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Harvey Nash Group plc

Annual Report 2009

Directors, Secretary and Advisers

Ian Kirkpatrick
Non-Executive Chairman
Ian Kirkpatrick, aged 64, 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.

Albert Ellis
Chief Executive Officer
Albert Ellis, aged 45, 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 51, 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 46, 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 58, is a Non-Executive Director. He was previously Joint Managing Director and founder of the business.

Gus Moore
Non-Executive Director
Gus Moore, aged 71, 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
Albert Ellis
Richard Ashcroft
Simon Wassall
Gus Moore
Tom Crawford

Secretary
Richard Ashcroft

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Edinburgh EH2 2YB

CHAIRMAN'S STATEMENT

The Group has performed exceptionally well despite the challenging global economic environment and we are pleased with the strong growth achieved in the year to 31 January 2009.

Excellent profit growth has been reported in Europe and the USA, where a combination of new contract wins and the full year impact of recent earnings enhancing acquisitions have underpinned growth.

The prevailing economic climate has driven clients to reduce costs and this has benefited the Group's strategic outsourcing and offshoring business. However, recruitment market conditions have been mixed; demand for senior executive hiring continued throughout the year but requirements for permanent IT professionals declined. Demand for freelancers has been stable, although deflationary trends have impacted pay rates and margins.

All of the Group's recent acquisitions achieved their first full year targets. We are satisfied with the progress of integration to date and the cross selling synergies that have been generated. We believe that our successful track record will attract further interest from management teams who in the current environment wish to join a strong international group with a robust balance sheet and renowned brand.

Productivity increased during the year by 14% and this enabled the Group to achieve 32% growth in revenue, including the new outsourcing contract win with Alactel-Lucent, while reducing headcount which at the end of January 2009 was below the level of the previous year. We enter the current year in good shape to meet the challenges of the market and take advantage of the opportunities that arise.

Financial Results

Revenue for the year ended 31 January 2009 increased by 32% to £420.1m (2008: £318.6m). Gross profit was £69.2m (2008: £58.5m) with profit before tax increasing 25% to £9.5m (2008: £7.6m). Basic earnings per share increased 19% to 9.00p (2008: 7.54p).

Strong trading cash inflow of £11.4m facilitated the settlement of all material deferred consideration payable during the year and still resulted in an increased net cash position of £4.5m, up 7% on the previous year.

Dividend

Following another year of strong growth in earnings and cash generation and with the Board confident of the Group's prospects, the Board is recommending a 9% increase in the final dividend for the year to 1.2p (2008: 1.1p) which will be paid on 17 July 2009 to shareholders on the register as at 3 July. If passed, this will take the total payout for the year to 2.0p (2008: 1.8p), an increase of 11%.

Strategy

The Group's key asset is its unique portfolio of services which caters for all stages of the economic cycle. This competitive advantage is a major factor in developing long term boardroom relationships with our clients, winning new contracts and attracting suitable acquisitions into the Group.

A substantial proportion of revenue comes from successfully cross-selling other services into our blue-chip client base. Almost all our significant outsourcing clients have been introduced to our offshoring service in Vietnam via existing relationships in other parts of the business.

We have focused on growing our Fortune 1000 client base whilst endeavouring to ensure that no individual client represented more than 5% of the Group's gross profit. Global companies are generally more consistent purchasers of recruitment and outsourcing services and the Group's strategy is to increasingly invest in our client relationships with a view to maintaining high levels of repeat business going forward.

The current global slowdown appears to have affected all sectors of the economy and no market has been immune. The Group's strategy to diversify the client base has resulted in increased resilience as the energy, utility and public sectors have been relatively less affected than the financial services market. In the UK, the fastest growth market has been public sector executive recruitment, in which we have established a leading position over the last four years.

