HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Unaudited Interim Results for the six months ended 31 July 2012

Harvey Nash, the global professional services group, announces increased revenue, operating profit and dividend for the six months ended 31 July 2012

Financial Results

	2012 H1	2011 H1	Change
Revenue	**£292.5m**	£253.4m	↑ 15%
Gross profit	**£40.8m**	£38.6m	↑ 6%
Adjusted operating profit*	**£4.5m**	£4.1m	↑ 11%
Non recurring items**	**(£0.8m)**	-	
Operating profit	**£3.7m**	£4.1m	↓ 8%
Adjusted profit before tax*	**£4.2m**	£3.8m	↑ 9%
Profit before tax	**£3.4m**	£3.8m	↓ 11%
Adjusted earnings per share*	**3.95p**	3.45p	↑ 14%
Earnings per share	**3.22p**	3.45p	↓ 7%
Interim dividend	**1.125p**	1.025p	↑ 10%
Net (debt) / cash	**(£14.1m)**	£1.8m	↓£15.9m

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

Highlights 2012

- Increased revenues and gross profit despite challenging trading conditions
- Strong operating cash inflow of £5.0m before investment in working capital of £16.2m
- Operating profit increased across the Group
  - USA operating profit up 42%
  - UK & Ireland operating profit up 15%
  - Mainland Europe operating profit up 18%
- Continuing to secure market share gains in all key geographies
- New offices all performing ahead of budget
- Acquisition of Talent-IT in Belgium on track
- Relocation of London office completed resulting in circa £0.8m pa savings
- Interim dividend up to 1.125p per share (2011: 1.025p per share)

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

"Given the uncertainty in the market, this has been a robust first half performance, demonstrating the value of a diversified geographical footprint and a broad portfolio of services to offer clients.

The general trend across our markets is for a shift away from permanent employment in favour of temporary and contract recruitment, to which we have been swift to adapt. We are also continuing to focus on fast growing technology markets, in particular the digital, mobile and social media sectors. The Board is confident that the Group remains on track to deliver full year results in line with expectations."

ENQUIRIES:
Harvey Nash **Tel: 020 7333 2635**
Albert Ellis, Chief Executive
Richard Ashcroft, Group Finance Director
College Hill **Tel: 020 7457 2020**
Mark Garraway, Helen Tarbet

A presentation of the results will take place at 9:30am this morning at the offices of College Hill, The Registry, Royal Mint Court, EC3N 4QN. To register your attendance please contact helen.tarbet@collegehill.com

CHAIRMAN'S STATEMENT

Financial Results

The Group's revenue for the six months ended 31 July 2012 increased by 15% to £292.5m (2011: £253.4m) mainly due to robust demand for temporary and contract recruitment. Gross profit increased by 6% to £40.8m (2011: £38.6m). A change in the mix of services from permanent to contract and temporary recruitment in response to shifting client demand was responsible for the overall margin shift.

Operating profit, adjusted for non-recurring items, increased by 11% to £4.5m (2011: £4.1m) despite investing in Asia, opening two new offices in Hong Kong and Sydney.

Non-recurring costs of £0.8m (2011: £Nil) were incurred, comprising £0.7m property charges in relocating the Group's London office and £0.1m of legal fees on the acquisition of Belgium based IT recruitment and project business Talent-IT BVBA. The Group also incurred a one-off capital fit-out cost of £1.6m, the benefits of which are substantial, with the new office saving annual costs of circa £0.8m on a like for like basis over the duration of the ten-year lease. A rent-free period extending until 1 October 2013 covers the cash impact of the capital investment.

Adjusted basic earnings per share increased by 14% to 3.95p (2011: 3.45p), which is higher than the increase in adjusted profit before tax owing to lower weighted corporation tax rates and a reduced profit attributable to non-controlling interests.

Acquisition

Talent-IT BVBA and its wholly owned subsidiary Team4Talent BVBA were acquired on 31 May 2012 for an initial cash consideration of £1.4m. In addition, a mortgage of £0.7m plus other short term loans of £0.2m were acquired with the acquisition of Talent-IT BVBA, which included freehold property. Under the acquisition agreement, the freehold property and the mortgage are to be transferred back to the vendors before the year-end. Subject to certain earn-out thresholds being met over the next 3 years the vendors will receive in aggregate up to a maximum of £2.4m in contingent consideration. Trading since acquisition has been encouraging.

