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Harvey Nash Group plc

Annual Report 2008

Directors, Secretary and Advisers

Ian Kirkpatrick
Non-Executive Chairman
Ian Kirkpatrick, aged 63, is Non-Executive Chairman Following a career in consultancy, stockbroking and commerce, he joined Bank of Scotland and became a director in the banking division of British Linen Bank Limited, its subsidiary He is Chairman of Prime Estates Limited and is also a Non-Executive Director of Baronsmead VCT 4 Plc He was appointed Chairman of Harvey Nash in January 1997

David Higgins
Non-Executive Deputy Chairman
David Higgins, aged 49, Non-Executive Deputy Chairman and founder of the business Until 1 May 2007 he was Executive Deputy Chairman He was previously CEO and prior to that Joint Managing Director with responsibility for the Executive Search & Selection Division

Albert Ellis
Chief Executive Officer
Albert Ellis aged 44, is Chief Executive Officer and was appointed to the Board in February 2000 He was previously the Group Finance Director He joined the Group in July 1998 as UK Finance Director He was previously a divisional Finance Director with Hays Plc

Richard Ashcroft
Group Finance Director
Richard Ashcroft, aged 50, is Group Finance Director He was appointed in October 2005, having previously spent 20 years in senior financial positions in a number of UK public companies, mostly in the professional services sector, including Michael Page International PLC

Simon Wassall
European Managing Director
Simon Wassall, aged 45, has been with the Group for over 10 years and is responsible for the UK and European IT recruitment operations He joined the Group in 1994 to develop the UK regional presence

Tom Crawford
Non-Executive Director
Tom Crawford, aged 57, is a Non-Executive Director He was previously Joint Managing Director with responsibility for Group Operations and the IT File Search Division

Gus Moore
Non-Executive Director
Gus Moore, aged 70, is a Non-Executive Director and was appointed in April 1999 He was previously Managing Director of Telephone Rentals Plc and then on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom/CSL He has been Chairman and Non-Executive Director of a number of venture capital backed companies, mainly in the Telecoms and Computer market sectors

Directors
Ian Kirkpatrick
David Higgins
Albert Ellis
Richard Ashcroft
Simon Wassall
Gus Moore
Tom Crawford

Secretary
Richard Ashcroft

Registered Office
13 Bruton Street
London W1J 6QA

Registered Number
3320790

Stockbrokers
Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

Solicitors
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Registrars
Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA

Financial Advisers
Close Brothers Corporate Finance Limited
10 Crown Place
London EC2A 4FT

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
No 1 Embankment Place
London WC2N 6RH

Principal Bankers
Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh EH2 2YB

CHAIRMAN'S STATEMENT

I am delighted to report on the Group's excellent financial performance for the year ended 31 January 2008 The strong trading results reflect excellent organic growth complemented by the strategic investment in new higher growth markets such as Sweden and Ireland, while the increasing demand for outsourcing and offshoring services underpinned the Group's revenue growth Cash generation was stronger than expected, resulting in an overall positive net cash position at the year end

Financial Results

Revenue for the year ended 31 January 2008 increased by 27% to £318 6m (2007. £251.7m) Net fee income was £58 5m (2007 £48 3m) with profit before tax increasing 31% to £7 6m (2007 £5 8m) Basic earnings per share increased 19% to 7 54p (2007 6 33p)

The stronger than expected cash generated from operating activities of £14 6m (2007 £4 7m) resulted in a significantly strengthened balance sheet with a net cash position of £4 2m compared to net borrowings of £2 6m at the 31 January 2007

Dividend

With the strong growth in earnings and cash generation, the Board is recommending an increase in the total dividend for the year to 1 80p (2007 1 0p) This comprises a proposed final dividend of 1 1p (2007 1 0p) per share, which will be paid on 8 July 2008 to shareholders on the register as at 25 April, and an interim dividend of 0 7p (2007 Nil) per share paid in November 2007

Strategy & acquisitions

The Group's key strategic business development asset is its unique portfolio of services This competitive advantage is a major factor in developing boardroom relationships with our clients and in attracting suitable acquisitions into the Group. A substantial portion of the increase in revenue has come from successfully cross-selling other services into our blue-chip client base For example, in the UK, the cross-selling of other services represents over 20% of total revenue and many of the offshore software development opportunities arise through existing relationships

Targeted investment in the Group's market-leading brand has been maintained throughout the year. Our well known brand attracts new clients, quality candidates and is a key factor in recruiting and retaining talented fee-earners Increasingly, the brand is becoming more visible through the Group's close association with the Confederation of British Industry. All brand-related investment is tracked to ensure a suitable return on investment from both new and existing relationships

The Group's geographic coverage was increased in new markets through the acquisition of Alumni AB, Sweden's leading executive search consultancy, and Rescon Limited, a leading IT recruitment and IT solutions business based in Dublin, Ireland

The Group also expanded its Outsourcing and Offshore capacity, in line with the increasing trend by our clients to outsource IT-related projects, particularly in the software development arena Such projects are longer-term in nature and consequently enhance the Group's quality and visibility of earnings During the year, we acquired SilkRoad Systems Limited, a Vietnamese based IT outsourcing business in Ho Chi Minh City. We also acquired a significant equity stake in TechDiscovery LLP, a strategic technology consultancy based in Atlanta, thereby expanding and formalising the already successful existing strategic partnership

The Group's ongoing strategy will continue to be based on the successful formula of combining a strong organic growth model with bolt-on and earnings enhancing acquisitions in new markets

Board and Employees

On behalf of the Board, I would like to thank all of the Group's talented employees and associates who have, once again, shown outstanding professionalism and commitment to our clients and candidates throughout the year

Prospects and Outlook

We are successfully capitalising on our strategic advantages and leveraging our strong, internationally recognised brand.

The current year has started well with robust trading in the first two months Our businesses in the US, UK and Europe are all trading ahead of budget

Ian Kirkpatrick
Chairman

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue increased by 15% to £105 8m (2007 £92 2m) and net fee income was up 18% to £29 2m (2007 £24 8m) The higher growth in net fee income was driven by increased demand by clients for permanent headcount in the IT function combined with the expansion of our Executive Search business up 43% on the previous year Offshore software development increased revenue by 70% reflecting the macro trend for global sourcing and the drive to reduce technology costs

Operating profit increased by 33% to £4 7m (2007 £3 5m) The increase in operating profit margin from 14 3% to 16 1% was achieved despite increasing fee-earners by 27% year on year and reflects higher gross margins and the benefits of additional economies of scale

The Executive Search and Interim Management businesses continue to expand their delivery expertise into all major sectors The Executive Search business benefited from strong demand in the technology and media sectors, ongoing demand from business services and the Public Sector practice continued to make excellent progress, increasing market share and expanding the business profitably The Commerce and Industry practice also enjoyed robust growth as manufacturing and industry in the UK benefited from a strong year The new Edinburgh office is on track and further progress is expected this year

With the acquisition of SilkRoad in Vietnam, the software development and business process outsourcing expertise has been increased and new clients won, while high retention rates were registered for existing relationships

Demand for IT technical specialists led to growth across the UK, particularly in the regions with oil & gas, telecommunications, media and traditional banking and insurance companies in particular continuing to recruit into the IT function

Candidate confidence reflects a high level of demand for specialist skills with good quality applicants often receiving more than one offer We agree with the Gartner 1st Quarter Worldwide CIO Survey 2008 research that the scale of cut-backs in technology spend, following the downturn in 2000 has left much less excess capacity today

In Ireland, demand was strong throughout the year with the newly acquired subsidiary comfortably on track to achieve its first year targets We have a long-term contract with a key client in the public sector, where we provide a solutions-based service

Continental Europe

Revenue in mainland Europe increased by 43% to £189 1m (2007 £132 6m), and net fee income was up 39% to £20 8m (2007 £15 1m) Increased demand for Executive Search, combined with higher levels of permanent IT placements in Germany, Belgium and Switzerland, were the key drivers in increasing gross margin

Operating profit increased by 31% to £3 0m (2007 £2 3m) as fee-earner headcount increased by 67%, mainly in the strong Scandinavian region Economic conditions were favourable throughout the year, with business confidence rising and demand for IT professionals outstripping supply

The trend across Europe towards hiring permanent staff increased during the year Organic growth in permanent revenue was 30% while the growth in IT contractors in the year was 23%

Overall net fee income in the Netherlands grew by 30% The Netherlands continued to build on its workforce risk management outsourcing service which has been introduced in Belgium and Germany

In Belgium and Luxembourg overall revenue increased by 26%, with permanent revenue up by 94% Growth came from across a diverse client base but the technology and telecommunications sectors were the main drivers

The investment made in France resulted in net fee income growing by 42% compared to the previous year With positive expectations being set by the new French government over tackling labour flexibility and deregulation the Group is confident this investment will pay off in the medium term

In Germany and Switzerland net fee income increased slightly as margins and contractor numbers growth was lower than in the rest of Europe In Zurich IT contractor volumes from the financial services sector were slightly lower and in Germany, widely reported cost reduction programmes (for example Siemens) have reduced margins and volume The Group has therefore focused on market segments such as Engineering in Germany and clients in Geneva not directly impacted by the slow down in financial services

Our acquisition in Sweden, which offers executive search and leadership consultancy, has performed well with net fee income 18% ahead of the budget set at the time of acquisition in May 2007 Expansion into Denmark was achieved with the opening of an office in Copenhagen in November 2007

United States

Whilst market conditions in the US were uncertain during the majority of the year, our net fee income on a constant currency basis was broadly similar to the previous year with a fivefold growth in IT solutions underpinning the results Executive Search was excellent with net fee income up over 70% to £1 2m (on a constant currency basis) demonstrating the strength of the Group's portfolio of services

Operating profit, at £0 8m (2007 £0 9m), was only 9% lower than the previous year and at constant currency rates broadly similar to the previous year The Group's response to tightening market conditions has been a timely and prudent trimming of our cost base, particularly in the IT recruitment division alongside a continuing focus on higher margin activities

The performance of our new strategic IT consultancy, TechDiscovery, has been ahead of our expectations and cross-selling synergies have been identified and exploited, resulting in a positive start to the new financial year. TechDiscovery's business is less susceptible to cyclical market trends because the projects are tied to client's core corporate functions or strategic initiatives and usually involve long term contracts

Summary

The Group's key strategic advantages, its strong balance sheet and diverse portfolio of services continue to take the business higher up the value chain Based on the excellent performances in the UK and Europe, the successful acquisitions and the stability we achieved in the US despite the market uncertainty, we were able to twice upgrade our expectations for full year profits during the year

We are pleased with the way the current year has started, in particular with all our key markets performing ahead of budget

I look forward to reporting on further progress throughout the year

Albert Ellis
Chief Executive Officer

FINANCIAL REVIEW

Profit and Loss

Revenue increased by 27% to £318 6m for the year ended 31 January 2008 (2007 £251 7m) Net fee income increased during the year by £10 2 million, while the cost base was tightly controlled, resulting in an improvement in the conversion ratio (operating profit margin as a percentage of net fee income) from 14% in the previous year to 15% Net interest payable was reduced by 5% to £0 9m in line with the strong cash generation and profit before tax rose by 31% to £7 6 million

Taxation

The tax charge for the year was £2 2m (2007 £1 7m), giving an overall effective rate of tax of 29 2% (2007 29 5%) This reflects the benefits of lower rates of corporation tax during the year in certain overseas countries

Minority interest

The minority interest represents the minority share of profit after tax of TechDiscovery LLP, acquired in November 2007

Earnings per Share

Basic earnings per share rose by 19% to 7 54p (2007 6 33p) Fully diluted earnings per share rose by 19% to 7 33p (2007 6 18p)

Balance Sheet

The net book value of tangible fixed assets rose during the year as a result of acquisitions Capital expenditure (£0 6m) continued to be tightly controlled and was £0 2m lower than depreciation charged

The group had a positive net cash position at the year of £4 2 million, having repaid the remainder of the term loan earlier than expected (£2 0m), compared with net borrowings at the end of the previous year of £2 6m

