**£9.3m**	£10.2m	↓ 8%	↓ 17%
Non-recurring items[2]	**(£0.1m)**	(£0.2m)	↓ 48%	↓ 65%
Operating profit	**£9.2m**	£9.9m	↓ 12%	↓ 20%
Profit before tax before non-recurring items	**£8.6m**	£9.3m	↓ 7%	↓ 16%
Profit before tax	**£8.5m**	£9.1m	↓ 6%	↓ 16%
EPS before non-recurring items[1]	**8.86p**	9.73p	↓ 9%	↓ 19%
EPS[1]	**8.70p**	9.42p	↓ 8%	↓ 18%
Final dividend	**2.525p**	2.360p	↑ 7%	
Net cash from operating activities	**£15.1m**	£13.0m	↑ 16%	
Net cash at 31 January	**£5.6m**	£0.2m	↑ £5.4m	

Group Highlights

- Revenue increased by 16% and gross profit by 8% (constant currency +6% and -1% respectively)
- Strong cash inflow from operating activities of £15.1m, with net cash increased by £5.4m on prior year
- Final dividend increased by 7.0% to 2.525p (2016: 2.360p)
- UK & Ireland revenue and gross profit flat on prior year, notwithstanding the UK referendum, growing market share
- Operating profit in Europe up by 18.2% (constant currency 2.5%) with strong performances in Benelux & Nordics
- Operating profit in Rest of World held back by bad debts in the USA and challenges in Hong Kong; good results in Japan and Australia, both profitable in the year
- Proposed move to the AIM

Albert Ellis, Chief Executive Officer of Harvey Nash, commented:

"The Group has a robust and diverse business model, which has delivered strong performances despite the challenging economic backdrop in some of the Group's markets, not least the UK. The results are underpinned by stronger than expected cash generation and an increased dividend.

"During the year, we took several initiatives to streamline the business and we have a clear strategy to grow the business both organically and by acquisition. Our vision is to be Europe's market leading technology and digital talent provider with challenger businesses in the US and Asia.

"We are confident of driving profitable growth in the year to January 2018, whilst remaining flexible in response to changes in market conditions. The current financial year has started well, with performance marginally ahead of expectations."

Enquiries:

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Key: *[1] 2016 results are disclosed on a continuing operations basis. There were no discontinued operations in 2017 with the exception of a historical tax charge arising from the 2016 discontinued operations.*
[2] 2017 non-recurring costs relate to historical bad debt write-offs in USA, a goodwill impairment and the release of accrued liabilities aged beyond local statutes of limitation.

Chairman's Statement

The Group has delivered a resilient trading performance, underpinned by stronger than expected cash generation and an increased dividend. In the UK, the Group delivered a very strong performance relative to market conditions. In Europe, Netherlands, Belgium and Sweden reported double digit revenue and profit growth. Across the Group, loss-making offices were returned to profit and steps taken to close offices where weak market conditions continue to prevail.

Financial Performance

Revenue increased by 15.9% to £784.3m, and gross profit increased by 8.4% to £97.9m. On a constant currency basis, growth in revenue was 5.8% and gross profit decreased by 0.6%.

Despite political and economic turbulence in key territories, and continued uncertainty following the outcome of the UK Referendum, the results are in line with expectations with the net cash balance at 31 January 2017 significantly higher than last year. This reflects the success of our strategic priority of supporting our clients at each stage of the business cycle with a balance of permanent recruitment, contracting and offshore services.

The UK business performed well, with revenue and gross profit broadly similar to the prior year while the market declined. Following the fall in Sterling, currency tailwinds buoyed already strong growth in Benelux and Nordics regions. This growth was offset by a disappointing performance in Hong Kong, currency headwinds in Vietnam and bad and doubtful debt write-offs in the USA.

Priorities for the Board

Harvey Nash adopts a high standard of corporate governance which underpins the business and forms the foundation for sustainable growth. We remain focused on our three priorities:

- to execute the strategy for increasing shareholder value in ever-changing market conditions;
- to ensure we continue to have a highly talented team capable of executing our strategy and to hold them accountable for its delivery; and
- to make sure the right culture and corporate values are in place, supported by the appropriate governance structures and their effective implementation.

Also during the year, we completed the disposal of our German outsourcing business and a focus on working capital yielded strong cash generation.