The acquisition of Talent-IT 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.

Balance Sheet

Harvey Nash has a sound balance sheet with tangible net assets increasing by £0.8m to £13.1m (2011: £12.3m). The Group has no long-term structural debt. However, owing mainly to an increase in working capital to support greater revenues, the Group has net current borrowing of £14.1m compared to net cash in the prior year of £1.8m.

Trade and other receivables rose by £15.2m (16%) to £113.2m (2011: £98.0m) owing to substantially higher levels of trading in the contracting and temporary recruitment division combined with an increase in debtor days. Debtor days increased during the period to 45.5 (2011: 41.6), an increase of 9%. Debtors are tightly managed, but as we saw at the beginning of the financial crisis in 2008, some clients in the UK and Europe are delaying payments. Accordingly, we have seen debtor days rise throughout the year to date related predominantly, we believe, to macroeconomic concerns in the Eurozone. We are implementing actions to bring back debtor days by the year end, as we did successfully in 2008.

The Group has also made a number of one-off cash related investments: capital investment of £1.6m on the new London office which includes technology and office infrastructure, and an investment of £1.3m (net including costs) in relation to the acquisition of Talent IT BVBA in Belgium. The Group no longer holds any interest in the previous London property as the lease had come to an end.

Intangible assets rose by £2.1m due to the acquisition in Belgium, less brand amortisation and exchange differences.

The deferred income tax asset reduced by £0.3m owing mainly to the utilisation of brought forward tax losses. Contingent consideration of £2.4m represents contingent consideration in respect of the acquisition of Talent-IT BVBA and its wholly owned subsidiary Team4Talent BVBA.

Cash flow

Operating cash flow before movement in working capital was strong at £5.0m (2011: £5.2m). A net increase in working capital as a result of higher levels of revenue absorbed £11.2m while tax paid in the period was £1.6m (2011: £0.9m). Combined with the one-off cash outflows relating to the relocation of the Group's London office, the cash outflow on the acquisition in Belgium, dividend payments of £1.4m and net interest paid of £0.3m, this resulted in an overall net cash outflow in the year to 31 July 2012 of £15.9m.

The Group maintains substantial headroom in relation to its borrowing facilities, which at 31 July 2012 comprised invoice discounting facilities on a rolling 12-month basis in the UK of £20.0m, in the Netherlands of €18.0m and in the United States of $6.0m, plus a £2.0m overdraft facility in the UK. Subsequent to 31 July 2012 the UK invoice discounting facility has been increased to £25.0m and the United States invoice discounting facility has been increased to $7.5m.

Strategy

The Group's strategy remains to build and grow a broad and unique portfolio of services in each market, aligned to different stages of the economic cycle, whilst building long term relationships with clients. This strategy continues to stand us in good stead.

The implementation of our strategy, underpinned by greater visibility of annuity revenues from contract recruitment and outsourcing, has served the Group well throughout the global financial crisis and continues to provide earnings support despite increased uncertainty in the Eurozone.
The Group also invests in strengthening the reach and reputation of its leading brands in all of its core markets. As traditional business models in the sector are affected by the increasing use of the internet and digital media by both candidates and clients, so this investment has continued to provide powerful differentiation in an increasingly commoditised market. During the period the Group's record revenues of £293m demonstrated the return on that investment and reflects the Group's ability to generate additional market share gains.

Furthermore, as demand cycles ebb and flow amongst the USA, Europe and Asia, diversity through our broad geographic spread provides stability. Just under 60% of the Group's gross profit derived from markets outside of the UK (2012: 61%) and whilst gross profit generated in Europe in the comparable 2011 period grew more rapidly than the UK and USA, during the current period the USA reported the fastest growth. In Europe, a focus on the Nordics, Benelux and Germany has yielded an excellent result in difficult markets and in Asia two further offices, Hong Kong and Sydney were opened in February 2012, continuing the Group's diversification.

Looking forward, our proven strategy of achieving sustainable growth through organic expansion combined with bolt-on acquisitions where there exists a clear strategic rationale, should continue to benefit the Group and all its stakeholders.