The value of intangible assets rose during the year by £14 3m mainly as a result of acquisitions during the year

Trade and other receivables increased by £18 8m due to the increased trading levels and acquisitions made during the year The largest increase was in the Netherlands, where revenue rose in the year by 68% The increase in trade and other payables was also the result of increased trading levels and acquired businesses

Contingent consideration represents the amounts payable in cash for the acquisitions of Alumni AB and TechDiscovery LLP

Cash Flow

There was a trading cash flow of £9 5m (2007 £7 5m) generated from operating activities before working capital movements A further £7 4m was squeezed from working capital resulting in a total of £14 6 m being generated from operating activities Tax paid in the year was £2 3m (2007 £0 6m)

Initial and deferred consideration of £5 2m was payable on acquisitions during the year, net of cash acquired Capital expenditure in the year was £0 6m (2007 £0 6m) and represents mainly office infrastructure and IT systems investment, facilitating the expansion of the Group s fee-earning base

During the year £0 1m (2007 £0 1m) was received from the issue of shares on the exercise of share options Dividends paid were £1 2m and net interest payable was £0 9m (2007 £0 9m) The balance of the term loan of £2 0m was repaid earlier than expected on 31 January 2008

Banking Facilities

The Group enjoys significant headroom in relation to its agreed banking facilities which total circa £27 4m These comprise working capital facilities of £12 0m in the UK and £13 4m in the Netherlands and a UK overdraft facility of £2 0m

Acquisitions

On 22 May 2007, the Group acquired 100% of the share capital of Alumni AB, an Executive Search and Strategic Leadership Consultancy in Sweden The consideration comprised cash consideration of £5 1m (of which £4 4m was raised via a vendor placing) and additional payments which will be payable in cash currently estimated at £1 4m over the two years ending 30 April 2011 subject to certain profit targets being achieved

On 25 June 2007, the Group acquired 100% of the share capital of SilkRoad Systems Limited and its subsidiary, SilkRoad Systems (Vietnam) Limited, a technology and software development company based in Ho Chi Minh City, Vietnam The consideration comprised initial cash consideration of £0 7m, 226,646 ordinary 5p shares in Harvey Nash Group plc and additional payments of up to £0 1m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved

On 17 August 2007, the Group acquired 100% of the share capital of Rescon IT Limited, an IT recruitment and solutions business based in Dublin, Ireland The consideration comprised an initial cash consideration of £3 4m, and additional payments currently estimated at £1 2m which will be payable in shares in Harvey Nash Group plc in the year ended 30 June 2008 subject to certain profit targets being achieved

On 5 November 2007, the Group acquired 56 6% of the share capital of TechDiscovery LLP, which specialises in business-focused IT solutions based in Atlanta, USA The consideration comprised initial cash consideration of £0 8m, and additional payments currently estimated at £1 5m which will be payable cash or shares in Harvey Nash Group plc at Harvey Nash's option subject to certain profit targets being achieved in the period to 30 September 2008

The final tranche of the deferred consideration for the acquisition of the business and certain assets of Bluesuit Consulting Inc, the Group's Chicago based business, of £0 3m was paid in February 2008 based on the results for the year ending on 16 December 2007

Richard Ashcroft
Group Finance Director

Directors' Report

for the year ended 31 January 2008

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2008

Principal Activities

The Group's principal activity during the year was the provision of professional recruitment and outsourcing services, in particular providing information technology professionals for permanent and contract positions worldwide The Group has a number of overseas subsidiaries in Europe USA and Vietnam The parent company is incorporated and domiciled in the United Kingdom

A review of the business and future developments is set out in the Chairman's Statement, Chief Executive's Operational Review and the Financial Review

Key Performance Indicators

The Board considers the following performance indicators to be key in monitoring the Group's performance

- Operating profit per employee £14,550 (2007 £14,263),
- Gross profit per employee £99,973 (2007 £102,250)
- Conversion ratio* 15% (2007 14%)
- Average debtor days for 2008 42 4 (2007 42 0)
- Fee earner percentage ** 69% (2007 67%)

* Operating profit as a percentage of gross profit

** Fee-earners as a percentage of total employees

Risk Management

The Board reviews the key risks facing the business regularly In common with the majority of businesses, the Group may be subject to the risk of an economic downturn This is mitigated by offering a comprehensive portfolio of services covering a broad geographical area, ongoing review of the Group's financial gearing and, most importantly, by adopting a service mix strategy which favours longer term annuity revenues An ongoing talent management programme, sponsored by the Group's Executive Council, has reduced the risk of loss of key staff In addition, Financial risk management is detailed in note 3

Results and dividends

The Group's profit before tax for the year was £7 6m (2007 £5 8m) A final dividend of 1 1 pence per share has been declared on 17 April 2008 amounting to £0 8m subject to shareholder approval at the AGM on 3 July 2008 (2007 1 0p per share amounting to £0 7m)

Share Capital

On 15 February 2007 the Company issued 20,588 new ordinary shares, with a nominal value of £1,029 40 in relation to the employee share option scheme

On 20 February 2007 the Company issued 34,000 new ordinary shares, with a nominal value of £1,700 in relation to the employee share option scheme

On 9 March 2007 the Company issued 50,000 new ordinary shares, with a nominal value of £2,500 in relation to the employee share option scheme

On 25 May 2007 the Company issued 5,512,500 new ordinary shares, with a nominal value of £275,625 in relation to the acquisition of Alumni AB

On 30 May 2007 the Company issued 25,000 new ordinary shares, with a nominal value of £1,250 in relation to the employee share option scheme

On 25 June 2007 the Company issued 50,000 new ordinary shares with a nominal value of £2,500 in relation to the employee share option scheme

On 5 July 2007 the Company issued 226,646 new ordinary shares, with a nominal value of £11,332 30 in relation to the acquisition of SilkRoad Systems Ltd

On 19 July 2007 the Company issued 29,000 new ordinary shares, with a nominal value of £1 450 in relation to the employee share option scheme

During the year the number of shares in issue increased to 72,440,200 ordinary shares with a nominal value of £3 622,010

Directors and their Interests
The Directors who held office during the year and at the date of this report are shown on page 2 In accordance with the Company s Articles of Association, Ian Kirkpatrick, Richard Ashcroft Simon Wassall, Albert Ellis and Peter Augustine Moore retire by rotation and being eligible, offer themselves for reappointment All Executive Directors have service contracts with the Company terminable by either party giving to the other not less than 12 months notice

The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in greater detail in the Remuneration Report

Disabled Persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Environmental Policy
The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment The Group s activities have a minor effect on the environment However, it is the Group's aim to reduce the environmental impact of its activities and to operate in an environmentally responsible manner

Employee Involvement
Consultation with employees is of considerable importance to the Group The views of employees are taken into account when decisions are made which are likely to affect their interests All employees are aware of the financial and economic performance of their business units and of the Group as a whole Communication with all employees is made through conferences, announcements, the intranet, briefing groups and the distribution of the Annual Report

Equal Opportunities
The Group is committed to the principle of Equal Opportunities both as an employer and as a recruitment services provider All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit

Creditor Payment Policy
The Group's creditors are paid in accordance with terms agreed with them prior to the supply of goods or services The Group pays all contractors providing IT services within 27 days (2007 27 days) of receipt of their invoice Other trade creditor days of the Group for the year ended 31 January 2008 were 67 days (2007 55 days) based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors The Company has no trading activity

Substantial Shareholdings
On 23 April 2008, the Company had been notified that, in addition to holdings in which the Directors are beneficially interested, there were holdings of 3% or more in the ordinary share capital of the Company as follows

	No of shares	% of total
Unicorn Asset Management	11,610,739	16 03
Standard Life Investments	6,019,506	8 31
David Treacher	5,114,318	7 06
JP Morgan Asset Management	5 033,207	6 95
River and Mercantile Asset Management	4,499 851	6 21
BGI	3,826,723	5 28
USS	3,608 210	4 98
Gartmore Investment Management	2,908 688	4 02

Directors' and Officers' Liability Insurance
Insurance has been taken out by the Company (as permitted by Section 310(3) of the Companies Act 1985) for its Directors and officers against liabilities in relation to the Company

Employee Share Schemes
The Directors consider that the opportunity to own shares in the Group is a vital part of motivating and retaining employees Details of the share schemes are included on page 18

Pensions
The Group operates three defined contribution pension schemes the Harvey Nash plc Directors' Retirement and Death Benefits Scheme, the Group Personal Pension Plan and a stakeholder scheme

Political and Charitable Donations
The Group made no political or charitable donations during the year (2007 £nil)

Authority to purchase own shares
The Directors on behalf of the Company do not currently have authority to purchase the Company's own shares

Disclosure of information to auditors
Each director of the company, in office at the time of approval of this report, acknowledges that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- he has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that

Reappointment of Auditors
In accordance with Section 384 and 385 of the Companies Act 1985, a resolution will be put before the shareholders at the Annual General Meeting to reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year and to authorise the Directors to fix their remuneration

On behalf of the Board

Richard Ashcroft
Company Secretary

24 April 2008

Corporate Governance
for the year ended 31 January 2008

The Group fully supports the Principles of Good Governance and Code of Best Practice as set out in the FRC Combined Code issued in July 2006 The Board has considered the implications of the revised Combined Code on the Group's governance and will comply with those provisions considered appropriate for the size of the Group

Application of Principles of Good Governance

Board of Directors
During the year the Board of Directors comprised three Executive and four Non-Executive Directors A list of Director biographies together with their roles is given on page 1 Tom Crawford and David Higgins are not considered independent owing to interests in the Group's shares The Group has an Independent Chairman and Senior Independent Non-Executive Director who are both members of the Audit, Remuneration and Nomination Committees The Executive Board members were the Chief Executive Officer, Group Finance Director and European Managing Director In addition, the Non-Executive Deputy Chairman was a member of the Nomination Committee

The Board meets at least 10 times per annum and has a fixed schedule for reviewing the Group's operating performance In addition other meetings are arranged as required to deal with specific issues or transactions The Board also has a schedule of matters and responsibilities specifically reserved to itself, the main items of which include

- approval of the published financial results and other statements,
- appointments to the Board and other Board Committees,
- approval of the annual Group Strategic Plan and Budget,
- approval for acquisitions, mergers and disposals,
- approval for new businesses which require start up capital,
- approval of capital expenditure and leasehold agreements over certain thresholds,
- approval of material contracts over certain thresholds and those not in the ordinary course of business, and
- approval of treasury policy and significant financing arrangements

During the year attendance at the pre-arranged meetings was 100% for all Board members apart from Gus Moore (apologies sent for 1 meeting) and Ian Kirkpatrick (apologies sent for 1 meeting)

The Executive Directors are responsible for the day to day operational and financial management of the Group within the framework set out by the Board Outside the formal schedule of matters reserved for the Board, the Chairman and Non-Executive Directors make themselves available for consultation with the Executive team as often as necessary

Procedural compliance is monitored by the Chairman and the Group Finance Director (who is also the Company Secretary) and Directors' appointment and removal is a matter for the Board as a whole Independent professional advice and training are available to all the Directors The Senior Non-Executive Director is available for consultation with shareholders, through the Company Secretary The Executive Directors have met with the Company's major shareholders and other potential investors on a regular basis and have reported to the Board on those meetings

On joining the Board, a new Director receives appropriate induction including meeting with other Directors and senior management, visiting the Group's key operations and meeting the Group's principal advisers

The Board has a policy of reasonable funding for independent professional advice for all Directors in furtherance of their duties as Directors of the Company

In relation to non-reserved matters the Board is assisted by a number of committees with delegated authority

The board discusses and reviews its performance and membership regularly, both individually and as a whole, and continues to consider that it is operating effectively

Audit Committee
The Audit Committee meets at least twice a year with the Group's senior financial management and external auditors to review the interim and annual financial statements, the accounting policies of the Group, its internal financial control procedures and compliance with accounting standards The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors

The Board considers that the membership of the Committee as a whole has sufficient recent and relevant financial experience to discharge its function The Committee has a formal agenda, timetable and terms of reference

During the course of the period under review the Committee has

- reviewed the financial statements and the financial reporting judgements contained within those statements for the Group and any formal announcements relating to the Group's financial performance,
- reviewed the Group's internal control system and risk controls,
- reviewed various reports and recommendations from the Group's internal audit function,
- made a recommendation to the Board in relation to the appointment, terms of engagement and remuneration of the external auditors whilst monitoring their independence and objectivity,
- reported to the Board any matters, which it considered needs action or improvements together with recommended actions,
- made itself available to hear any concerns from staff, in confidence, and
- reviewed the effectiveness of the audit process

The Committee's full terms of reference are available from the Company Secretary on request

The Audit Committee applies a policy which governs the provision of audit and non-audit services provided by the auditors and, in summary, requires significant non-audit services other than tax and other compliance services to be subjected to a competitive tendering process

The Committee is authorised to engage the services of external advisers, as it deems necessary and at the company's expense in order to carry out its function

The Committee met twice during the year with full attendance by its members

Remuneration Committee
The Remuneration Committee meets at least twice a year The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors The Committee's full terms of reference are available from the Company Secretary on request

The Remuneration Committee determines and approves the broad policy and specific remuneration and long term incentive arrangements of the Company's Executive Directors and certain of the senior management The Chief Executive Officer may be invited to attend and speak at meetings of the Committee, but does not participate in any matter which impacts upon his own remuneration arrangements

The remuneration of the Non-Executive Directors including the Chairman is set by the Executive Directors

The Directors' Remuneration Report on pages 15 to 19 includes details of remuneration policy, practices and the remuneration of the Directors

The Remuneration Committee met six times in the year with full attendance by its members

Nomination Committee
The Company has a Nomination Committee, which provides a transparent process and procedure for the appointment of new Directors to the Board The members of the Committee are Ian Kirkpatrick (Chairman), Gus Moore (Senior Independent Non-Executive) and David Higgins (Non -Executive Deputy Chairman) The Committee's terms of reference, which are available from the Company Secretary on request include

- responsibility for identifying and nominating candidates for appointment to the Board
- evaluating the balance of skills, knowledge and experience required on the Board, and
- succession planning

Directors' Remuneration
Details of Directors' remuneration and the procedures for developing policy on executive remuneration and for fixing the remuneration of the Board are contained in the Remuneration Report set out on pages 15 to 19

Relations with Shareholders
The Board maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required Shareholder attendance and participation at the AGM is welcomed

Accountability and Audit
The Board made every effort to ensure that this report represents a balanced understandable assessment of the Group's position and prospects

The means by which the Board maintains a sound system of internal financial control is set out below

Internal Control
The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls, for monitoring their effectiveness to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication, and that assets are safeguarded There are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable, and not absolute, assurance against misstatement or loss

The Board identifies and appraises risks, and maintains control and direction over appropriate strategic, financial, and organisational structure matters with formally defined lines of responsibility and delegation of authority There are established procedures for planning and capital expenditure, for information and reporting systems, and for monitoring the Group's business and its performance The Board has delegated to executive management the implementation of the systems of internal financial control within an established framework that applies throughout the Group, and is responsible for reviewing the Group's whistle blowing procedures

The Directors believe the following to be the key procedures established to provide internal financial control

- The operation of authorisation procedures
- Clearly delegated responsibilities
- Close involvement of senior management in day to day activities
- Setting of detailed annual budgets with detailed reporting of variance analysis on a monthly basis
- The operation of an Audit Committee, supported by an internal audit function

The Directors have reviewed the systems of internal financial control in operation during the year The process accords with the 2005 Turnbull Guidance

Compliance with Code Provisions
The Company has complied throughout the year with Section 1 of the Code of Best practice except as follows

Code Provision A3.1 (Board balance and independence), C3.1 (Audit Committee) and B2.1 (Remuneration Committee)
Provision A3 1 and provision C3 1 of the FRC Combined Code indicate circumstances where a director may not be independent These include having served on the Board for more than nine years from the date of first election, and at any point when holding the position of Chairman Following this, the Chairman is required to put himself forward for re-election every year

The Board has considered the position of Ian Kirkpatrick in light of this and considers that he remains independent

The Board has appointed Gus Moore as the senior independent Non-Executive Director in addition to the Company's existing independent Non-Executive Chairman

The remuneration committee had two members, including the Chairman

Going Concern
After having made appropriate enquiries including a review of the 2008/09 Group budget, medium term plans and available banking facilities compared to funding requirements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Richard Ashcroft

Company Secretary
24 April 2008

Remuneration Report

for the year ended 31 January 2008

This Report, which has been prepared in accordance with the Directors Remuneration Report Regulations 2002 ("the Regulations") outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the various elements of the Company's remuneration policy together with details of Directors' remuneration in respect of the year ended 31 January 2008 In accordance with the Regulations, a resolution to approve this Report will be proposed at the forthcoming Annual General Meeting

The Regulations require the Auditors to report to shareholders on the information contained in the 'Directors' Remuneration', Interest in Share Options , Directors' Pension Entitlement' and the Share Option Scheme' sections in this Report ('the auditable parts') and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations)

Remuneration Policy

Executive remuneration packages are designed to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages These packages are reviewed each year to ensure that they are fair and competitive and reflect the responsibilities and experience of each Director The Remuneration Committee seeks to ensure that they are supportive of the Group's business objectives and the creation of shareholder value, and takes advice from external sources in order to determine and develop its policies The Group expects to review this policy on an on-going basis A balanced view is taken of Directors' remuneration split between non-performance related and performance related elements

The remuneration package of each Director is determined by the Remuneration Committee, taking into account the performance of the individual, and information from independent sources for similar jobs in comparable companies

The Executive Director remuneration packages consist of
- basic salary
- performance-linked bonus
- share options
- company car allowance
- pension contribution
- private healthcare insurance

The performance-linked bonus is payable depending on the level of Group profit for the year compared to budget up to a maximum of 60% of basic salary

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year having given due consideration to market practice

Directors' Service Contracts

In line with Group policy, Directors' contracts contain notice periods which do not exceed 12 months

The details of the service contracts of those who served as directors during the year are

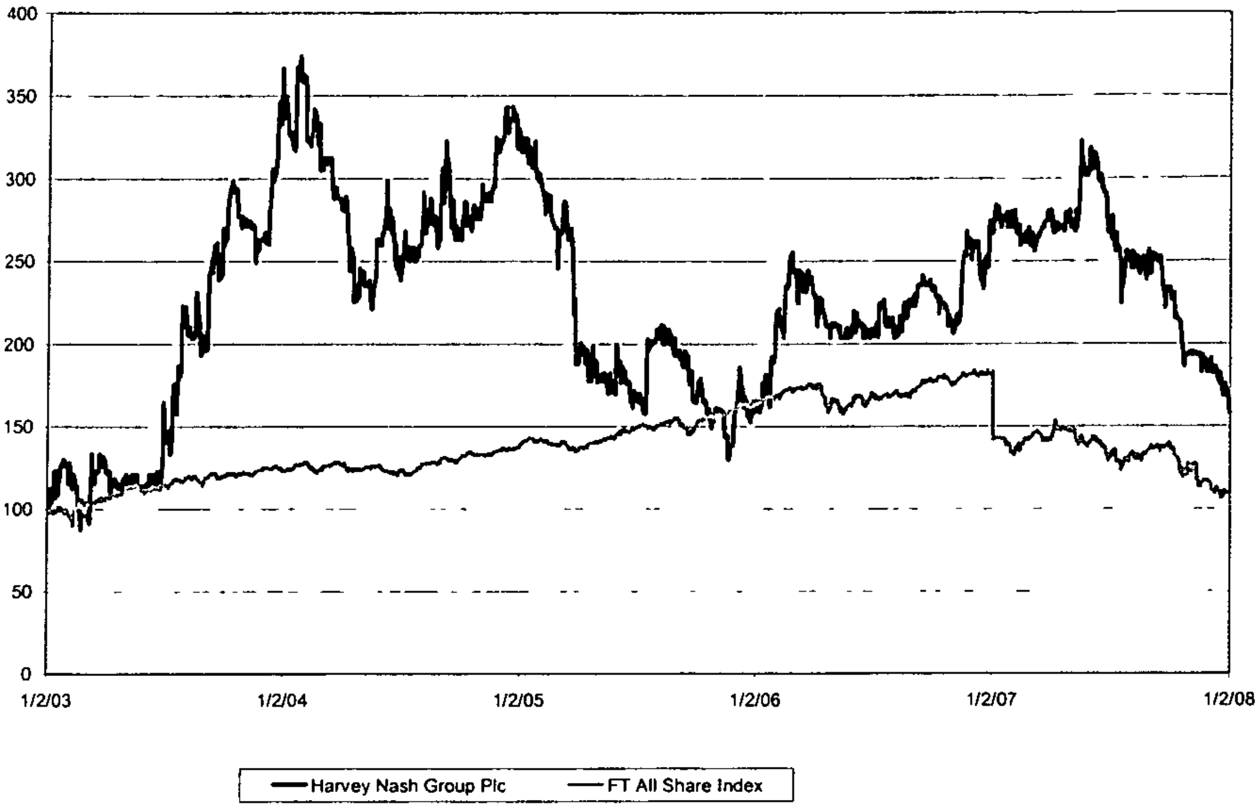
	Contract date	Unexpired term	Notice period	Contractual termination payments
Executive				
David Higgins (resigned 01 05 07)	01 02 01	Continuous	12 months	Unexpired notice period
Albert Ellis	01 02 01	Continuous	12 months	Unexpired notice period
Richard Ashcroft	14 11 05	Continuous	12 months	Unexpired notice period
Simon Wassall	17 10 05	Continuous	12 months	Unexpired notice period
Non-Executive				
Ian Kirkpatrick	07 08 01	Continuous	6 months	Unexpired notice period
Tom Crawford	07 08 01	Continuous	6 months	Unexpired notice period
Gus Moore	07 08 01	Continuous	6 months	Unexpired notice period
David Higgins (appointed 01 05 07)	01 05 07	Continuous	6 months	Unexpired notice period

Members of the Remuneration Committee

The members of the remuneration committee during the year were Ian Kirkpatrick and Gus Moore

Both members are independent Non-Executive Directors Ian Kirkpatrick chairs the committee

Performance Graph



February 2003 100
Source – Datastream

In the opinion of the Directors the FT All Share Index is the most appropriate index against which the total shareholder return of Harvey Nash Group plc should be measured considering the variation in market capitalisation of the Group over the period

The total shareholder gain in the five-year period is 168% compared to the index gain of 83%

Directors' Remuneration (auditable)

	Salary & fees £	Benefits in kind £	Annual bonus £	31 Jan 2008 Total £	31 Jan 2007 Total £
Executive					
David Higgins	37,500	4 682	-	42 182	243,636
Albert Ellis	275,000	51,748	137,500	464,248	422,718
Richard Ashcroft	140,000	33 846	70,000	243,846	223,593
Simon Wassall	200,000	21,775	100 000	321,775	294 093
Non-Executive					
Ian Kirkpatrick	56 000	-	-	56,000	56 000
Tom Crawford	24,000	-	-	24,000	24 000
Gus Moore	24,000	-	-	24,000	24 000
David Higgins	54,500	-	-	54 500	-
	811,000	**112,051**	**307,500**	**1,230,551**	**1,288,040**

Benefits in kind include car allowance private healthcase and a limited contribution to the cost of personal tax advice

The executive directors receive performance payments based on the level of Group profit for the year compared to budget

Interests in Share Options (auditable)
Details of options held by Directors in the Harvey Nash Group plc performance related Share Scheme are set out below