Clients increasingly want to be associated with strong quality brands. In the UK and mainland Europe, our brand is recognised as a market leader by clients and candidates and, as the economic uncertainty increases, so does the benefit of this advantage. In Scandinavia, Harvey Nash Alumni is the largest executive recruitment and leadership business in the region. In Vietnam, we are working at the highest levels of government to assist in the development of the country's technology expertise and leverage its value across the world and we are now one of the largest and most widely recognised foreign investors in the Vietnamese service economy.

With our offshore and business process outsourcing offering in Vietnam we are able to align our interests with clients wishing to rapidly reduce development and processing costs. The gross profit attributable to contractor, offshore and business process outsourcing is longer term in nature with increased visibility and comprised 62% of the total gross profit during the year, supporting the trend towards increased quality of earnings.

Looking forward, the Group's ongoing strategy will continue to be based on the successful formula of combining a strong organic growth model with bolt-on 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 demonstrated excellence in delivery to our clients throughout the year. In a period of rising unemployment our people will have extra demands made on them to advise and support candidates in a difficult market. We know they will do this with sensitivity and professionalism and this is much appreciated by the Board.

Deputy Chairman and non executive Director, David Higgins stepped down from the Board on 27 March 2009, following his decision to retire from public life and focus on his interests outside the Group. On behalf of the Group and the Board of Harvey Nash, we all wish him well in his plans for the future.

Prospects and Outlook

Our strategy of focusing on annuity revenue streams has put the Group in a strong position at a time of uncertain market conditions. The excellent financial results for the year were the result of increased market share combined with a prudent approach to managing the business.

We are successfully capitalising on our competitive advantages and will continue to leverage our unique portfolio of services across our Fortune 1000 client base.

The economic environment in the current year will be challenging and we have already undertaken a prudent review of our expectations for the current year. The Board is confident however, that the Group's market leading businesses will continue to benefit from a flight to quality and growing demand for offshore and outsourcing services."

Ian Kirkpatrick
Chairman

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland has increased by 12% to £118.3m (2008: £105.8m) and operating profit increased by 4% to £4.9m (2008: £4.7m). Included in these results are revenues of £2.6m (2008:£0.5m) attributable to subsidiaries of UK clients based in Asia.

Demand for strategic executive recruitment and interim management in support of change programmes (widely implemented by many of our clients) was strong for most of the year. Demand was most consistent from the public sector where Harvey Nash is now a significant supplier at the senior levels.

Demand from the professional, online retail, infrastructure, business services and retail banking sectors was fairly buoyant. Technology recruitment had a strong year with demand for freelance IT professionals continuing to hold up reasonably well. The opening of a second location in the north of England (Leeds) and in Scotland (Edinburgh) ensures that the Group is well placed to capitalise on its market share gains.

Offshore services in the UK were affected by market consolidation and a number of financial services clients reducing or terminating their technology development but still ended the year up 8% on 2008.

Gross margins improved as a result of the growth of business process outsourcing.

Mainland Europe

Revenue in mainland Europe increased by 44% to £273.2m (2008: £189.1m), and operating profit increased by 41% to £4.3m (2008: £3.0m).

Demand for specialist recruitment in Europe has been strong throughout the year.

In Switzerland, where financial services is one of the main engines of growth for the economy, revenue increased by 4% despite the well publicised difficulties in the banking sector. We are encouraged by the pipeline of new requirements from the financial sector in the first quarter of this year where the smaller banks are growing and the more well-known banking names are rebuilding their management teams. The business increased revenues significantly in the first quarter of 2009 compared to the same period last year.

In Germany, a new outsourcing contract with strategic partner Alcatel-Lucent increased total revenue by 43% compared to the previous year. This resulted in an additional office being added in Nuremburg. A new subsidiary company, Nash Technologies, was incorporated as a centre of excellence providing wireless technology maintenance, research and development services. Revenue generated under the contract is expected to be approximately €54 million over an initial fixed term from 1st October 2008 to 31 December 2010 and there is incremental work in the pipeline for 2009. The Group is leveraging its Vietnam skills base where a research and testing laboratory facility is being established to partner with the team in Nuremberg. Currently, Nash Technologies develops and maintains a majority of AT&T's UMTS wireless network in the US and recently was the first private business to be granted a 4G licence in Europe's largest economy.