Operational Review

United Kingdom and Ireland

Revenues in the UK & Ireland increased by 26% to £105.5m (2011: £83.6m), gross profit by 10% to £16.7m, (2011: £15.2m) and operating profit by 15% to £2.5m (2011: £2.2m), a very robust performance in the current uncertain market conditions.

During the period we continued to make significant market share gains, taking advantage of the rise in demand for temporary and contract recruitment. This helped to offset the impact of the return of the UK & Ireland to recession during the period. In addition, organic growth within certain managed service contracts has contributed to further growth in revenues. Demand for executive and permanent recruitment was softer, with some sectors, such as Oil & Gas and Education and Healthcare, faring better than Banking and Finance.

Demand for professional technology recruitment in the UK was strong, with net fees (mainly contract) up 15% compared to executive recruitment (mainly permanent CIO and interim consultants) which was down 14% on the prior year. The uncertain economic environment resulted in mixed results reported across the region. In England the North East declined slightly whilst the Midlands was slightly up. Growth came from more recently established

offices in Edinburgh and Manchester and new segments such as Accounting and HR. Outsourcing and offshoring also enjoyed strong growth with gross profit rising 30% during the period as clients continued to seek ways to save costs.

Performance in Ireland was strong despite tough economic conditions there, with net fees up 31% on the previous year driven mainly by demand from US multinationals such as Google and Fidelity.

Rest of Europe

Revenue in mainland Europe increased by 8% to £164.4m (2011: £152.3m), but gross profit of £18.3m was down 3% (2011: £18.8m). This also reflected the change of mix trend, with strong rises in demand for contracting recruitment, but permanent recruitment affected by the decline in business confidence in the Eurozone. Despite this, operating profit was up 18% to £1.8m (2011: £1.5m) due to lower overheads and a particularly strong performance in contract recruitment in the Benelux and Germany.

The Nordic market was one of our best performing regions in 2011. This business is mainly focused on executive and permanent recruitment. In the current period, with the exception of Norway where skills shortages are acute and the economy is stable, Sweden, Denmark and Finland were all adversely affected by the stresses within the Eurozone. Accordingly, the strong comparables and increased uncertainty resulted in revenues overall declining by 5%. Manufacturing and Telecoms both continued to show growth.

In Switzerland, the recession brought about by the rise in the Swiss Franc which resulted in extremely challenging trading conditions and the decline in demand which started in Financial Services went on to affect other sectors, for example Pharmaceuticals, as companies cut back on new hires and projects. Although headcount reductions and pay cuts were implemented at two large banks, the business remained profitable as we successfully reduced its overheads in line with demand.

In France demand has declined, with revenues down 63% particularly following the elections. Anticipating this situation, management had implemented reductions in overheads and headcount at the end of 2011 in order to limit the Group's risk.

Revenues in the Netherlands increased 2% as demand for contract recruitment rose in line with the rest of Europe. However, the market in managed services was extremely competitive and clients were able to leverage this to achieve significant margin reductions for outsourcing their recruiting and payroll process. The stronger results from recruitment offset this and the businesses grew overall profits in line with revenues, a very good result considering the challenging market conditions.

In Belgium, revenues were up 49% in constant currency terms, 24% relating to contract recruitment and the rest attributable to the acquisition in Antwerp. The combination of the two businesses has resulted in the Group taking the market leading position in technology and project recruitment, capitalising on significant cross selling opportunities and the expansion of the portfolio of services offered. Integration is on track and the financial results are in line with expectations for both Antwerp and the new office in Ghent.

Recruitment demand was relatively strong in Germany particularly in the South where growth reached 25%. Delays in commissioning new projects affected both of our Nash Tech outsourcing operations in Nuremberg and Stuttgart. Whilst this affected profits and cash flow the pipeline of work for the second half is encouraging. Automotive was buoyant and 4G lifted demand in the Telecoms sector. Higher margins are being achieved in niche markets where skills shortages are acute, and where the Group provides its own fully employed engineers.

United States

In the US, revenue increased by 25% to £21.9m (2011: £17.5m), gross profit by 16% to £5.4m (2011: £4.6m) and operating profit was up 42% to £0.5m (2011: £0.3m). The improvement in the economic environment underpinned the results, but growth in contract recruitment and offshore projects was the main driver.