In September 2016, Richard Ashcroft notified the Company of his intention to step down from the Board during the course of 2017 after ensuring a smooth handover to his successor as Group Finance Director. The Board wishes to thank Richard for more than a decade of loyal service to the Company and the Board, during which time there has been a near four-fold increase in the Group's revenue.

In March 2017, the Board appointed Mark Garratt, who joined the Board in April 2017. Mark's extensive knowledge of the recruitment sector, as well as his corporate finance experience, will be important as we continue to develop the Group's businesses.

Dividend

The Board is recommending a 7.0% increase in the final dividend to 2.525 pence per share (2016: 2.360p). This gives a total dividend for the year of 4.09 pence per share (2016: 3.85p), an increase of 6.2%, which reflects the Group's progressive and sustainable dividend policy. Subject to approval at the Annual General Meeting on 29 June 2017, the final dividend will be paid on 7 July 2017 to shareholders on the register at 16 June 2017.

Proposed move to the AIM

To support the Group's strategy to grow the business and deliver value to shareholders, we will be recommending a move from the Main Market to the AIM in due course.

Such a move will provide an environment more suited to the Group's current size and strategic intent to enhance shareholder value by organic growth and acquisitive activity. It will simplify the administrative and regulatory requirements of the Group, and enable us to execute strategic acquisitions more efficiently.

The Board believes that moving to the AIM will be of significant benefit to the Group and its shareholders going forward, and we currently intend to seek shareholder approval at an Extraordinary General Meeting to be held immediately following the Annual General Meeting on 29 June 2017.

Looking ahead

The year ended 31 January 2017 saw several unexpected political and economic changes in some of our key territories which affected trading.

The Executive Directors recently completed a comprehensive long-term strategic review in response to the range of political and economic challenges internationally and the changing information technology landscape. This has resulted in a clear plan to develop the business and grow shareholder value by increasing our focus on technology staffing and by investment in selected geographies through both organic and acquisitive means.

Growth in the IT industry, our largest sector, and high investment into research and development continues across the globe and we remain poised to respond quickly to market opportunities.

Julie Baddeley
Chairman

Chief Executive Review

The Group has delivered a resilient trading performance, underpinned by stronger than expected cash generation.

Over the year, management took actions to streamline the business by:

- Aligning cost-base with revenues in markets with weak demand;
- Protecting margins following the devaluation of Sterling;
- Eliminating the impact of loss-making offices; and
- Generating cash through tight working capital control.

Over the coming year, we will continue our focus on our core geographies in the UK and Northern Europe, driving back-office synergies while bringing our smaller, start-up offices into profit. We will also continue to strengthen our balance sheet to enable investment in accordance with our growth strategy.

More detail about the performance of the business by region is set out below.

United Kingdom and Ireland

The UK business performed well, maintaining revenue and gross profit while the market declined substantially. Realigning the cost base with lower revenues in the executive recruitment division was also undertaken in the first half and the associated one-off costs were included in operating profit.

	2017		**2017 Constant currency**		2016
	£m	%	**£m**	%	**£m**
Gross profit	**37.0**	(0)	**36.2**	(2)	37.0
Operating profit	**3.0**	(14)	**2.9**	(17)	3.5

The UK & Ireland represented 37.8% of the Group's gross profit in 2017 (2016: 41.0%), employing just under 250 fee earners in 10 offices. Permanent placements accounted for 34.4% of gross profit, contracting 51.0% and offshore services 14.6%.

Despite headwinds, the UK & Ireland business reported a creditable performance, winning market share in a softer trading environment. Demand for senior executive recruitment suffered most, particularly in the public sector, along with financial services in London. Other offices across England, Scotland and Ireland reported a strong year of growth with increasing revenues and profits.

Gross profit of £37.0m was flat year-on-year, down 2.4% on a constant currency basis. Operating profit was 14.0% lower at £3.0m (down 17.3% on a constant currency basis) compared to £3.5m in the previous year.

Gross profit from contracting was 3.5% higher than the previous year, up 2.4% on a constant currency basis. Permanent revenue improved in the second half, but for the year as a whole was 5.7% lower than the previous year (down 6.6% on a constant currency basis).

Gross profit from the UK businesses outside London grew by 5% during the year, while in London it declined by 3%. Gross profit from Ireland grew by 15%, but was flat in constant currency terms.