In Belgium, Harvey Nash's market leading technology recruitment business reported revenue growth of 40%, mainly as a result of increasing its market share and winning new contracts in the manufacturing, pharmaceutical and technology outsourcing sectors.

The Netherlands also reported a record year with revenue up 48% as the success of its HR outsourcing offering combined with increased demand for IT freelancers continued. The Group was active in supporting the integration and talent resourcing challenges in the insurance and telecom sectors, with KPN continuing to be a major client there.

Strong revenue growth of 47% in France was largely as a result of the broadening of our well established executive search service into the technology market.

In Scandinavia the Group's Alumni acquisition saw further growth. The new office in Copenhagen and new mid-market recruitment services under the Harvey Nash brand contributed to an overall 64% increase in revenue in the region. In December 2008 the Alumni brand was launched in Central and Eastern Europe, with the opening of a new office in Warsaw. Poland achieved its objectives in the final quarter, demonstrating the Group's commitment to a prudent organic growth strategy in new markets. Poland is one of the few economies expected to grow this year and provides the Group with a valuable strategic gateway to Eastern Europe.

United States

Revenue in the USA was 20% higher at £28.6m (2008: £23.7m), and operating profit increased 58% to £1.3m (2008: £0.8m). We are very pleased with this excellent result in challenging market conditions. The US was the first market to show signs of slowdown in 2007 and we acted quickly to adapt our strategy to capitalise on our position in this market.

During 2009 the East Coast and Chicago IT recruitment markets were impacted quite significantly by the issues in the global banking sector and demand for IT professionals has been limited to flexible freelancing. There has been some impact on the West Coast with large technology clients announcing some reductions in staff but overall, demand has been more robust.

Executive recruitment has been surprisingly strong with revenue similar to the previous year. Our approach has been to contain expansion, adopt a niche positioning and leverage the Group's leading European brand and capability into the US market.

Our success in the US has been the result of our focus on the strategic IT consulting and offshore services during the challenging market conditions all through 2008. This division grew substantially over the year on a like-for-like basis.

Summary

The Group's key strategic advantages, its strong balance sheet and unique portfolio of services continue to yield benefits even in more challenging market conditions. Based on the excellent organic performances in the UK and Europe, the success of the recent acquisitions and the new outsourcing contract wins, the Group was able to achieve its expectations for full year profits during the year.

Our success to date confirms the Boards belief that the current strategy of following on organic growth, supplemented by bolt-on acquisitions which meet strict criteria, will underpin the Group's continued development.

Given the current difficult market conditions, we are reasonably satisfied with the way the current year has started and we have confidence that the resilience of our strategy and prudent management approach will continue to benefit the Group in the year ahead.

Albert Ellis
Chief Executive Officer

FINANCIAL REVIEW

Profit and Loss

Revenue increased by 32% to £420.1m for the year ended 31 January 2009 (2008: £318.6m). Growth was achieved in every geographical region with mainland Europe growing particularly strongly. Gross profit also increased during the year in every geographical region, up by 18% to £69.2m (2008: £58.5m). Operating profit grew 22% to £10.4m (2008: £8.5m) with tight control of the cost base. Net interest payable fell by 8% to £0.8m and profit before tax rose by 25% to £9.5 million.

Taxation

The tax charge for the year was £2.6m (2008: £2.2m), giving an overall effective rate of tax of 27.5% (2008: 29.3%). The overall effective rate of tax is a function of the mix of profits between the various countries in which the group operates. The group benefited from the reduction in the UK rate of corporation tax in April last year from 30% to 28%. The deferred tax asset of £1.6m represents unrelieved tax losses of £0.7m and short term timing differences of £0.9m.