A strategy to take account of the changes in the market by re-aligning the business around core services resulted in improved net profit margins and increased profits. The business is focusing mainly on technology and executive recruitment, managed services and offshoring projects whilst the consulting business of TechDiscovery has been fully integrated into the outsourcing division. This has improved delivery capability and overheads required to support the consulting business have been reduced substantially. This action is already paying dividends with new opportunities and improved financial results resulting from the re-organisation. During the period, gross margin from the outsourcing division increased by 105%. The West Coast, particularly the Seattle office in Washington is

experiencing the strongest demand currently, but Denver and Chicago are also showing strong growth. The East Coast and senior executive recruitment remain more subdued as a result of the weakness in financial services. Nevertheless, the overall result is a strong increase in revenues, profits and margins and the outlook for the year is on track to be well ahead of budget.

Asia Pacific

The Group opened two new offices in Asia in February, in Hong Kong and Sydney, adding to its two existing offices in Vietnam. With a strategy of prudently expanding headcount and capacity as market conditions allow, we are pleased with the first half results. Demand in Hong Kong is driven mainly by global multinational investment in the Asian market as a whole. European headquartered companies continue to shift key hiring from mature markets to faster growing Asian emerging markets and we are benefitting from this trend. Revenues overall have been ahead of budget, resulting in a better than expected half year loss position of £0.3m.

Board

Julie Baddeley, appointed as an independent non executive director with effect from 1 September 2011 was appointed senior independent director for the Group on 29 April 2012, and as previously announced, chairs the remuneration committee of the Board.

Dividends

The Board has approved the payment of an interim dividend of 1.125p per share (2011: 1.025p) on 23 November 2012 to shareholders on the register at 26 October 2012.

Outlook

The Group continues to secure market share gains in all its key geographies. The third quarter has started well with continued strong demand for temporary and contract recruitment, and a robust pipeline of outsourcing opportunities in the UK and Australia.

Since we first announced a softening of the executive recruitment market twelve months ago, demand has shifted away from permanent jobs in favour of contract and temporary recruitment. This trend is continuing as businesses seek to maintain a flexible labour force whilst still making selective investments in new markets and digital technology platforms. Harvey Nash is well placed to continue to adapt to and take advantage of this trend.

We expect that mainland Europe will continue to be weak for the rest of the year, however demand has improved in the USA, and the UK is stable. The Group's focus on growing technology markets, in particular the digital, mobile and social media sectors, has offset weaker demand from financial services. With a robust performance in the first half despite the challenging trading conditions, the Board is confident that the Group remains on track to deliver full year results in line with expectations.

Ian Kirkpatrick
Chairman
27 September 2012

Consolidated Interim Income Statement

	Notes	**Unaudited 6 months ended 31 July 2012 £'000**	Unaudited 6 months ended 31 July 2011 £'000	Audited 12 months ended 31 January 2012 £'000
Revenue	4	**292,546**	253,448	532,952
Cost of sales		**(251,734)**	(214,856)	(454,433)
Gross profit	4	**40,812**	38,592	78,519
Total administrative expenses		**(36,305)**	(34,533)	(69,543)
Operating profit before non-recurring items	4	**4,507**	4,059	8,976
Non-recurring items	13	**(766)**	-	-
Operating profit	4	**3,741**	4,059	8,976
Finance income		**5**	6	25
Finance costs		**(346)**	(245)	(466)
Profit before tax		**3,400**	3,820	8,535
Income tax expense	5	**(1,033)**	(1,215)	(2,588)
Profit for the period		**2,367**	2,605	5,947
Attributable to:				
Equity holders of the Company		**2,348**	2,517	5,815
Non-controlling interests		**19**	88	132
		2,367	2,605	5,947
Basic earnings per share	6	**3.22p**	3.45p	7.97p
Diluted earnings per share	6	**3.20p**	3.41p	7.86p

Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 31 July 2012 £'000	**Unaudited 6 months ended 31 July 2011 £'000**	Audited 12 months ended 31 January 2012 £'000
Profit for the period	**2,367**	2,605	5,947
Foreign currency translation differences	**(859)**	(1,695)	(1,594)
Other comprehensive income for the period	**(859)**	(1,695)	(1,594)
Total comprehensive income for the period	**1,508**	910	4,353
Total comprehensive income attributable to:			
Equity holders of the company	**1,489**	822	4,221
Non-controlling interests	**19**	88	132
	1,508	910	4,353

Consolidated Interim Balance Sheet

	Unaudited 31 July 2012 £'000	Unaudited 31 July 2011 £'000	Audited 31 January 2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5,495**	3,580	3,545
Intangible assets	**50,875**	48,759	48,052
Deferred income tax assets	**1,891**	2,181	1,983
	58,261	54,520	53,580
Current assets			
Cash	**9,842**	10,492	18,550
Trade and other receivables	**113,179**	97,970	97,357
	123,021	108,462	115,907
Total assets	**181,282**	162,982	169,487
LIABILITIES			
Non-current liabilities			
Contingent consideration	**(2,078)**	(19)	(19)
Deferred income tax liabilities	**(887)**	(296)	(908)
Provision for liabilities and charges	**(46)**	(150)	(88)
	(3,011)	(465)	(1,015)
Current liabilities			
Trade and other payables	**(89,754)**	(91,012)	(91,113)
Current income tax liabilities	**-**	(1,649)	(178)
Borrowings	**(22,799)**	(8,660)	(13,366)
Bank loans	**(1,124)**	-	-
Contingent consideration	**(330)**	-	-
Provisions for liabilities and charges	**(294)**	(110)	(287)
	(114,301)	(101,431)	(104,944)
Total liabilities	**(117,312)**	(101,896)	(105,959)
Net assets	**63,970**	61,086	63,528
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	**(92)**	(174)	(424)
Cumulative translation reserve	**5,338**	6,096	6,197
Retained earnings	**31,415**	27,657	30,203
	63,838	60,756	63,153
Non-controlling interest in equity	**132**	330	375
Total equity	**63,970**	61,086	63,528

Unaudited Consolidated Interim 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 2011	**3,673**	**8,425**	**15,079**	**(304)**	**7,791**	**26,203**	**60,867**	**481**	**61,348**
Profit for the period	-	-	-	-	-	2,517	2,517	87	2,604
Currency translation adjustments	-	-	-	-	(1,695)	-	(1,695)	-	(1,695)
Total recognised income and expense for the period	-	-	-	-	(1,695)	2,517	822	87	909
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(238)	(238)
Employee share option and bonus plan	-	-	-	130	-	17	147	-	147
Dividends paid	-	-	-	-	-	(1,080)	(1,080)	-	(1,080)
31 July 2011	**3,673**	**8,425**	**15,079**	**(174)**	**6,096**	**27,657**	**60,756**	**330**	**61,086**
Profit for the period	-	-	-	-	-	3,298	3,298	45	3,343
Currency translation adjustments	-	-	-	-	101	-	101	-	101
Total recognised income and expense for the period	-	-	-	-	101	3,298	3,399	45	3,444
Employee share option and bonus plan	-	-	-	12	-	(4)	8	-	8
Own Shares purchased	-	-	-	(262)	-	-	(262)	-	(262)
Dividends paid	-	-	-	-	-	(748)	(748)	-	(748)
31 January 2012	**3,673**	**8,425**	**15,079**	**(424)**	**6,197**	**30,203**	**63,153**	**375**	**63,528**
Profit for the period	-	-	-	-	-	2,348	2,348	19	2,367
Currency translation adjustments	-	-	-	-	(859)	-	(859)	-	(859)
Total recognised income and expense for the period	-	-	-	-	(859)	2,348	1,489	19	1,508
Merger of non-controlling interest	-	-	-	-	-	64	64	(64)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(198)	(198)
Employee share option and bonus plan	-	-	-	332	-	-	332	-	332
Dividends paid	-	-	-	-	-	(1,200)	(1,200)	-	(1,200)
31 July 2012	**3,673**	**8,425**	**15,079**	**(92)**	**5,338**	**31,415**	**63,838**	**132**	**63,970**