Mainland Europe

Mainland Europe accounts for 40% of the Group's total gross profit. The Group employs over 300 staff in 19 offices in nine countries and benefits from leading market positions.

	2017		**2017 Constant currency**		2016
	£m	%	**£m**	%	**£m**
Gross profit [(1)]	**39.1**	20	**34.5**	6	**32.6**
Operating profit [(1)]	**6.1**	18	**5.3**	3	**5.2**

[(1)] Before a non-recurring credit of £0.5m in Netherlands.

Revenue in Mainland Europe increased by 22.9% to £464.4m (2016: £378.0m) and gross profit increased by 19.8% to £39.1m (2016: £32.6m). On a constant currency basis, growth was 7.7% and 5.8% respectively. Operating profit increased by 18.2% to £6.1m (2016: £5.2m), up 2.5% on a constant currency basis. Across the region, temporary and contract management placements accounted for 60.1% of gross profit and permanent executive and professional placements accounted for 39.9%. Permanent revenue increased by 24.0% (12.7% on a constant currency basis) with a particularly notable increase in Germany of 71.5% (50.1% constant currency).

Benelux
Results from Benelux were excellent with gross profit increasing by 33.3% to £16.3m (16.7% on a constant currency basis). This was supported by investment in fee earner headcount which rose from 69 to 82 over the year. In addition, a release of accrued liabilities aged beyond the local statutes of limitation resulted in a non-recurring credit to the income statement. In the Netherlands, new regulations governing temporary recruitment led to the development and successful launch of a new service offering, which enabled the business to win new clients and gain market share. In Belgium, the Group continued to make good progress, with gross profit increasing by 24.4% (8.8% on a constant currency basis).

Nordics
The Nordic region, which comprises Sweden, Norway and Finland recorded strong growth. Revenue and gross profit increased by 20.6% and 22.7% respectively (7.4% and 9.2% on a constant currency basis). Operating profit grew by 45.3% to £0.6m (28.7% at constant currency). Sweden, which accounts for 85% of gross profit, reported strong financial results. Norway saw a marked improvement, where gross profit increased by 65.7% (48.2% constant currency), following a strengthening of the management team and an improving economic outlook. Performance is improving, with losses reduced by 43%. Following proactive cost management, performance in Finland was stable despite difficult economic conditions, with gross profit 6.7% higher than the previous year (6.3% lower on a constant currency basis).

Central Europe
The Group's Central Europe region comprises Germany, Switzerland and Poland. Overall revenue fell in this region by 3.1% (14.1% on a constant currency basis), while gross profit fell by 2.2% (13.3% on a constant currency basis) to £8.8m. Operating profit fell by 37.1% (42.8% on a constant currency basis). The decline was due to a poor performance in the recruitment business in Germany, with shorter than expected temporary contract durations resulting in lower revenue, partly mitigated by a strong increase in permanent revenue. Costs in relation to new leadership were absorbed into the operating profit which therefore fell, despite the increase in permanent revenue. Overall gross profit was 6.0% lower (17.3% on a constant currency basis). In Switzerland, performance was solid despite the strength of the currency, which has weakened recruitment demand for back-office staff, and finally, a turnaround was achieved in Poland with gross profit increasing by 79.2% (63.0% on a constant currency basis).

Rest of World
Results from the rest of the world were mixed, with strong performances from the USA, Japan and Australia, held back by weakness in Hong Kong and Singapore and by currency headwinds in Vietnam.

	2017		**2017 Constant currency**		2016
	£m	%	**£m**	%	**£m**
Gross profit[1]	**21.8**	6	**19.1**	(8)	**20.6**
Operating profit[1]	**0.2**	(85)	**0.2**	(85)	**1.5**

[1] Before non-recurring charge of £0.6m in USA.

USA
The USA represented 17.0% of the Group's gross profit in 2017 (2016: 16.4%). The USA is the largest market for technology recruitment in the world, and though fragmented, it offers strong growth potential. The Group has six offices in the USA, with 80 fee earners and 45 offshore recruiters based in Vietnam supporting well known multinational clients.

Gross profit increased by 12.4% to £16.6m, although it was down 1.1% on a constant currency basis, with demand favouring permanent and executive recruitment. Operating profit of £0.8m (2016: £1.4m) was affected by bad debts. The bad debt write-off in the year was £1.5m, which was significantly mitigated by other management action. This figure includes a £0.5m impact from a major client entering administration. The remaining £1.0m write-off resulted from a failure of internal control, specifically in segregation of duties and includes a non-recurring charge of £0.6m relating to historic aged debts no longer collectible under contract terms. The Board undertook a thorough review of financial controls in the USA upon discovery and is satisfied they are now operating effectively.