Minority interest

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

Earnings per Share

Basic earnings per share rose by 19% to 9.00p (2008: 7.54p). Fully diluted earnings per share rose by 22% to 8.92p (2008: 7.33p).

Balance Sheet

The net book value of tangible fixed assets rose during the year as a result of capital expenditure of £1.2m, of which £0.7m was incurred by Nash Technologies in Germany, a new subsidiary company incorporated to run a new outsourcing contract with strategic partner Alcatel-Lucent.

The Group had a strong operating cash flow during the year which enabled settlement of all the deferred consideration on acquisitions made before the start of the year. The Group ended the year with a positive net cash position of £4.5m (2008: £4.2m).

The value of intangible assets rose during the year by £5.9m mainly as a result of exchange retranslation.

Trade and other receivables have increased by £33.4m as a result of increased trading, particularly in Europe. The increase of £31.0m in trade and other payables was also the result of increased trading.

Contingent consideration of £0.05m represents amounts payable in cash for the acquisition in December of Fila & Myszel Associates in Poland.

Cash Flow

There was a trading cash inflow in the year of £11.4m (2008: £9.5m) generated from operating activities before working capital movements. A net increase in working capital of £1.9m resulted in a total of £9.5m being generated from operating activities. Tax paid in the year was £2.2m (2008: £2.3m).

Contingent consideration of £4.9m (out of a total of £5.2m) was paid in cash during the year and represented the settlement of all contingent consideration expected to be payable in cash on acquisitions made in prior years. Capital expenditure in the year excluding non cash capital items acquired in relation to Nash Technologies was £0.5m (2008: £0.6m) of which the majority was spent on technology to support the Group's systems.

Dividends paid during the year amounted to £1.4m and net interest payable was £0.8m (2008: £0.9m). During the year, the Group implemented a system of pooling its cash resources in parts of Europe to achieve greater interest savings going forward.

Banking Facilities

The Group benefits from substantial headroom in relation to its overall banking facilities of circa £30.0m. The facilities comprise invoice discounting and overdraft facilities for working capital in the UK of £14.0m and in The Netherlands €18.0m. These facilities were renewed in March 2009 with the notice term of the invoice discounting arrangements extended from 6 months to 1 year. The Group has no term debt following the early repayment of the balance of its term loan on 31 January 2008.

Acquisitions

The final tranche of contingent consideration for the acquisition of the business and certain assets of Bluesuit Consulting Inc, the Group's Chicago based business, of £0.33m was paid in cash in February 2008 based on the results for the year ending on 16 December 2007.

Contingent consideration for the acquisition of 100% of the share capital of Alumni AB, an Executive Search and Strategic Leadership Consultancy in Sweden of £0.83m was paid in cash in August 2008 based on the results for the year ending on 30 April 2008.

Contingent consideration for the acquisition of 100% of the share capital of Rescon IT Limited an IT recruitment and solutions business based in Dublin, Ireland of £1.30m in cash and £0.09m in shares was paid in November 2008 based on the results for the year ending 31 July 2008.

Contingent consideration for the acquisition of 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 of £0.03m in shares was paid in November 2008 based on the results for the year ended 30 June 2008.

Contingent consideration for the acquisition of 56.6% of the share capital of TechDiscovery LLC, which specialises in business-focused IT solutions based in Atlanta, USA of £2.44m in cash and £0.13m in shares was paid in December 2008 and January 2009 respectively based on the results for the year ended 30 September 2008.

On 18 December 2008, the Group acquired 75% of Fila & Myszel Associates an Executive Search and Strategic Leadership Consultancy company based in Poland. The consideration comprises initial cash consideration of £0.02m and contingent consideration of £0.03m in cash paid in March 2009. The acquisition of the remaining 25% of Fila & Myszel Associates will take place on 1 April 2014 on agreed terms and conditions with settlement in a combination of cash or Harvey Nash shares at the Group's sole discretion and is capped at £0.90m.