	Date of grant	Earliest exercise date	Expiry date	Share price on grant date (p)	Exercise price (p)	No at 01-Feb 2007	Granted in year	Exercised in year	Lapsed in year	No at 31-Jan 2008
David Higgins	11 04 03	11 04 06	11 04 13	35	30 7	180,000	-	-	-	**180,000**
	01 04 04	01 04 07	01 04 14	89	89	180,000	-	-	-	**180,000**
Albert Ellis	11 04 03	11 04 06	11 04 13	35	30 7	180,000	-	-	-	**180,000**
	01 04 04	01 04 07	01 04 14	89	89	180,000	-	-	-	**180,000**
	25 05 06	25 05 09	25 05 16	60 5	60 4	150,000	-	-	-	**150,000**
Simon Wassall	01 03 02	01 03 05	01 03 12	63 5	58 96	102,943	-	-	-	**102,943**
	25 10 02	25 10 05	25 10 12	34	24 3	50,000	-	-	-	**50,000**
	11 04 03	11 04 06	11 04 13	35	30 7	50,000	-	-	-	**50,000**
	17 10 05	17 10 08	17 10 15	56 5	55	100,000	-	-	-	**100,000**
	25 05 06	25 05 09	25 05 16	60 5	60 4	150,000	-	-	-	**150,000**
Richard Ashcroft	25 05 06	25 05 09	25 05 16	60 5	60 4	150,000	-	-	-	**150,000**

No other Directors have been granted share options in the shares of the Group or other Group entities None of the terms and conditions of the share options were varied during the year The remaining options were granted as part of the Harvey Nash 2000 Executive Share Option Scheme The options granted under the Performance Related Scheme are subject to certain performance criteria, including earnings per share growth The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return

The options were granted at the prevailing market price, calculated as the average of the previous five days mid closing price, at the time of the grant in accordance with the rules of the scheme There was nil cost to the directors at the date of grant The market price of the Group shares at the end of the financial year was 45p The range of market prices during the year was between 45p and 92p

Interest in Shares
The interest of the Directors in the shares of the company were

	24 April 2008 Ordinary shares	**31 Jan 08 Ordinary shares**	31 Jan 07 Ordinary shares
David Higgins – beneficial ownership	**6,827,006**	**6,191,162**	6,191,162
David Higgins Incentive Trust	**-**	**1,601,216**	1,801,216
Albert Ellis	**410,131**	**40,704**	15,000
Ian Kirkpatrick	**5,250**	**5,250**	5,250
Tom Crawford	**4,576,827**	**4,576,827**	4,576,827
Gus Moore	**32,000**	**32,000**	22,000
Richard Ashcroft	**26,889**	**16,704**	-
Simon Wassall	**26,890**	**16,705**	-

Included in the above, pursuant to the provisions of the Companies Act 1985, David Higgins and Tom Crawford are deemed to be interested in their capacity as trustees, in the ordinary shares of the Company held by Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors Retirement and Death Benefit Scheme As at the date of this report and 31 January 2008 the interest was in a total of 941 225 ordinary shares

David Higgins Incentive Trust
Following the placing and open offer in March 2002, 2,801,216 ordinary shares were placed in the David Higgins 2002 Discretionary Trust for the purpose of establishing an additional means of incentivising certain key employees of the Group, using funds provided by David Higgins David Higgins remains a beneficiary of this trust
On 1st March 2007, 200,000 ordinary shares in the Company were transferred from the David Higgins Incentive Trust to a former employee of the Harvey Nash Group
On 16 December 2002, the David Higgins Discretionary Trust granted options to Albert Ellis over 700,000 Harvey Nash shares Under the Trust deed these options can be exercised immediately This Trust is independent of the Company Schemes and granting of options remains at the sole discretion of the Trustees David Higgins and Albert Ellis and therefore the Trust is outside the scope of the Remuneration and Audit Committees These options can be exercised at any time prior to 16 December 2012 for an aggregate exercise price of £1 Any income tax or national insurance contributions arising on the exercise of these options will be payable by the option holder There are no performance criteria associated with the exercise of these options

Directors' Pension Entitlement (auditable)
The Group made the following pension contributions during the year to defined contribution schemes nominated by the respective Executive Director

	31 Jan 08 **£**	31 Jan 07 £
David Higgins	**3,750**	16,800
Albert Ellis	**27,500**	26,229
Richard Ashcroft	**14,000**	14,000
Simon Wassall	**20,000**	18,000
	65,250	75,029

Share Option Schemes (auditable)
At 31 January 2008, the following options to subscribe for ordinary shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes

The Harvey Nash Group plc Performance Related Share Schemes
The Performance Related Schemes are administered by the Board under the supervision of the Remuneration Committee The schemes are open to all full time employees except those who have had a material interest in the Group within the previous 12 months The options granted under the Performance Related Scheme are subject to certain performance criteria including earnings per share growth The schemes' exercise price is determined by the Board but will not be less than the average share price for the five days immediately preceding the grant of options The Harvey Nash Group plc Performance Related Share Plan is an Inland Revenue Approved Scheme, but the Board is able to grant unapproved options under the scheme For schemes from July 2000 the Group has obtained agreement from the employee that he or she will settle the employer's national insurance charge in respect of any gain arising on eventual exercise All options are granted for nil consideration

Date of grant	Exercisable from	Exercisable to	Exercise price	Options at 1 February 2007	Granted	Forfeited	Exercised	Options exercisable at 31 January 2008	Options not exercisable at 31 January 2008
19 05 98	19 05 01	19 05 08	£4 10	12,178	-	-	-	12,178	-
01 03 02	01 03 05	01 03 12	£0 59	607,353	-	10,294	20,588	576,471	-
25 10 02	25 10 05	25 10 12	£0 24	871,000	-	3,000	150,000	718,000	-
11 04 03	11 04 06	11 04 13	£0 31	825,000	-	25,000	38,000	762,000	-
19 11 03	19 11 06	19 11 13	£0 83	30,000	-	-	-	30,000	-
27 11 03	27 11 06	27 11 13	£0 77	25,000	-	-	-	25,000	-
01 04 04	01 04 07	01 04 14	£0 89	360,000	-	-	-	360,000	-
24 06 04	24 06 07	24 06 14	£0 70	50,000	-	-	-	50,000	-
02 08 04	02 08 07	02 08 14	£0 70	150,000	-	-	-	150,000	-
15 11 04	15 11 07	15 11 14	£0 80	140,000	-	-	-	140,000	-
18 05 05	18 05 08	18 05 15	£0 55	205,000	-	20,000	-	-	185,000
17 10 05	17 10 08	17 10 15	£0 55	320,000	-	-	-	-	320,000
27 04 06	27 04 09	27 04 16	£0 68	185,000	-	45,000	-	-	140,000
25 05.06	25 05 09	25 05 16	£0 60	775,000	-	-	-	-	775,000
01 06 06	01 06 09	01 06 16	£0 60	100,000	-	-	-	-	100,000
12 04 07	12 04.10	12 04 17	£0 75	-	25,000	-	-	-	25,000
25.06 07	25 06.10	25 06 17	£0 88	-	940,000	-	-	-	940,000
25 10 07	25 10 10	25 10 17	£0 66	-	95,000	-	-	-	95,000

103,294 share options lapsed in the year

208,588 share options were exercised in the year

20,588 were exercised on 15 February 2007 (share price 79p) 34,000 were exercised on 20 February 2007 (share price 78.5p) 48,473 were exercised on 9 March 2007 (share price 77 4p) 1,527 were exercised on 14 March (share price 74p) 25,000 were exercised on 30 May 2007 (share price 77p) 50,000 were exercised on 5 July 2007 (share price 88p)
29,000 were exercised on 20 July 2007 (share price 83p)

On behalf of the Board

Ian Kirkpatrick
Chairman

24 April 2008

Statement of directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements
for the year ended 31 January 2008

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the Group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

On behalf of the Board

Richard Ashcroft
Company Secretary

24 April 2008

Independent Auditors' report to the Members of Harvey Nash Group plc

We have audited the Group financial statements of Harvey Nash Group plc for the year ended 31 January 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2008 and on the information in the Directors' Remuneration Report that is described as having been audited

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2008 and of its profit and cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the Group financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 April 2008

Consolidated Income Statement
for the year ended 31 January 2008

	Notes	2008 £ '000	2007 £ '000
Revenue	2 &5	**318,637**	251,742
Cost of sales		**(260,153)**	(203,480)
Gross profit		**58,484**	48,262
Total administrative expenses		**(49,972)**	(41,530)
Operating profit	7	**8,512**	6,732
Finance income	6	**893**	299
Finance costs	6	**(1,787)**	(1,235)
Profit before tax		**7,618**	5,796
Income tax expense	8	**(2,231)**	(1,712)
Profit for the year		**5,387**	4,084
Attributable to			
Equity holders of the company		**5,305**	4,084
Minority interest		**82**	-
		5,387	4,084

Earnings per share for profit attributable to the equity holders of the company during the year

- Basic earnings per share	9	**7 54p**	6 33p
- Diluted earnings per share	9	**7.33p**	6 18p

Consolidated Statement of Recognised Income and Expense
for the year ended 31 January 2008

	Notes	2008 £ '000	2007 £ 000
Profit for the year	24	**5,387**	4,084
Foreign currency translation differences	24	**1,652**	(978)
Total recognised income for the year		**7,039**	3,106
Attributable to:			
Equity holders of the company		**6,952**	3,106
Minority interest		**87**	-
		7,039	3,106

The above results are derived from continuing activities

Consolidated Balance Sheet
as at 31 January 2008

	Notes	2008 £ '000	2007 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,662**	1,450
Intangible assets	11	**41,825**	27,516
Deferred income tax assets	8	**1,269**	1,304
		44,756	30,270
Current assets			
Cash		**4,184**	-
Trade and other receivables	12	**70,551**	51,747
Total assets		**119,491**	82,017
LIABILITIES			
Non-current liabilities			
Financial liabilities - borrowings	15	-	(819)
Contingent consideration		**(689)**	
Deferred income tax liabilities	8	**(132)**	(175)
		(821)	(994)
Current liabilities			
Trade and other payables	13	**(66,492)**	(40,736)
Current income tax liabilities	14	**(1,850)**	(1,388)
Contingent consideration		**(2,112)**	-
Financial liabilities - borrowings	15	-	(1,784)
Provisions	16	-	(328)
		(70,454)	(44,236)
Total liabilities		**(71,275)**	(45,230)
Net assets		**48,216**	36,787
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	20 & 24	**3,622**	3,325
Share premium	22	**8,208**	4,111
Shares to be issued	24	**1,643**	595
Fair value and other reserves	24	**15,079**	15,079
Own shares held	24	**(148)**	(656)
Cumulative translation reserve	24	**767**	(885)
Retained earnings	23 & 24	**18,963**	15,218
		48,134	36,787
Minority interest in equity		**82**	-
Total equity		**48,216**	36,787

The Consolidated financial statements on pages 23 to 50 were approved by the Board on 24 April 2008 and signed on its behalf by

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Consolidated Cash Flow Statement
for the year ended 31 January 2008

	Notes	2008 £ '000	2007 £ '000
Profit before tax		**7,618**	5,796
Adjustments for			
- depreciation		**751**	789
- loss on disposal of fixed assets		**-**	33
- finance income	6	**(893)**	(299)
- finance costs	6	**1,787**	1,235
- profit on sale of investment		**-**	(449)
- share based employee settlement and share option charge		**210**	423
Operating cash flows before changes in working capital		9,473	7,528
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- increase in trade and other receivables		**(21,467)**	(7,639)
- increase in trade and other payables		**29,176**	5,138
- (decrease)/ increase in provisions for liabilities and charges		**(328)**	314
Cash flows from operating activities		**16,854**	5,341
Income tax paid		**(2,275)**	(630)
Net cash generated from operating activities		**14,579**	4,711
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(574)**	(565)
Cash acquired with acquisitions		**1,278**	-
Purchase of subsidiary undertakings		**(6,514)**	-
Proceeds from sale of investment		**-**	449
Interest received		**893**	299
Net cash (absorbed)/ generated from investing activities		**(4,917)**	183
Cash flows from financing activities			
Repayment of borrowings		**(1,982)**	(1,000)
Proceeds from issue of ordinary shares		**60**	129
Dividends paid to group shareholders		**(1,228)**	-
Interest paid		**(1,787)**	(1 235)
Net cash used in financing activities		**(4,937)**	(2,106)
Increase in cash and cash equivalents		**4,725**	2,788
Cash and cash equivalents at the beginning of the year		**(784)**	(3,371)
Exchange gains /(losses) on cash and cash equivalents		**243**	(201)
Cash and cash equivalents at the end of the year	17	**4,184**	(784)