Overall, demand was strong in the USA, particularly on the West Coast with digital transformation at large clients driving record results in executive search. The financial services division was more subdued but were it not for the significant bad debt write-off, overall results would have exceeded expectations.

Asia Pacific
Some volatility in the early part of the year affected performance in Asia. The Group has six offices across the Asia Pacific region, representing 5.5% (2016: 6.5%) of the Group's gross profit. Gross profit decreased by 11.8% to £5.2m (2016: £5.9m) with an operating loss of £0.5m compared to a profit of £0.1m in the prior year, due mainly to a drop in performance in Hong Kong. Japan performed well, increasing gross profit by 54.2% (20.8% on a constant currency basis). Australia was profitable for the first time, thanks to increased investment in headcount. The results from Vietnam were affected by increased costs as a result of the strength of the US dollar, with gross profit falling by 10.9% (20.8% on a constant currency basis).

Management have taken a number of actions in Asia to improve performance in FY18, including the closure of the Hong Kong office, steps to bolster Singapore profitability, and the adjustment of client contracts in our Vietnamese business to reflect the strength of the US dollar.

Outlook and current trading
With 80% of the Group’s clients, services and skills in the technology and digital sector the group is now well positioned for growth.

We have a clear strategy to grow the business and our vision is to be Europe’s market leading technology and digital talent provider with challenger businesses in the US and Asia.

During the year management took actions to streamline the business, the benefits of which should be realised in the coming year.

Our plan for growing the business and increasing shareholder value is by capitalising on our strong market positions and investing in selected geographies through both organic and acquisitive means.

We have a strong balance sheet, a dedicated and skilled management team and the growth in the use of technology is set to continue. Despite market uncertainties, the Group is well positioned with a clear strategy that underpins future growth. With the benefits from the actions taken, we are confident of driving profitable growth in the year to January 2018, whilst remaining flexible in response to changes in market conditions. The current financial year has started well, with performance marginally ahead of expectations.

Finance Director's Review

Overview
There were no discontinued operations in current year trading and all subsequent comparatives in this report are stated on a continuing operations basis, unless stated otherwise. Revenue increased by 15.9% to £784.3m. Revenue in the prior year was £676.6m. Gross profit increased by 8.4% to £97.9m (2016: £90.3m). On a constant currency basis, revenue grew by 5.8% while gross profit decreased by 0.6%. This disparity in growth rates is due to a change in the revenue mix, with high growth in lower-margin contract services in the Netherlands.

Gross profit from permanent recruitment was 9.6% higher (0.4% on a constant currency basis), while contracting gross profit increased by 8.7% (0.3% on a constant currency basis). Gross profit from offshore services was 0.4% higher, but down 10.2% on a constant currency basis.

Closing fee earner headcount increased by 2% on the previous year to 611. Investment in Sweden and Benelux was offset by reductions in Germany and executive search in UK.

The net finance charge of £0.7m was £0.2m lower than the prior year due to a combination of lower average net borrowing and a reduced interest rate on the Group's invoice discounting facilities.

Profit before tax and non-recurring items reduced by 7.1% to £8.6m (2016: £9.3m). Trading in the UK & Ireland was affected by the UK Referendum, while in Rest of World it was affected by challenging conditions in Asia and bad and doubtful debts in the United States. Trading was strong in Europe, especially in Benelux and Nordics.

The Group had a positive net cash position at 31 January 2017 of £5.6m (2016: £0.2m) and has no long-term debt.

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, Belgium and Germany, offset by lower rates elsewhere.

The tax charge for continuing operations for the year was £2.2m (2016: £2.2m) giving an effective rate of tax on continuing operations of 25.9% (2016: 24.7%). The prior year was unusually low due to the impact of discontinued losses relieved against profits from continuing operations.

The deferred tax asset of £3.0m (2016: £2.3m) relates primarily to accrued Group interest charges payable by the USA business and tax losses.

Earnings per Share
Basic earnings per share from continuing operation decreased by 7.6% to 8.70p (2016: 9.42p).