Richard Ashcroft
Group Finance Director

Directors' Report

for the year ended 31 January 2009

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2009.

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 £16,705 (2008: £14,550),
- Gross profit per employee £111,534 (2008: £99,973)
- Average debtor days for 2009 46.8 (2008: 42.4)
- Fee earner percentage ** 68% (2008: 69%)

** Fee-earners as a percentage of total employees

Risk Management

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

- <u>Economic Environment</u>
  In the current global slowdown the group has a number of policies in place to mitigate economic risks. These include a unique portfolio of services which caters for all stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue.
- <u>Key Clients</u>
  The risk of loss of a key client is lessened by the Group not being overly reliant on any one client. The Group also ensures that there are regular reviews of relationships with all clients.
- <u>Personnel</u>
  The loss of senior management or key personnel could adversely affect the Group's results. This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council.

Financial risk management is detailed in note 3.

Results and dividends

The Group's profit before tax for the year was £9.5m (2008: £7.6m). A final dividend of 1.2 pence per share has been declared on 29 April 2009 amounting to £0.9m subject to shareholder approval at the AGM on 2 July 2009 (2008: 1.1p per share amounting to £0.8m).

Share Capital

On 19 November 2008 the Company issued 123,419 new ordinary shares, with a nominal value of £6,170.95 in relation to deferred consideration owing in respect of the acquisition of Silkroad Systems Limited in 2007.

On 20 November 2008 the Company issued 371,058 new ordinary shares, with a nominal value of £18,552.90 in relation to deferred consideration owing in respect of the acquisition of Rescon IT Limited in 2007.

On 5 January 2009 the Company issued 450,716 new ordinary shares, with a nominal value of £22,535.80 in relation to deferred consideration owing in respect of the acquisition of TechDiscovery LLP in 2007.

During the year, the number of shares in issue increased to 73,385,393 ordinary shares with a nominal value of £3,669,270.

Directors and their Interests
The Directors who held office during the year and at the date of this report are shown on page 2. David Higgins resigned on 27 March 2009. In accordance with the Company's Articles of Association, Ian Kirkpatrick, Peter Augustine Moore and Tom Crawford 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.

Corporate responsibility
The Board believes that companies have a responsibility to play a constructive part within the community at large, that social, environmental and ethical matters are part of the investment mix in order to create long term sustainable businesses. The Group has been a leader over the last three years in highlighting the importance of employer brand equity being perceived as positive by the new generation of leadership talent.

Being a valued member of the Harvey Nash team means being a valued contributor to society. Our consultants and employees are enthusiastic about people and are always ready to support programmes which benefit the community.

The Board's view is that shareholders and employees must make their own personal choices; it is not the Group's responsibility to do this on their behalf. The company's policy is non partisan and the Group does not make financial donations and charitable grants, however, political affiliation and participation in the democratic process by employees is encouraged and financial support for worthy charities by employees is actively promoted.

Included below are just a few examples of our recent activity and the Group's policies are described in the following paragraphs;-

(a) Environmental policy
The Group's operations being services are inherently less damaging to the environment than other business sectors, nevertheless the Board recognises that the business must minimise its impact on the environment.

The Group's environmental policy statement commits our company to:

- Reducing the overall amount of waste being sent to landfill by separating out glass, plastic, tins, paper recycling, secure paper destruction and cardboard.
- Introducing on-site water filtration and purification, eliminating use of 'Boutique' bottled water for hospitality – thereby cutting out food miles and associated pollution and packaging wastage
- Optimising the operation of building cooling and heating systems to ensure greatest efficiency
- Utilising recommendations from the Carbon Trust to reduce the carbon footprint of the business
- Introducing low energy lighting wherever appropriate and feasible
- Recycling of printer toner cartridges, and use of locally refillable cartridges
- Automatically shutting down PC's overnight to reduce power consumption and heat output
- Introducing 'eco-fonts' which use less ink on printed matter, with only a marginal impact upon quality
- Increasing the use of Teleconferencing, Online Webinars and Video Conferencing to reduce the impact of business travel upon the environment

(b) Charitable, political and work in the community
Noorzaman Rashid, Director of Harvey Nash Executive Search - Government and Public Services has been a central figure in the development of Edutrust one of the largest education charities in the UK. Under Noorzaman's leadership the trust continues to promote excellence in education and will open new educational academies in London, Birmingham, Sheffield and Leeds.