Notes to the Consolidated Financial Statements

1. General 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, United States and Vietnam

The Company is a public listed company incorporated in the UK Its registered address is 13 Bruton Street, London W1J 6QA and its listing is on the London Stock Exchange

2. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to both years presented unless otherwise stated

(a) Basis of preparation

The consolidated financial statements of Harvey Nash Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 The main section of these financial statements presents the financial statements of the Group prepared under International Financial Reporting Standards (IFRS) adopted by the European Union Pages 51 to 58 show the financial statements of the Company prepared under UK Generally Accepted Accounting Principles (UK GAAP)

(i) Amendments to published standards effective in 2008

IFRS 7, Financial instruments Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2 This standard does not have any impact on the Group's financial statements

IFRIC 10 Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date This standard does not have any impact on the Group's financial statements

(ii) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations

- IFRS 4, Insurance contracts ,
- IFRIC 7 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies',
- IFRIC 9, Re-assessment of embedded derivatives'
- IFRIC 6, Liabilities arising from participating in a specific market

(iii) Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's future accounting but which the Group has not early adopted

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009)
- IFRS 8 Operating segments (effective from 1 January 2009)

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008)

(iv) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

- IFRIC 12, Service concession arrangements' (effective from 1 January 2008)
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008)

(b) Basis of consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 January each year and are based on consistent accounting policies

Interests acquired in subsidiary undertakings are consolidated from the date control passes to the Group Transactions and balances, including unrealised profits, between Group companies are eliminated

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The cost of an acquisition is measured as the fair value of the assets given equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest

The interest of minority shareholders in the balance sheet is stated at the minority's proportion of the carrying values of the assets and liabilities recognised

(c) Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments The Group considers the whole business to be the primary segment with the Group's secondary segment being geographical country of operation

(d) Revenue recognition
Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group

The Group derives its revenue in the contract services and interim businesses on a time and materials basis It is recognised as services are rendered as validated by receipt of a client approved timesheet or equivalent For fixed price development work, revenue is recognised on the percentage completion basis, using pre-specified milestones or a client sign off to trigger invoices and the estimate of profit For contingency permanent placements, revenue is recognised and the client is invoiced on acceptance of the candidate

Executive search and permanent placement fees are recognised as services are provided, typically in three stages, placement, shortlist and retainer fee

(e) Property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses The cost of property plant and equipment is their purchase cost together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Leasehold improvements – over the term of the lease
Office equipment – 20% straight line
Furniture, fixtures and equipment – 20% straight line
Computer equipment – 33 33% straight line
Motor vehicles – 25% reducing balance

The assets residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset s carrying amount is greater Gains and losses on disposals are determined by comparing proceeds with carrying amounts The changes are included in the income statement

(f) Foreign exchange
Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency) The consolidated financial statements are presented in sterling which is the Company's functional and presentational currency

Monetary assets and liabilities denominated in foreign currencies in each company are translated at the rates of exchange prevailing at the balance sheet date Transactions in foreign currencies are translated at the rate prevailing at the date of the transaction

On consolidation, revenues, costs and cash flows of overseas undertakings are included in the Group income statement at average rates of exchange for the period Assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date and any differences arising are taken to the income statement Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale

(g) Operating leases
Rentals payable under operating lease and contract hire agreements are taken to the income statement on a straight line basis over the lease term Reverse premiums and lease incentive benefits are recognised as a reduction in rental expense The benefit is allocated on a straight line basis over the lease term

(h) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of the acquired subsidiary at the date of the acquisition Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses

(i) Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of the asset's fair value less costs of sale and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original carrying value prior to any impairment charges A reversal of an impairment charge is recognised in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as a revaluation reserve adjustment

(j) Trade and other receivables
Trade and other receivables are recognised initially at fair value A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due
according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days
overdue) are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables
Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement

(k) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks other short-term liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown within borrowing in current liabilities on the balance sheet For the purposes of the cash flow statement cash and cash equivalents are net of bank overdrafts where the overdrafts are repayable on demand and form an integral part of the Group's cash management

(l) Share capital
Ordinary shares are classified as equity Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deductible from equity attributable to the Company s equity holders until the shares are

cancelled, reissued or disposed of Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Company s equity holders

(m) Deferred income tax
Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised

(n) Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders Interim dividends are recognised when paid

(o) Employee benefits
Pension obligations
The Group operates various pension plans all of which are defined contribution plans The Group pays fixed contributions into a separate entity The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods Pension costs on defined contribution schemes are charged to the income statement in the year in which they arise

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for benefits The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal

Bonus plan
The Group recognises a liability and an expense for bonuses when contractually obliged or where there is a past practice that has created a constructive obligation

Share-based plans
The Group's management awards certain employees bonuses in the form of share options on a discretionary basis The options are subject to three-year vesting conditions and their fair value is recognised as an employee benefits expense with a corresponding increase in retained earnings over the vesting period The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised For options exercised against own shares held, the shares are removed from the own shares held reserve The Group has applied IFRS 2 'Share based payments' to all instruments granted after 7 November 2002 but not fully vested as at 1 January 2005 and has adopted the Black-Scholes model for the purposes of computing 'fair value' Deferred tax is also provided based upon the expected future tax deductions relating to share based payment transactions and is recognised over the vesting period of the schemes concerned

(p) Provisions
Provisions are recognised when a present obligation exists as the result of a past event and it is probable that this will result in an outflow of economic benefit the size of which can be reliably estimated Where the provision is long term, such as onerous contract provisions where the unavoidable costs of meeting obligations exceed any economic benefits expected to be received, the net cash flows are discounted using the Group's appropriate pre-tax discount rate

(q) Borrowing costs
Borrowing costs are written off as incurred

(r) Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

(s) Financial assets
The group classifies its financial assets in the following categories at fair value through profit or loss and loans and receivables The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term Assets in this category are classified as current assets

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets

3 Financial Risk Management

Financing

The Group's principal financial instruments are bank loans, overdrafts, cash and short term deposits The Group has other financial instruments such as trade debtors and trade creditors that arise directly from its operations Acquisitions are financed through a mixture of equity and medium term borrowings Working capital finance for day-to-day requirements is provided through operating cash generation invoice discount facilities and small short term overdraft facilities All of the Group's long term borrowings are made centrally Where applicable, funds are then made available for the financing of the Group's subsidiaries through intercompany loans

Objectives, policies and strategies

The most significant treasury exposures faced by Harvey Nash are raising finance, managing interest rates and currency positions as well as investing surplus cash in high quality assets The Board has established clear parameters, including levels of authority, on the type and use of financial instruments to manage these exposures Transactions are only undertaken if they relate to underlying exposures and cannot be viewed as speculative

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

During 2007/08, the Group's strategy, which was unchanged from 2006/07, was to reduce net debt
At 31 January 2007 the Group had net debt of £2 6m During the year ended 31 January 2008 the debt had been repaid and the Group had a net positive cash balance at 31 January 2008

	2008	2007
Net debt £'000	-	2 603
Total equity £'000	**48,216**	36,787
Total capital £'000	**48,216**	39,390
Gearing ratio %	-	7

Interest rate risk management

The Group's policy is to minimise interest charges through cash pooling and active cash management

Foreign exchange risk management

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

At 31 January 2008, if sterling had strengthened by 10% against the US dollar with all other variables held constant operating profit for the year would have been £80k (2007 £81k) lower mainly as a result of foreign exchange losses on translation of dollar-denominated assets and liabilities

At 31 January 2008 if sterling had strengthened by 5% against the euro with all other variables held constant operating profit for the year would have been £273k (2007 £76k) lower mainly as a result of foreign exchange losses on translation of euro-denominated assets and liabilities

Credit risk
The Group has no significant concentration of credit risk It has policies in place to ensure that sales of products are made to customers with an appropriate credit history

The table below shows the credit limit and balance with the Bank at the balance sheet date

		2008	**2008**	2007	2007
		£ '000	**£ '000**	£ '000	£ '000
	Rating *	Credit Limit	Balance	Credit Limit	Balance
Bank overdraft – secured	A-1+	2,000	-	4,000	784
Current bank loan - secured	A-1+	-	-	1,000	1,000
Non-Current bank loan - secured	AA	-	-	1,000	819

* Standard and Poor's rating

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities
Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility, cash and invoice discounting) on the basis of expected cash flow

4 Critical Accounting Judgements and Estimates
Impairment of goodwill
Determining whether the goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value

Income tax
The Group is subject to income taxes in numerous jurisdictions Significant judgement is required in determining the worldwide provision for income taxes There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made

Share options
Share options are granted on a discretionary basis and vest after three years service The fair value of options granted during the year was determined using the Black-Scholes valuation model The significant inputs into the model were share price at grant date, expected price, expected option life and risk free rate of 4 30% The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices

5 Segment Information
The consolidated entity operates in one business segment being that of recruitment and outsourcing services As a result, no additional business segment information is required to be provided The Group's secondary segment is geography The segment results by geography are shown below including revenue by origin The directors do not consider revenue by origin to be materially different from revenue by destination

	Revenue		**Segment assets**		**Capital expenditure**	
	2008	2007	**2008**	2007	**2008**	2007
	£ '000	£ 000	**£ '000**	£ 000	**£ '000**	£ 000
United Kingdom & Ireland	**105,816**	92 220	**41,666**	26,798	**380**	352
Netherlands	**125,184**	74 668	**38,132**	24 567	**16**	6
Rest of Europe	**63,893**	57 895	**25,525**	23 281	**28**	42
United States	**23,744**	26,959	**12,440**	10 631	**48**	165
Asia Pacific	**-**	-	**459**	37	**102**	-
Total	**318,637**	251 742	**118,222**	85 314	**574**	565

6 Finance Income and Costs

	2008 £ '000	2007 £ '000
Interest expense		
Interest payable on bank borrowings	**(1,759)**	(1,167)
Other interest	**-**	(68)
Interest on prior year taxes	**(28)**	-
Finance costs	**(1,787)**	(1,235)
Finance income – bank interest	**893**	299
Finance costs – net	**(894)**	(936)

7. Operating Profit

The following items have been included in arriving at operating profit

	2008 £ '000	2007 £ '000
Employee benefits (note 25)	**35,930**	29,383
Depreciation of property, plant and equipment	**751**	789
Auditors' remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated accounts	**12**	12
- fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	**232**	186
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	**129**	137
- all other services	**151**	18
Operating lease rentals payable		
- Plant and machinery	**502**	415
- Property	**2,688**	2,435
Loss on disposal of fixed assets	**-**	33
Net exchange difference on foreign currency borrowings less deposits	**30**	(2)
Impairment of trade receivables	**81**	82
Share Option Charge and Share based employee settlement (note 30)	**210**	423

8 Income tax expense

	2008 £ '000	2007 £ '000
Corporation tax on profits in the year - UK	**530**	84
Corporation tax on profits in the year - overseas	**1,932**	1,458
Adjustments in respect of prior years	**(9)**	65
Total current tax	**2,453**	1,607
Deferred tax	**(222)**	105
Total tax charge	**2,231**	1,712

The tax for the year is higher (2007 lower) than the Group's weighted average rate of corporation tax applied to the pre-tax profit. The differences are explained below