Balance Sheet
Total net assets at the year-end were £62.0m (2016: £54.1m), reflecting a strong recovery following the disposal of the Nash Technologies Group in the prior year aided by foreign exchange movements.

Property, plant and equipment decreased by £0.4m to £3.2m (2016: £3.6m) due to a focus on capital expenditure.

Intangible assets increased by £4.4m to £55.1m due to exchange gains following the fall in Sterling. This was offset by a £0.1m impairment in Poland.

Improved management of working capital despite revenue growth led to a decrease in net trade receivables to £102.9m (2016: £106.3m). Debtor days were 38.0 days (2016: 41.8 days). Accrued income increased by £4.3m, due mainly to the effect of the weekly invoicing cycle. Trade payables increased by £6.6m to £68.3m, due mainly to the timing of contractor payments. Accruals increased to £52.5m (2016: £48.8m) due mainly to the timing of contractor payments in Benelux. Other payables decreased by £6.6m to £1.6m due to prior year payment obligations related to the Nash Technologies Group disposal.

Deferred consideration decreased to £0.2m (2016: £0.5m), due to a payment of £0.3m in respect of the Beaumont KK acquisition in Japan. The closing balance relates to the final Beaumont payment due in FY18.

Cash Flow
Net cash generated from operating activities was once again strong at £15.1m (2016: £13.0m). The overall net cash position at 31 January 2017 rose to £5.6m (2016: £0.2m) and arose mainly due to improved working capital management. Significant cash outflows in the year included dividend payments of £2.8m (2016: £2.7m) and tax payments of £2.9m (2016: £3.3m). The disposal of the Nash Technologies Group resulted in cash outflows in the year of £6.2m. No further amounts are payable. Cash outflows on capital expenditure decreased to £1.0m (2016: £1.8m).

Banking Facilities
The Group maintains substantial headroom in its banking facilities. During the year its invoice discounting facilities were increased from £50m to £60m. The facilities are available in the UK & Ireland, Benelux and the USA.

Consolidated Income Statement

for the year ended 31 January 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue		**784,328**	676,524
Cost of sales		**(686,449)**	(586,236)
Gross profit	4	**97,879**	90,288
Administrative expenses		**(88,559)**	(80,136)
Operating profit before non-recurring items	4	**9,320**	10,152
Non-recurring items	8	**(119)**	(228)
Operating profit		**9,201**	9,924
Finance costs		**(676)**	(849)
Profit before tax		**8,525**	9,075
Income tax expense	5	**(2,206)**	(2,240)
Profit for the year from continuing operations		**6,319**	6,835
Discontinued operations			
Loss from discontinued operations	5,10	**(340)**	(14,439)
Profit / (loss) for the year attributable to owners of the parent Company		**5,979**	(7,604)
Earnings per share from continuing operations			
- Basic	7	**8.70**	9.42p
- Diluted	7	**8.70**	9.38p
Adjusted[1] earnings per share from continuing operations			
- Basic	7	**8.86**	9.73p
- Diluted	7	**8.86**	9.70p
Earnings per share from continuing and discontinued operations			
- Basic	7	**8.23**	(10.48)p
- Diluted	7	**8.23**	(10.44)p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2017

	2017 £'000	2016 £'000
Profit / (loss) for the year	**5,979**	(7,604)
Foreign currency translation differences[2]	**4,669**	(220)
Other comprehensive income / (loss) for the year	**4,669**	(220)
Total comprehensive income / (loss) for the year attributable to owners of the parent	**10,648**	(7,824)

[1] Excludes the impact of non-recurring items

[2] These differences may be recycled into the Consolidated Income Statement if specific conditions are met