Consolidated Interim Cash Flow Statement

	Notes	**Unaudited 6 months ended 31 July 2012 £'000**	Unaudited 6 months ended 31 July 2011 £'000	Audited 12 months ended 31 January 2012 £'000
Profit before taxation		**3,400**	3,820	8,535
Adjustments for:				
- depreciation		**1,177**	1,092	2,255
- amortisation		**46**	37	73
- loss on disposal of fixed assets		**-**	-	30
- finance income		**(5)**	(6)	(25)
- finance costs		**346**	245	466
Operating cash flows before changes in working capital		**4,964**	5,188	11,334
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)				
- (Increase) in trade and other receivables		**(13,140)**	(15,781)	(12,496)
- (Decrease) / Increase in trade and other payables		**(3,023)**	7,327	5,773
- (Decrease)/ Increase in provisions for liabilities and charges		**(35)**	(67)	46
Cash (outflow)/ inflow from operating activities		**(11,234)**	(3,333)	4,657
Income tax paid		**(1,578)**	(869)	(2,847)
Net cash (absorbed by)/generated from operating activities		**(12,812)**	(4,202)	1,810
Cash flows from investing activities				
Purchases of property, plant and equipment	9	**(1,846)**	(650)	(1,275)
Purchases of property, plant and equipment rechargeable to clients	9	**(252)**	(69)	(721)
Cash acquired with acquisitions	12	**254**	-	-
Purchase of subsidiary undertakings	12	**(1,399)**	-	-
Interest received		**5**	6	25
Net cash absorbed from investing activities		**(3,238)**	(713)	(1,971)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**-**	62	147
Purchase of own shares		**-**	-	(262)
Dividends paid to group shareholders	8	**(1,200)**	(1,080)	(1,828)
Dividends paid to non-controlling interests		**(198)**	(239)	(238)
Interest paid		**(346)**	(245)	(466)
Increase in borrowings		**9,433**	1,350	6,056
Bank loans acquired with acquisitions		**(1,124)**	-	-
Net cash generated/(used) in financing activities		**6,565**	(152)	3,409
(Decrease)/increase in cash and cash equivalents		**(9,458)**	(5,067)	3,248
Cash and cash equivalents at the beginning of the period		**18,550**	15,588	15,588
Exchange (loss) on cash and cash equivalents		**(347)**	(29)	(286)
Cash and cash equivalents at the end of the period		**8,718**	10,492	18,550

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 Heron Tower, 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 2012 was approved for issue on 27 September 2012.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 January 2012 were approved by the board of directors on 27 April 2012 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 Companies Act 2006.

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 in the consolidated financial statements of the Group for the year ended 31 January 2012:

- Economic Environment
  The performance of the Group is aligned to the underlying growth 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 risk of loss of a key client is lessened by the Group not being overly reliant on any one client. The Group also ensures that there are regular reviews of relationships with all clients.

- 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.

- Technology
  The Group relies on technology systems to provide services to clients and candidates. These systems are dependent on a number of suppliers that provide the technology infrastructure and disaster recovery solutions. The Group mitigates technology risks by conducting regular reviews of technology both externally with third party providers of IT services and internally.

- 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. The Group’s policy is to minimise foreign currency risk. 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.

3. Accounting Policies

Basis of preparation
This condensed consolidated interim financial information for the six months ended 31 July 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting' and the disclosure and transparency directives of the FSA.
It does not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 January 2012. This condensed consolidated interim financial information has not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers LLP.

Nature of financial information
The interim financial information does not constitute statutory financial statements as defined under Section 434 of the Companies Act 2006. The financial information for the year ended 31 January 2012 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

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 2012. 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 2012.

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 2012, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 5) and contingent consideration (see note 12).