	2008 £ '000	2007 £ 000
Profit on ordinary activities before tax	**7,618**	5,796
Weighted average tax rate	**26 45%**	31 16%
	2,015	1,806
Effects of		
Income not subject to tax	-	(194)
Expenses not deductible for tax purposes	**128**	68
Utilisation of previously unrecognised tax losses	**(221)**	-
Tax losses for which no deferred income tax is recognised	**267**	131
Deferred tax adjustment in respect of prior years	**4**	5
Adjustments to tax in respect of prior year	**(9)**	65
Other	**47**	(169)
Total taxation (continuing operations)	**2,231**	1,712
Current tax		
Tax on profit in the year	**2,462**	1,542
Adjustments in respect of prior years	**(9)**	65
Total current tax	**2,453**	1,607
Deferred tax		
Origination and reversal of timing differences	**(12)**	(177)
Adjustments in respect of prior years	**4**	5
Deferred tax to equity	**(214)**	277
Total deferred tax charge/(credit)	**(222)**	105
Total tax charge (continuing operations)	**2,231**	1,712

Deferred Tax

	2008 £ '000	2007 £ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**671**	784
Deferred tax asset to be recovered within 12 months	**598**	520
	1,269	1,304
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(132)**	(175)
Deferred tax liability to be recovered within 12 months	-	-
	(132)	(175)
Net deferred tax asset	**1,137**	1,129

This is analysed below

Asset	Accelerated tax depreciation £ '000	Unremitted earnings £ '000	Share-based payments £ '000	Tax losses £ '000	Other £ '000	Total £ '000
1 February 2007	**13**	**-**	**447**	**520**	**324**	**1,304**
(Charged)/credited to income statement and equity	(4)	-	(238)	(230)	437	35
1 February 2008	**9**	**-**	**209**	**290**	**761**	**1,269**

Liability	Accelerated tax depreciation £ '000	Unremitted earnings £ '000	Share-based payments £ '000	Tax losses £ '000	Other £ '000	Total £ '000
1 February 2007	**-**	**(113)**	**-**	**-**	**(62)**	**(175)**
(Charged)/credited to income statement and equity	-	(19)	-	-	62	43
1 February 2008	**-**	**(132)**	**-**	**-**	**-**	**(132)**

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, accelerated capital allowance and short term timing differences of £1,203,000 (2007 £623,000) have not been recognised Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised In addition, the change in the standard rate of corporation tax in the UK from 30% to 28% which will take effect in April 2008 is expected to impact upon the future tax charge of the Group

9. Earnings Per Share

	2008	2007
Profit attributable to shareholders £'000	**5,305**	4,084
Weighted average number of shares	**70,339,958**	64,542,753
Basic earnings per share	**7.54p**	6 33p

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 has two categories of potential ordinary shares those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the year and deferred consideration shares to be issued

	2008	2007
Profit attributable to shareholders £ 000	**5,305**	4,084
Weighted average number of shares	**70,339,958**	64 542 753
Effect of dilutive securities	**2,064,640**	1 533 120
Adjusted weighted average number of shares	**72,404,599**	66 075 873
Diluted earnings per share	**7 33p**	6 18p

10. Property, Plant and Equipment

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2007	1,399	686	1,257	6,831	20	10,193
Exchange adjustments	32	2	10	2	-	46
Acquisitions	5	5	185	84	13	292
Additions at cost	76	34	62	402	-	574
Disposals	-	-	-	(37)	-	(37)
At 31 January 2008	1,512	727	1,514	7,282	33	11,068
Accumulated depreciation						
At 1 February 2007	964	651	1,070	6,052	6	8,743
Exchange adjustments	(9)	(5)	(25)	(11)	(1)	(51)
Charge for the year	89	33	94	534	1	751
Disposals	-	-	-	(37)	-	(37)
At 31 January 2008	1,044	679	1,139	6,538	6	9,406
Net book amount						
At 31 January 2008	**468**	**48**	**375**	**744**	**27**	**1,662**

The Group held no assets under finance leases or hire purchase contracts in the year

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2006	1,397	667	1,201	6,551	20	9,836
Exchange adjustments	(19)	(13)	(28)	(32)	-	(92)
Additions at cost	65	42	85	373	-	565
Disposals	(44)	(10)	(1)	(61)	-	(116)
At 31 January 2007	1,399	686	1,257	6,831	20	10,193
Accumulated depreciation						
At 1 February 2006	910	648	1,026	5,503	5	8,092
Exchange adjustments	(7)	(10)	(14)	(24)	-	(55)
Charge for the year	73	23	58	634	1	789
Disposals	(12)	(10)	-	(61)	-	(83)
At 31 January 2007	964	651	1,070	6,052	6	8,743
Net book amount						
At 31 January 2007	**435**	**35**	**187**	**779**	**14**	**1,450**

The Group held no assets under finance leases or hire purchase contracts in the year

11 Intangible Assets

Goodwill	2008 £ '000	2007 £ '000
Cost		
At 1 February	**27,516**	28,463
Additions (provisional see note 19)	**12,644**	-
Adjustments*	**-**	(156)
Exchange adjustments	**1,665**	(791)
At 31 January	**41,825**	27,516

* The adjustment in the prior year relates to goodwill in SBS Inc

The carrying amounts of goodwill by acquisition are as follows

	2008 £ '000	2007 £ '000
Harvey Nash BV	**2,411**	2,165
Harvey Nash US and HN plc	**6,145**	6,067
Techpartners Group	**10,803**	10,807
HN IT Consulting NV	**5,276**	4,775
Impact Executives Limited	**3,702**	3,702
Alumni AB	**6,710**	-
Silk Road BVI	**1,017**	-
Rescon Limited	**3,386**	-
TechDiscovery LLP	**2,375**	-
	41,825	27,516

During the year the goodwill in respect of each of the above subsidiaries was tested for impairment in accordance with IAS36 All were assessed to have a value in use in excess of their respective carrying values, and hence no other adjustments to goodwill were considered necessary

The key assumptions in the value in use calculations were

The forecasts were based on pre-tax cash flows derived from approved budgets for the 2008-2009 financial year Management believe the forecasts are reasonably achievable

Subsequent cash flows were increased over the next five years at 5% and thereafter at 2% for the next fifteen years

The pre-tax discount rate used was based on the industry weighted average cost of capital for each country and varied between 7 92% and 8 86%

12 Trade and Other Receivables

	2008 £ '000	2007 £ 000
Amounts falling due within one year:		
Trade receivables	**60,036**	34,965
Less Provision for bad and doubtful debts	**(306)**	(225)
	59,730	34,740
Other receivables	**643**	467
Prepayments and accrued income	**10,178**	16 540
	70,551	51 747

As of 31 January 2008, trade receivables of £59 7m (2007 £34 7m) were fully performing

Trade receivables that are less than three months past due are not considered impaired As of 31 January 2008 trade receivables of £19 9m (2007 £10 3m) were past due but not impaired This is consistent with normal commercial practices and prior years These relate to a number of independent customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	2008 £ '000	2007 £ 000
1 – 2 months	**15,267**	6,902
2 – 3 months	**2,695**	2,196
Over 3 months	**1,909**	1,185
	19,871	10,283

As of 31 January 2008, trade receivables of £0 3m (2007 £0 2m) were impaired and provided for
The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations It was assessed that a portion of the receivables is expected to be recovered All the impaired receivables are over 3 months past due The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement The other classes within trade and other receivables do not contain impaired assets

Movements on the group provision for impairment of trade receivables are as follows

	2008 £ '000	2007 £ '000
At 1 February	**225**	530
Provision for receivables impairment	**105**	63
Receivables written off during the year as uncollectible	**(22)**	(362)
Unused amounts reversed	**(2)**	(5)
At 31 January	**306**	225

The other classes within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable listed above The group does not hold any collateral as security

The carrying amounts of the Group s trade and other receivables are denominated in the following currencies

	2008 £ '000	2007 £ 000
Sterling	**12,796**	12,442
Euros	**40,787**	17,641
US dollar	**2,933**	3 525
Other currencies	**3,215**	1,132
	59,730	34,740

13 Trade and Other Payables – current

	2008 £ '000	2007 £ '000
Trade payables	**34,520**	18,949
Other tax and social security payable	**6,500**	3,346
Accruals and deferred income	**25,082**	18,359
Other payables	**390**	82
	66,492	40,736

14. Current Tax Liabilities

	2008 £ '000	2007 £ '000
Current tax liabilities	**1,850**	1,388

15. Financial Liabilities – borrowings

Current	2008 £ '000	2007 £ '000
Bank loans and overdrafts due within one year or on demand:		
Bank overdraft – secured	-	784
Bank loan – secured	-	1,000
	-	1,784

Non – Current		
Bank loan – secured	-	819
	-	2,603

The term loan was repaid early on 31 January 2008 There are invoice discounting facilities secured over the UK and Dutch debtor books The overdraft is secured on a share pledge in subsidiaries and cross guarantees with subsidiaries

16. Provisions

The provision at 31 January 2008 comprises the provision for future lease rental obligations on onerous leases

	£ '000
Provision at 1 February 2007	**328**
Release of provision to income statement	**(253)**
Charge for property provision	**(75)**
Provision at 31 January 2008	**-**

The provision in prior year was for one property in the UK and is no longer required at 31 January 2008

17. Analysis of Changes in Net Debt

	1 February 2007	Cash flow	Non cash movements	Foreign exchange movements	31 January 2008
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	(784)	4,725	-	243	4,184
	(784)	4,725	-	243	4,184
Debt due within one year	(1,000)	1,982	(819)	(163)	-
Debt due after one year	(819)	-	819	-	-
	(1,819)	1,982	-	(163)	-
Total	**(2,603)**	**6,707**	-	**80**	4,184

The non-cash movements reflect changes in the maturity of the debt

18. Operating Lease Commitments

The Group has total future commitments under operating leases for each of the following periods.

	2008	2008	2007	2007
	Property	**Vehicles, plant and equipment**	Property	Vehicles, Plant and Equipment
	£ '000	**£ '000**	£ '000	£ '000
Commitments under non-cancellable operating leases:				
Within one year	**2,780**	**304**	2,332	382
Later than one year and less than five years	**7,360**	**678**	7,538	406
After five years	**388**	-	1,405	2
	10,528	**982**	11,275	790

19. Business Combinations

The Group made four acquisitions in the period. As allowed under IFRS 3, the Group is using the 12 months after acquiring the businesses to consider whether there are intangible assets that should be recognised separately from goodwill.
The directors do not expect the intangible assets to be material as the majority of the value relates to the workforce but consideration will be given to areas such as brand and customer relationships
In all cases, the provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount

<u>Alumni AB</u>

On 22 May 2007, the Group acquired 100% of the share capital of Alumni AB, an Executive Search and Strategic Leadership Consultancy in Sweden
The consideration comprised initial cash consideration of £4 6m and additional payments which will be payable in cash currently estimated at £1 8m over the four years ending 30 April 2011 subject to certain profit targets being achieved

The acquired business contributed revenues of £3 6m and operating profit of £0.9m to the Group for the period from acquisition to 31 January 2008 If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £319 7m and £8 6m respectively

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

	£ 000
Initial cash paid – net proceeds of share issue	4,136
Initial cash paid – directly by the Group	451
Contingent Consideration – paid	516
Contingent Consideration – current	637
Contingent Consideration – non-current	689
Direct costs relating to the acquisition – paid	243
Total purchase consideration	**6,672**
Fair value of net identifiable assets acquired	(549)
Intangible Asset	**6,123**

The intangible asset is attributable not only to Alumni AB's workforce but also its strong position and profitability in its market and the synergies expected to arise after its acquisition by the Group

The assets and liabilities arising from the acquisition are as follows

	£'000
Fixed Assets	76
Cash	297
Receivables	737
Payables	(561)
Net identifiable assets acquired	**549**

Outflow of cash to acquire business, net of cash acquired

	£'000
Cash Consideration	4,587
Cash and Cash equivalents in subsidiary acquired	(297)
Cash outflow on acquisition	**4,290**

Harvey Nash raised £4 4m gross (£4 14m net) to fund the acquisition by placing an additional 5,512,500 shares at 80p

SilkRoad Systems Limited

On 25 June 2007, the Group acquired 100% of the share capital of SilkRoad Systems Limited and its subsidiary, SilkRoad Systems (Vietnam) Limited, a technology and software development company based in Ho Chi Minh City, Vietnam
The consideration comprised initial cash consideration of £0 7m, 226,646 ordinary 5p shares in Harvey Nash Group plc and additional payments of up to £0 1m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved

The acquired business contributed revenues of £0 5m and operating profit of £0 1m to the Group for the period from acquisition to 31 January 2008 If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £318 6m and £8 5m respectively

Details of net assets acquired and intangible assets are as follows

	£ 000
Initial cash paid	707
226,646 ordinary 5p shares in Harvey Nash Group plc	197
Contingent consideration	116
Direct costs relating to the acquisition – accrued	92
Total purchase consideration	**1,112**
Fair value of net identifiable assets acquired	(90)
Intangible Asset	**1,022**

The intangible asset is attributable to SilkRoad Systems (Vietnam) Limited's strategic fit with the Group's Outsourcing and Offshoring capabilities

The assets and liabilities arising from the acquisition are as follows

	£ 000
Fixed Assets	60
Cash	18
Receivables	165
Payables	(153)
Net identifiable assets acquired	**90**

Outflow of cash to acquire business, net of cash acquired

	£'000
Cash Consideration	707
Cash and Cash equivalents in subsidiary acquired	(18)
Cash outflow on acquisition	**689**

Rescon IT Limited

On 17 August 2007, the Group acquired 100% of the share capital of Rescon IT Limited, an IT recruitment and solutions business based in Dublin, Ireland The consideration comprised initial cash consideration of £3 4m, and additional payments currently estimated at £1 2m which will be payable in shares in Harvey Nash Group plc over the three years ending 30 June 2010 subject to certain profit targets being achieved

The acquired business contributed revenues of £3 6m and operating profit of £0 5m to the Group for the period from acquisition to 31 January 2008 If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £321 6m and £8 8m respectively

Details of net assets acquired and intangible assets are as follows

	£ 000
Initial cash paid	3,416
Contingent consideration	1,201
Direct costs relating to the acquisition	168
Total purchase consideration	**4,785**
Fair value of net identifiable assets acquired	(1,664)
Intangible Asset	**3,121**

The intangible asset is attributable to Rescon IT Limited's strong workforce as well as its strong position and profitability in its geographical location and the synergies expected to arise after its acquisition by the Group

The assets and liabilities arising from the acquisition are as follows

	£ 000
Fixed Assets	129
Cash	750
Receivables	1,360
Payables	(575)
Net identifiable assets acquired	**1,664**

Outflow of cash to acquire business net of cash acquired

	£ 000
Cash Consideration	3,416
Cash and Cash equivalents in subsidiary acquired	(750)
Cash outflow on acquisition	**2,666**

TechDiscovery LLP

On 5 November 2007, the Group acquired 56 6% of the share capital of TechDiscovery LLP, which specialises in business-focused IT solutions based in Atlanta, USA The consideration comprised initial cash consideration of £0 8m, and additional payments currently estimated at £1 5m which will be payable in cash or shares in Harvey Nash Group plc at Harvey Nash's discretion subject to certain profit targets being achieved in the period to 30 September 2008

The Group's share of the acquired business' revenues was £0 6m and share of operating profit was £0 2m for the period from acquisition to 31 January 2008 If the acquisition had occurred on 1 February 2007, consolidated revenue and consolidated profit for the year ended 31 January 2008 would have been £320 1m and £8 4m respectively

Details of net assets acquired and intangible assets are as follows

	£ 000
Initial cash paid	787
Contingent consideration	1,498
Direct costs relating to the acquisition	67
Total purchase consideration	**2,352**
Fair value of net identifiable liabilities acquired	26
Intangible Asset	**2,378**

The intangible asset is attributable to TechDiscovery LLP's workforce as well as its strong position and profitability in its market and the synergies expected to arise after its acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows

	£ 000
Fixed Assets	27
Cash	213
Receivables	192
Payables	(478)
Total liabilities acquired	(46)
Minority interest	20
Net identifiable liabilities acquired	**(26)**

Outflow of cash to acquire business, net of cash acquired

	£ 000
Cash Consideration	787
Cash and Cash equivalents in subsidiary acquired	(213)
Cash outflow on acquisition	**574**

20. Called Up Share Capital

	2008 £ '000	2007 £ 000
Authorised		
110,000,000 (2007 75,000,000) ordinary shares of 5p each	**5,500**	3,750
Allotted and fully paid		
72,440,200 ordinary shares of 5p each (2007 66,492 466)	**3,622**	3,325

The Harvey Nash Employment Benefit Trust held 126,775 shares (2007 402,790 shares)

Movement in shares in issue	**2008 shares**	2007 shares
Ordinary shares of 5p each		
At 1 February	**66,492,466**	62,737,678
Allotted under share option schemes	**208,588**	380,943
Acquisition of Alumni AB	**5,512,500**	-
Acquisition of Silk Road systems	**226,646**	-
Deferred Consideration for Snowdogs LLC	-	833,061
Deferred Consideration for Bluesuit Consulting Inc	-	2,540,784
At 31 January	**72,440,200**	66,492,466

21. IFRS 2 Share Based Payments

The Executive Share Option Plan (ESOP) was introduced in January 2003 Under the ESOP the remuneration committee can grant options over shares in the company to employees of the Company Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant The contractual life of an option is 10 years Awards under the ESOP are open to all full time employees except those who have had a material interest in the Group in the previous 12 months Options granted under the ESOP will become exercisable on the third anniversary of the date of grant, subject to the growth in earnings per share over that period exceeding the compounded annual growth in the Retail Prices Index (RPI) by 3% per annum Options were valued using the Black-Scholes option-pricing model No performance conditions were included in the fair value calculations The fair value per option granted and the assumptions used in the calculation are as follows

	2008	2007
Number of employees	**127**	95
Options issued since 7 November 2002	**4,865,000**	3,805,000
Vesting period (years)	**3**	3
Expected volatility	**0.49**	0 44
Option life (years)	**3**	3
Expected life (years)	**3**	3
Risk free rate	**4.3%**	4 3%
Expected dividends expressed as a dividend yield	**3.8**	1 3
Possibility of ceasing employment before vesting	**20%**	20%
Expectations of meeting performance criteria	**100%**	100%
Average fair value per option	**0 23p**	0 22p

The expected volatility is based on historical volatility over the last five years The expected life is the average expected period to exercise The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life A reconciliation of option movements over the year to 31 January 2008 is shown below

	2008		2007	
	Number ('000)	**Weighted average exercise price**	Number ('000)	Weighted average exercise price
Outstanding at 1 February	**4,656**	**0 53**	4,581	0 51
Granted	**1,060**	**0 85**	1 070	0 65
Forfeit	**(103)**	**0.55**	(617)	0 71
Exercised	**(208)**	**0.29**	(378)	0 34
Outstanding at 31 January	**5,405**	**0.60**	4,656	0 53
Exercisable at 31 January	**2,824**	**0.50**	2,371	0 39

The total charge for the year relating to employee share based payment plans was £0 2m (2007 £0 2m), all of which related to equity-settled share based payment transactions After deferred tax the total charge was £0 2m (2007 £0 2m)

22 Share Premium Account

	2008 £ '000
At 31 January 2007	4,111
Premium on shares issued during the year under share option schemes	50
Acquisitions in the period	4,320
Costs associated with raising equity	(273)
At 31 January 2008	**8,208**

23 Retained Earnings

	2008 £ '000	2007 £ '000
At 1 February	**15,218**	(4,210)
Employee share options and bonus plan	**(117)**	160
IFRS 2 Deferred Tax charge to equity	**(215)**	277
Capital Restructuring	-	15,063
Goodwill adjustment	-	(156)
Profit for the year	**5,305**	4,084
Dividends paid	**(1,228)**	-
At 31 January	**18,963**	15,218

24 Shareholders' Funds and Changes in Shareholders' Equity

	Share capital	Share premium	Shares to be issued	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at								
1 February 2007	**3,325**	**4,111**	**595**	**15,079**	**(656)**	**(885)**	**15,218**	**36,787**
Employee share option and bonus plan	10	50	(263)	-	508	-	(117)	**188**
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(215)	**(215)**
Acquisitions in the period	287	4,320	1,318	-	-	-	-	**5,925**
Costs associated with raising equity	-	(273)	-	-	-	-	-	**(273)**
Profit for the year	-	-	-	-	-	-	5,305	**5,305**
Dividends paid	-	-	-	-	-	-	(1,228)	**(1,228)**
Currency translation adjustments	-	-	(7)	-	-	1,652	-	**1,645**
31 January 2008	**3,622**	**8,208**	**1,643**	**15,079**	**(148)**	**767**	**18,963**	**48,134**

	Share capital	Share premium	Shares to be issued	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at								
1 February 2006	**3,137**	**19,064**	**2,532**	**13,152**	**(656)**	**93**	**(4,210)**	**33,112**
Employee share option and bonus plan	19	110	263	-	-	-	160	552
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	277	277
Capital Restructuring *	-	(15 063)	-	-	-	-	15,063	-
Payment of deferred consideration	169	-	(2 096)	1 927	-	-	-	-
Profit for the year	-	-	-	-	-	-	4,084	4,084
Goodwill adjustment (note 11)	-	-	-	-	-	-	(156)	(156)
Currency translation adjustments	-	-	(104)	-	-	(978)	-	(1 082)
31 January 2007	**3,325**	**4,111**	**595**	**15,079**	**(656)**	**(885)**	**15,218**	**36,787**

* On 26 July 2006 the High Court of Justice approved the cancellation of a proportion of the Harvey Nash Group plc share premium account

The share premium reserve comprises share premium on the issued share capital

The shares to be issued comprise the outstanding liabilities relating to the deferred consideration for the acquisition of Bluesuit Consulting Inc Rescon IT Limited, SilkRoad Systems Limited and other share based payments The deferred consideration for the acquisition of Bluesuit Consulting Inc has been settled post year end in cash

The other reserves include £1 7m relating to a capital redemption reserve created on flotation The remainder represents share premium on share capital issued in relation to the purchase of certain acquisitions

The own shares held reserve relates to the original cost of shares held by the Harvey Nash Employment Benefit Trust

The cumulative translation reserve represents foreign currency movements taken to reserves

The retained earnings reserve represents the cumulative profit of the Group

25. Employees and Directors

Staff costs for the Group during the year (including directors)	**2008 £ '000**	2007 £ '000
Wages and salaries	**30,508**	25,138
Social security costs	**4,035**	2,972
Other pension costs (note 26)	**1,177**	850
Share option charge and share based employee settlement	**210**	423
	35,930	29,383

2008 Average number of people employed (including directors)	UK	Rest of World	**Total**
Directors	3	-	**3**
Sales	185	221	**406**
Administrative	105	74	**179**
	293	295	**588**

2007 Average number of people employed (including directors)	UK	Rest of World	**Total**
Directors	4	-	**4**
Sales	151	166	**317**
Administrative	100	55	**155**
	255	221	**476**

Key management compensation	2008	2007
	£ '000	£ 000
Salaries and short-term employee benefits	3,555	3 521
Post-employment benefits	230	216
Share based payments	-	252
	3,785	3,989

Key management is defined as key employees at divisional director level in the Group as well as Executive Board members

Directors	2008	2007
	£ '000	£ 000
Fees	159	104
Basic salaries, allowances and taxable benefits and car allowance	1,072	1,184
Aggregate emoluments	1,231	1,288
Pension contributions	65	75
Emoluments of Chairman	56	56
Emoluments of highest paid Director (including pension contributions)	492	423

Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 15 to 19

26. Pensions

Harvey Nash has in place three pension schemes, the Harvey Nash plc Directors' Retirement and Death Benefits Scheme, a Group Personal Pension Plan provided by National Provident Institution, Legal and General, and Scottish Widows, and a stakeholder scheme with Legal and General and Scottish Widows which had no participating members at the year end