Consolidated Balance Sheet

as at 31 January 2017

	2017	2016
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	**55,074**	50,688
Property, plant and equipment	**3,201**	3,583
Investments	**264**	238
Deferred tax assets	**2,167**	1,640
Loans receivable	**1,976**	1,755
	62,682	57,904
Current assets		
Trade and other receivables	**128,926**	127,331
Deferred tax assets	**794**	703
Cash and cash equivalents	**20,250**	18,506
	149,970	146,540
Total assets	**212,652**	204,444
LIABILITIES		
Current liabilities		
Trade and other payables	**(133,186)**	(129,728)
Current income tax liabilities	**(2,307)**	(1,486)
Borrowings	**(14,694)**	(18,336)
Deferred consideration	**(171)**	-
Provision for liabilities and charges	**(96)**	(145)
	(150,454)	(149,695)
Net current liabilities	**(484)**	(3,155)
Non-current liabilities		
Deferred consideration	**-**	(472)
Deferred tax liabilities	**(159)**	(159)
	(159)	(631)
Total liabilities	**(150,613)**	(150,326)
Net assets	**62,039**	54,118
EQUITY		
Ordinary shares	**3,673**	3,673
Share premium	**8,425**	8,425
Fair value and other reserves	**15,079**	15,079
Own shares held	**(910)**	(1,032)
Cumulative translation reserve	**6,640**	1,971
Retained earnings	**29,132**	26,002
Total equity	**62,039**	54,118

Consolidated Statement of Changes in Equity

for the year ended 31 January 2017

	Share capital	Share premium	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 February 2015	3,673	8,425	15,079	(1,032)	2,191	36,262	64,598
Loss for the year	-	-	-	-	-	(7,604)	(7,604)
Currency translation adjustments	-	-	-	-	(220)	-	(220)
Total comprehensive loss and expense for the year	-	-	-	-	(220)	(7,604)	(7,824)
Dividends paid	-	-	-	-	-	(2,656)	(2,656)
31 January 2016	3,673	8,425	15,079	(1,032)	1,971	26,002	54,118
1 February 2016	**3,673**	**8,425**	**15,079**	**(1,032)**	**1,971**	**26,002**	**54,118**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**5,979**	**5,979**
Currency translation adjustments	**-**	**-**	**-**	**-**	**4,669**	**-**	**4,669**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,669**	**5,979**	**10,648**
Movement in own shares	**-**	**-**	**-**	**122**	**-**	**-**	**122**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(2,849)**	**(2,849)**
31 January 2017	**3,673**	**8,425**	**15,079**	**(910)**	**6,640**	**29,132**	**62,039**

Consolidated Cash Flow Statement

for the year ended 31 January 2017

	2017 £'000	2016 £'000
Profit before tax (before non-recurring items and discontinued operations)	**8,644**	9,303
Adjustments for:		
- discontinued operations trading losses	**-**	(838)
- depreciation	**1,284**	1,459
- amortisation	**70**	75
- loss on disposal of property, plant and equipment	**101**	26
- finance costs	**676**	849
- non-recurring items	**(119)**	(69)
Operating cash flows before changes in working capital	**10,656**	10,805
Changes in working capital:		
- decrease / (increase) in trade and other receivables	**9,633**	(7,016)
- (decrease) / increase in trade and other payables	**(2,239)**	12,823
- decrease in provisions	**(35)**	(262)
Cash flows from operating activities	**18,015**	16,350
Income tax paid	**(2,935)**	(3,348)
Net cash generated from operating activities	**15,080**	13,002
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,049)**	(1,972)
Capitalised software development costs	**-**	(2,108)
Disposal of subsidiary	**(6,166)**	(2,690)
Settlement of deferred consideration	**(439)**	(2,070)
Net cash used in investing activities	**(7,654)**	(8,840)
Cash flows from financing activities		
Proceeds from employee share option exercise	**60**	-
Dividends paid to group shareholders	**(2,849)**	(2,656)
Interest paid	**(676)**	(849)
Decrease in borrowings	**(4,104)**	(898)
Net cash used in financing activities	**(7,569)**	(4,403)
Decrease in cash and cash equivalents	**(143)**	(241)
Cash and cash equivalents at the beginning of the year	**18,506**	18,996
Exchange movement on cash and cash equivalents	**1,887**	(249)
Cash and cash equivalents at the end of the year	**20,250**	18,506

Notes to the Preliminary Results

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 2017 or 2016, for the purpose of the Companies Act 2006, but is derived from those accounts.

The statutory accounts for 2016 have been filed with the Registrar of Companies. The statutory accounts for 2017 will be filed with the Registrar of Companies following the Group's next Annual General Meeting. The Group's auditors have reported on the 2016 and 2017 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 (IFRS) 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 2016 with the exception of the following new accounting standards and amendments which were mandatory for accounting periods beginning on or after 1 February 2016, none of which had any material impact on the Group's results or financial position:

In the current year, the following new and revised Standards and Interpretations have been adopted:

- Amendments to IAS 16 and IAS 38 Clarifying Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 1 for the Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle

The main factors that could affect the business and the financial results are described in the Principal Risks section of the 31 January 2016 Annual Report.