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 year end January 2012 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	Unaudited	Audited
	6 months ended	6 months ended	12 months ended
	31 July 2012	31 July 2011	31 January 2012
	£'000	£'000	£'000
United Kingdom & Ireland	**105,490**	83,615	178,437
Rest Of Europe	**164,402**	152,309	317,789
United States	**21,854**	17,524	36,726
Asia Pacific	**800**	-	-
Total	**292,546**	253,448	532,952

Gross Profit

	Unaudited 6 months ended 31 July 2012 £'000	Unaudited 6 months ended 31 July 2011 £'000	Audited 12 months ended 31 January 2012 £'000
United Kingdom & Ireland	**16,680**	15,172	30,730
Rest Of Europe	**18,277**	18,785	38,307
United States	**5,369**	4,635	9,482
Asia Pacific	**486**	-	-
Total	**40,812**	38,592	78,519

Operating Profit

	Unaudited 6 months ended 31 July 2012 £'000	Unaudited 6 months ended 31 July 2011 £'000	Audited 12 months ended 31 January 2012 £'000
United Kingdom & Ireland	**2,523**	2,194	3,207
Rest Of Europe	**1,798**	1,524	5,116
United States	**485**	341	653
Asia Pacific	**(299)**	-	-
Operating profit before non-recurring items	**4,507**	4,059	8,976
Non- recurring items - United Kingdom & Ireland	**(642)**	-	-
Non- recurring items - Rest Of Europe	**(124)**		
Total	**3,741**	4,059	8,976

5. Taxation

Taxation for the six month period is charged at 30.38% (six months ended 31 July 2011: 31.81%; year ended 31 January 2012: 30.32%), 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 2012	Unaudited 6 months ended 31 July 2011	Audited 12 months ended 31 January 2012
Profit for the period £'000	**2,348**	2,517	5,815
Weighted average number of shares	**72,907,777**	72,902,002	72,948,499
Basic earnings per share	**3.22p**	3.45p	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.

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 comprise 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 2012	Unaudited 6 months ended 31 July 2011	Audited 12 months ended 31 January 2012
Profit for the period £'000	**2,348**	2,517	5,815
Weighted average number of shares	**72,907,777**	72,902,002	72,948,499
Effect of dilutive securities	**571,336**	994,753	1,016,933
Adjusted weighted average number of shares	**73,479,113**	73,896,755	73,965,432
Diluted earnings per share	**3.20p**	3.41p	7.86p

7. Analysis of Changes in Net Funds

	1 February 2012 £'000	Unaudited Cash flow £'000	Unaudited Foreign exchange movements £'000	**Unaudited 31 July 2012 £'000**
Net Funds	**5,184**	**(18,918)**	**(347)**	**(14,081)**

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

8. Dividends

The Group paid a final dividend of 1.635p per share on 13 July 2012 to shareholders on the register as at 22 June 2012 (2011: final dividend of 1.48p per share was paid on 15 July 2011).

***9.* Purchases of property, plant and equipment**

The Group made cash purchases of property, plant and equipment of £2.1m (2011: £0.7m) in the period. £0.3m of this was recharged to a client. (2011: £0.1m)

10. Capital Commitments

The Group had capital commitments of £0.05m at 31 July 2012 (2011: £0.02m) for which no provision has been made in the accounts. These relate to the acquisition of property, plant and equipment. At 31 July 2012 and 2011, it is all rechargeable to a client.

11. Related party transactions

There have been no related party transactions or changes in the related party transactions described in the January 2012 Annual Report in the six month period.

12. 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 £2.8m and operating profit of £0.2m to the Group for the period from acquisition to 31 July 2012. If the acquisition had occurred on 1 February 2012, consolidated revenue and consolidated profit for the half-year ended 31 July 2012 would have been £296.3m and £4.0m respectively.

As allowed under IFRS 3, the Group is using the 12 months after acquiring the business to consider whether there are intangible assets that should be recognised separately from goodwill.

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.

Details of the provisional net assets acquired and the intangible asset are as follows:

	£'000
Cash consideration	1,399
Contingent consideration	2,238
Fair value of net identifiable assets acquired	(448)
Intangible Asset	**3,189**

Acquisition-related costs (included in non recurring items in the income statement for the period ended 31 July 2012) amount to £0.12m.

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 €3.3m.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between £0.3m and £2.3m. 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 are as follows:

	£'000
Tangible Fixed Assets	1,151
Cash	2,724
Receivables	254
Payables	(2,750)
Bank loans	(931)
Net identifiable assets acquired	**448**

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**

13. Non recurring items

Non-recurring costs of £0.77m were incurred in the period (2011: £Nil). £0.64m relate to relocating the Group's London headquarters and a further £0.12m of legal fees were incurred on the acquisition of Talent-IT BVBA.

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 2012. 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
27 September 2012