The Harvey Nash plc Directors' Retirement and Death Benefits Scheme (the Scheme') is a small self-administered scheme It is an exempt-approved scheme under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 The assets of the Scheme are held separately from the Company by trustees The current trustees are TFA Crawford, DC Higgins, DH Treacher and Scottish Equitable which is the pensioner trustee The three individual trustees are the only members of the Scheme The Company has the power to appoint individual trustees

The retirement scheme is provided on a defined contribution basis The contributions in the year were £nil (2007 £16,800)

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by National Provident Institution, Legal and General, and Scottish Widows The Group's normal policy is to invite employees to join the Plan automatically on completion of three years' qualifying service although senior employees may be invited to join earlier at the discretion of the Directors The Group contributes 5% and the employee contributes 3% of the employee s basic earnings (excluding bonuses) to the Plan The Group's total contribution to the Plan for the year to 31 January 2008 was £402,911 (2007 £344,022)
The Group operates separate defined contribution schemes in all the overseas locations The Group s total contribution to defined contribution schemes in overseas locations for the year to 31 January 2008, was £774,089 (2007 £489,178)

27. Related party transactions

Banking Cross Guarantees

The following companies have given security to Harvey Nash Group plc the Company

The Group guarantees have been entered into by the Companies listed below and relate to any payment due under the Banking agreement by any of the companies listed below

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Harvey Nash Resource Management Limited	Group Guarantee	Debenture
Interim Management In Information Technology Limited	Group Guarantee	Debenture
Nash Direct Limited	Group Guarantee	Debenture
Vertis Consulting Limited	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Techpartners International Limited	Group Guarantee	Debenture
Harvey Nash Group EBT Limited	Group Guarantee	-
Impact Executives Holdings Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-

28 Investments

Principal Subsidiaries and Branches

The details of the principal subsidiary companies and branches owned directly or indirectly by the Company or Harvey Nash plc as at 31 January 2008 were as follows

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Rescon Limited	Ireland	100%	Recruitment consultancy

Alumni SA	Sweden	100%	Recruitment consultancy
SilkRoad BVI	Vietnam	100%	Software development
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy
TechDiscovery	US	56 6%	Software development

All subsidiary companies are consolidated
The directors believe that the book value of investments is supported by their underlying net assets

29. Derivative Financial Instruments

The Group's financial instruments comprise cash, bank loans, and various items such as trade debtors and trade creditors that arise directly from its operations The fair value of financial assets and liabilities is approximately equal to their book values

Additional disclosures are set out in the accounting policies relating to risk management An explanation of the role that financial instruments have had during the year in the management of the Group's funding liquidity and foreign exchange is provided on page 27 of the Annual Report

In accordance with IAS 39, 'Financial instruments Recognition and measurement", the Group has reviewed all contracts and confirmed that none contain embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard There were no embedded derivatives at 31 January 2008

The Group held no derivative financial instruments at 31 January 2008 (2007 none) requiring to be fair valued

Maturity of financial liabilities
The maturity profile of the carrying amount of the Group's non-current liabilities at 31 January was as follows

	2008 Term loan £'000	2007 Term loan £'000
Between one and two years	-	819

Borrowing facilities

The Group had the following undrawn committed facilities available at 31 January in respect of an overdraft with a maximum facility of £2 0m at 31 January 2008 (2007 £4 0m) All conditions precedent to the overdraft were met at 31 January 2008 and 31 January 2007

Undrawn borrowing facilities	**Fixed rate £'000**	**Floating rate £'000**	**2008 Total £'000**	2007 Total £ 000
Expiring within one year	-	**2,000**	**2,000**	3 216

30 Share based payments

	2008 £ '000	2007 £ 000
Share based payments - management bonus	**53**	263
Share based payments - IFRS 2 charge	**157**	160
	210	423

31. Dividends

The dividends paid in year end January 2008 were £1 2m (2007 nil)

The proposed final dividend of £0 8m (1 1p per share) is subject to approval by shareholders at the Annual General Meeting on 3 July 2008 (2007 1 0p per share amounting to £0 7m) and has not been included as a liability at 31 January 2008

	2008 £ '000
Final dividend for year end January 2007 of 1 0p per share	721
Interim dividend for year end January 2008 of 0 7p per share	506
	1,227
Proposed final dividend for year end January 2008 of 1 1p per share	795

Independent Auditors' report to the Shareholders of Harvey Nash Group plc

We have audited the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2008 which comprise the Balance Sheet and the related notes These parent company financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited
We have reported separately on the Group financial statements of Harvey Nash Group plc for the year ended 31 January 2008

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Operating and Financial Review We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited

Opinion
In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2008,
- the parent company financial statements and the part of the Directors' Remuneration Report audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the parent company financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 April 2008

Company Balance Sheet
as at 31 January 2008

	Notes	2008 £'000	2007 £'000 (Restated *)
Fixed assets			
Investments	3	**51,819**	39,066
		51,819	39,066
Current assets			
Debtors	4	**8,977**	8,696
Cash at bank		**1,523**	
		10,500	8,696
Creditors due within one year	5	**(637)**	(301)
Net current assets		**9,863**	8,395
Total assets less current liabilities		**61,682**	47,461
Creditors due after more than one year	6	**(12,448)**	(6,411)
Net assets		**49,234**	41,050
Capital and reserves			
Share capital	7	**3,622**	3,325
Shares to be issued	8	**1,643**	595
Share premium account	8	**8,208**	4,111
Capital contribution	8	**20,000**	20,000
Other reserves	8	**13,494**	13,337
Profit and loss account	8	**2,267**	(318)
Equity shareholders' funds	9	**49,234**	41,050

* See note 1

The financial statements on pages 53 to 58 were approved by the Board on 24 April 2008 and signed on its behalf by

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Notes to the Financial Statements

1 Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

As allowed by S230 Companies Act 1985, no profit and loss account is presented in respect of the parent company

The Company has taken advantage of the exemption available to parent companies under paragraph 3C of FRS 25 "Financial Instruments Disclosure and Presentation not to provide the information otherwise required by paragraphs 51 to 95 of the standard, as the Group s consolidated financial statements, in which the Company is included, provides equivalent disclosures under IFRS 7 ' Financial instruments Disclosures"

The Company has adopted UITF44 'Group and treasury share transactions' in these financial statements Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, UITF44 requires the subsidiary to record an expense for such compensation in accordance with FRS20 (Share-based payments), with a corresponding increase recognised in equity as a contribution from the parent Consequently, in the financial statements of the parent (Harvey Nash Group plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions for all grants of equity instruments made subsequent to 7 November 2002 The increase in respect to year end 31 January 2008 was £0 2m The adoption of this pronouncement has required the restatement of the comparative results, where £0 2m was recognised as the opening adjustment at 31 January 2006, with a further £0 2m recognised for the year ending 31 January 2007

2 Accounting Policies

(a) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account

(b) Taxation

Deferred taxation is provided in full for material timing differences except where recoverability of a deferred tax asset is considered to be remote in the foreseeable future Deferred tax balances are not discounted unless the effects are considered to be material to the Company's results

(c) Investments

Investments held as fixed assets are shown at cost less provision for impairment Impairment reviews are conducted annually

(d) Related Party Transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, Related Party Disclosures', on the grounds that it is wholly owned subsidiary of a group headed by Harvey Nash Group plc, whose accounts are publicly available

(e) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders Interim dividends are recognised when paid

3. Investments

Fixed asset investments	2008	2007 (Restated)
	£ '000	£ '000
Shares in group undertakings		
At 1 February	**39,066**	38,664
Increase – share-based payments (see note 1)		242
At 1 February		38,906
Increase – share-based payments (see note 1)	**157**	160
Additions	**12,596**	-
At 31 January	**51,819**	39,066

The carrying value of the investments was tested against discounted future cash flows during the year The forecasts were based on pre-tax cash flows derived from approved budgets for the 2008-2009 financial year Management believe the forecasts are reasonably achievable Where the future cash flows could not support the carrying value an impairment was recognised
Principal Subsidiaries and Associates

The details of the principal subsidiary companies and branches owned directly or indirectly by The Company or Harvey Nash plc as at 31 January 2008 were as follows

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
Silk Road	Vietnam	100%	Software development
Rescon Limited	Ireland	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy

4 Debtors

	2008 £'000	2007 £'000
Amounts owed by subsidiary undertakings	8,977	8,696

Interest is charged at market rate on intercompany funding balances in accordance with formal loan agreements between the parties

5. Creditors: Amounts Falling Due Within One Year

	2008 £'000	2007 £'000
Bank overdraft	-	301
Deferred consideration	637	-
	637	301

6. Creditors Amounts Falling Due After More Than One Year

	2008 £'000	2007 £'000
Amounts owed to subsidiary undertakings	11,759	6,411
Deferred consideration	689	-
	12,448	6,411

Interest is charged on intercompany funding balances in accordance with formal loan agreements between the parties

7. Share Capital

	2008 £'000	2007 £'000
Authorised		
110,000,000 (2007 75,000,000) ordinary shares of 5p each	5,500	3,750
Allotted and fully paid		
72,440,200 ordinary shares of 5p each (2007 66,492,466)	3,622	3,325

A reconciliation of movements in share capital is presented in note 20 of the consolidated accounts of Harvey Nash Group plc

8 Reserves

	Share capital	Share premium	Shares to be issued	Capital Contribution	Other reserves	Profit and loss account	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at							
As at 1 February 2007 as previously stated	3,325	4,111	595	20,000	12,935	(318)	40 648
Prior year adjustment (see note 1)	-	-	-	-	402	-	402
As at 1 February 2007 restated	**3,325**	**4,111**	**595**	**20,000**	**13,337**	**(318)**	**41,050**
Employee share option and bonus plan	10	50	(263)	-	157	-	(46)
Acquisitions in the period	287	4,320	1,318	-	-	-	5,925
Costs associated with raising equity	-	(273)	-	-	-	-	(273)
Dividends received	-	-	-	-	-	4,000	4,000
Dividends paid	-	-	-	-	-	(1 228)	(1,228)
Loss for the year	-	-	-	-	-	(62)	(62)
Exchange loss	-	-	(7)	-	-	(125)	(132)
31 January 2008	3,622	8,208	1,643	20,000	13,494	2,267	49,234

The share premium reserve comprises share premium on the issued share capital

The shares to be issued comprise the outstanding liabilities relating to the deferred consideration for the acquisition of Bluesuit Consulting Inc and other share based payments

The capital contribution reserve was created on flotation

The other reserves represents share premium on share capital issued in relation to the purchase of certain acquisitions

The dividends received relate to a dividend paid from Harvey Nash plc

The profit and loss account represents the cumulative deficit of the Company

9 Reconciliation of movement in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/Profit for the year	**(62)**	18
Dividends received	**4,000**	-
Dividends paid	**(1,228)**	-
Exchange loss	**(132)**	(798)
Issued share capital (including premium)	**4,394**	298
Shares to be issued	**1,055**	263
Payment of deferred consideration	-	(169)
Employee share option charge	**157**	160
Net decrease in shareholders' funds	**8,184**	(228)
Opening shareholders funds (restated see note 8)	**41,050**	41 278
Closing equity shareholders' funds	**49,234**	41 050

10. Profit Attributed to the Parent Company

The loss for the year ended 31 January 2008 in the financial statements of Harvey Nash Group plc, the Company, was £62,000 before the receipt of dividends (2007 profit £18,000) As allowed by S230 Companies Act 1985, no profit and loss account is presented in respect of the parent company

11. Employees and Directors

Harvey Nash Group plc, the Company employed no staff in the year (2007 nil), other than directors
Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2007 nil)
See note 25 in Harvey Nash Group plc accounts for details of the Directors remuneration from the Group

12 Related party transactions

The following companies have given security to Harvey Nash Group plc, the Company

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Harvey Nash Resource Management Limited	Group Guarantee	Debenture
Interim Management In Information Technology Limited	Group Guarantee	Debenture
Nash Direct Limited	Group Guarantee	Debenture
Vertis Consulting Limited	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Techpartners International Limited	Group Guarantee	Debenture
Harvey Nash Group EBT Limited	Group Guarantee	-
Impact Executives Holdings Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-