3. Going concern

The Group's business activities for the year are described in the CEO Review and FD Review and the financial statements 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.

The Directors have assessed the Group's viability over a longer period than the twelve months required by the 'Going Concern' statement in accordance with the 2014 UK Corporate Governance Code. The Directors have assessed the Group's viability over the three year period ending 31 January 2020 which aligns with the Group's planning process. This period is considered an appropriate balance between the need to provide a longer term outlook, and the need for a reasonable degree of confidence in that outlook in a fast-moving industry.

4. Segment information

IFRS 8 *"Operating Segments"* 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 in the business has been identified as the Group Board. Services provided by each reportable segment are permanent recruitment, contracting and outsourcing.

The Group Board analyses segmental information as follows:

Gross profit

	2017	2016	2016	2016
	£'000	£'000	£'000	£'000
	Total	Continuing operations	Discontinued operations	Total
United Kingdom & Ireland	**37,024**	37,048	92	37,140
Mainland Europe	**39,086**	32,614	2,997	35,611
Benelux	**16,306**	12,232	-	12,232
Nordics	**13,996**	11,403	-	11,403
Central Europe	**8,784**	8,979	2,997	11,976
Rest of World	**21,769**	20,626	-	20,626
United States	**16,607**	14,774	-	14,774
Asia Pacific	**5,162**	5,852	-	5,852
Total	**97,879**	90,288	3,089	93,377

Operating profit (before non-recurring items)

	2017	2016	2016	2016
	£'000	£'000	£'000	£'000
	Total	Continuing operations	Discontinued operations	Total
United Kingdom & Ireland	**2,975**	3,461	(232)	3,229
Mainland Europe	**6,116**	5,174	(403)	4,771
Benelux	**4,916**	3,802	-	3,802
Nordics	**594**	409	-	409
Central Europe	**606**	963	(403)	560
Rest of World	**229**	1,517	-	1,517
United States	**745**	1,386	-	1,386
Asia Pacific	**(516)**	131	-	131
Total	**9,320**	10,152	(635)	9,517

Non-recurring items of £0.1m (2016: £0.2m) relate to a £0.6m write-off in the USA arising on aged receivables no longer contractually enforceable, £0.1m of goodwill impairment in Nordics and a £0.5m release of accrued liabilities aged beyond the local statutes of limitation in Benelux. Further details are disclosed within note 8.

5. Income tax expense

Continuing operations	**2017 £'000**	2016 £'000
Corporation tax on profits in the year – UK	**-**	-
Corporation tax on profits in the year – overseas	**2,742**	2,278
Adjustments in respect of prior years	**82**	(41)
Total current tax	**2,824**	2,237
Deferred tax	**(618)**	3
Total tax charge from continuing operations	**2,206**	2,240
Discontinuing operations		
Corporation tax on profits in the year – overseas	340	-
Total tax charge from discontinuing operations	**340**	-
Total tax charge	**2,546**	2,240

The tax for the year is higher (2016: higher) than the standard UK corporation tax rate applied to pre-tax profit. The standard rate of corporation tax in the UK changed from 21% to 20% with effect from the 1 April 2015. The Group's profits for this accounting period are therefore taxed at an effective standard rate of 21.46% (2016: 20.17%) before non-recurring items.

6. Dividends

The dividends paid in the year were £2.8m (2016: £2.7m).

The proposed final dividend of £1.8m (2.525p per share) is subject to approval by shareholders at the Annual General Meeting on 30 June 2017 (2016: 2.360p per share amounting to £1.7m) and has not been included as a liability at 31 January 2017.

	2017 £'000
Final dividend for year end 31 January 2016 of 2.360p per share	**1,712**
Interim dividend for year ended 31 January 2017 of 1.565p per share	**1,137**
	2,849
Proposed final dividend for year ended 31 January 2017 of 2.525p per share	**1,835**

	2016 £'000
Final dividend for year end 31 January 2015 of 2.171p per share	1,575
Interim dividend for year ended 31 January 2016 of 1.490p per share	1,081
	2,656
Proposed final dividend for year ended 31 January 2016 of 2.360p per share	1,712

7. Earnings per share

From continuing operations

	2017	2016
Profit attributable to shareholders £'000	**6,319**	6,835
Weighted average number of shares	**72,621,076**	72,552,809
Basic earnings per share	**8.70p**	9.42p

	2017	2016
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,438**	7,063
Weighted average number of shares	**72,621,076**	72,552,809
Basic earnings per share (excluding non-recurring items)	**8.86p**	9.73p

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.

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. There were no such shares at 31 January 2017 (2016: 285,596).

	2017	2016
Profit attributable to shareholders £'000	**6,319**	6,835
Weighted average number of shares	**72,621,076**	72,552,809
Effect of dilutive securities	**-**	285,596
Adjusted weighted average number of shares	**72,621,076**	72,838,405
Diluted earnings per share	**8.70p**	9.38p

	2017	2016
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,438**	7,063
Weighted average number of shares	**72,621,076**	72,552,809
Effect of dilutive securities	**-**	285,596
Adjusted weighted average number of shares	**72,621,076**	72,838,405
Diluted earnings per share (excluding non-recurring items)	**8.86p**	9.70p

From discontinued operations

	2017	2016
Loss attributable to shareholders £'000	**(340)**	(14,439)
Weighted average number of shares	**72,621,076**	72,552,809
Basic loss per share	**(0.47)p**	(19.90)p

The diluted loss per share has not been presented as this would reflect the basic loss per share and adjusted basic loss per share value as above.

From continuing and discontinued operations

	2017	2016
Profit / (loss) attributable to shareholders £'000	**5,979**	(7,604)
Weighted average number of shares	**72,621,076**	72,552,809
Basic earnings / (loss) per share	**8.23p**	(10.48)p

	2017	2016
Profit / (loss) attributable to shareholders £'000	**5,979**	(7,604)
Weighted average number of shares	**72,621,076**	72,552,809
Effect of dilutive securities	**-**	285,596
Adjusted weighted average number of shares	**72,621,076**	72,838,405
Diluted earnings / (loss) per share	**8.23p**	(10.44)p

8. Non-recurring items

	2017	2016
	£'000	£'000
Bad debt write-off	**559**	-
Impairment of goodwill	**99**	-
Movement in accrual	**(539)**	-
Excess deferred consideration payable on Talent IT acquisition	**-**	228
Total	**119**	228

A review of the USA trade receivable ledger led to the discovery of uncollected historical invoices totalling $0.7m which were no longer contractually enforceable. As this issue was one-off in nature, the charge was booked as a non-recurring cost.

Following a strategic change from permanent recruitment in Poland towards contracting and outsourcing, the goodwill recognised on acquisition of Fila & Myszel Associates was fully impaired. This resulted in an impairment charge of £0.1m.

An accounting estimate was re-assessed in the Netherlands to align more closely with local statutes of limitation. This resulted in a release of accrued liabilities totalling £0.5m.

The prior year non-recurring charge of £0.2m arose upon settlement of deferred consideration for the Talent IT acquisition. The final consideration payable exceeded initial estimates and the excess consideration payable was charged as a non-recurring item.

9. Business combinations

Deferred consideration of £0.5m was recognised following the acquisition of Beaumont KK, a recruitment business in Tokyo, Japan, in 2014. The deferred 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.

A payment of £0.4m was made during the year as the conditions for earn-out in the second year were met. Deferred consideration of £0.2m remains on the balance sheet for the final earn-out next year.

10. Discontinued operations

On 6 December 2015, the Group entered into a sale agreement to dispose of the German telecommunications outsourcing business Nash Technologies GmbH and its two fully owned subsidiaries, Nash Technologies Stuttgart GmbH and Nash Innovations GmbH ("NT Group"). On the disposal date, full control passed to the acquirer.

Cash outflows in the period relating to the disposal of Nash Technologies were £6.2m of which £2.0m (€2.3m) related to payment of loan receivable from Nash Technologies included within non-current assets.

Further detail in relations to the disposal can be found in the 2016 Annual Report.

Under the sale agreement, the Group remains liable, subject to a cap, for taxes owed by the entities up to the sale date. In the year ended 31 January 2017, an audit by the German tax office of the NT Group resulted in a tax charge of £0.3m relating to prior years.

11. Post balance sheet events

Following a disappointing performance in the 2017 financial year, management have taken a decision to close the Hong Kong office during the first half of the 2018 financial year and anticipate a total restructuring cost of circa £0.5m.