Lou Messercola, Vice President, New Jersey and Connecticut for Harvey Nash, is an active member on the Board of Directors for The Boys and Girls Club of Northwest New Jersey. Conceived in 1970 and with a mission to offer core programs in athletics, education, technology, cultural arts and leadership development, Lou uses his business experience to mentor youngsters from a wide variety of backgrounds.

Magnus Tegborg, the MD of Harvey Nash's Northern European Executive Search business, Alumni, is a Director on the City of Stockholm Board which is responsible for the city's public utilities, tourism, culture and the arts.

In the UK, Harvey Nash has been a key sponsor and participant of the Byte Night organisation, the IT industry's annual sleep out in support of Action for Children. Each year hundreds of individuals and teams from the technology and IT industries spend a night exposed to the elements in a bid to raise sponsorship and awareness of Action for Children one of the UK's largest children's charities. The event began ten years ago when 30 individuals from the Technology industry slept out and raised £35,000. Since then the event has grown exponentially, regularly attracting 270 sleepers and raising up to c£0.4m. Staff and management from the Group helped raise almost 4% of the total raised in 2008.

In The Netherlands, Harvey Nash supports the Semmy Foundation which is a local community based charity established to help children and families suffering from Diffuse Intrinsic Pontine Glioma (DIPG), while raising awareness and money to finance studies that will lead to a cure for paediatric brain cancer.

In the USA, Harvey Nash and the charity "Goodwill of Denver" are working together with the at risk youth community in 29 high schools and with over 19,000 students each year, in a mentoring program that helps prepare them for post-secondary education. Separately in the USA, Christine Khan and Melissa Cardiff are representing Harvey Nash at the San Diego Rock n Roll Marathon. In doing so, they committed to raising $6,000 for the Leukaemia & Lymphoma Society.

In Sweden, Harvey Nash Alumni consultants contributed to The Hunger Project, a global, non-profit organisation committed to reducing malnutrition and hunger. The Hunger Project mobilises people at the grassroots level to build self-reliance, empowering women as key change agents, and forging effective partnerships with local government.

In Germany, staff from Nash Technologies, a subsidiary of the Harvey Nash Group, took part in the Nuremberg "Company Run", the objectives of which were to raise major charitable donations.

In Vietnam, Harvey Nash supports highly academic but underprivileged students to participate in educational programs in UK Universities through a private sponsorship scheme. A major charity fundraising campaign was undertaken recently by the corporate Harvey Nash team in Hanoi and Ho Chi Minh City to support local flood disaster relief, and all local Vietnamese employees are provided crash helmets to ensure their safety.

In the UK, Harvey Nash actively engages with the government of the day and other businesses through its CBI membership and headline sponsorship of the flagship CBI conference. Each year the conference brings together the government, the opposition parties and business in one place to debate the pressing issues facing the nation. The CBI works with the UK government, international legislators and policy-makers to help UK businesses compete effectively.

In addition to its work with the CBI, Harvey Nash has engaged with the UK's Trade & Industry Department to facilitate strategic partnerships across the world in sourcing investment and talent. This partnership has been extremely successful in Vietnam where Harvey Nash is one of the largest investors in the Vietnamese software and BPO markets. In partnership with the UK government Harvey Nash regularly chair and host trade delegations to Vietnam.-

The Group also recognises the valuable contribution made by the government of Vietnam in enabling increased investment and trade between Europe and Asia and is actively involved at ministerial level not only lobbying on behalf of business but also engaging the Vietnamese leadership on the strategic challenges and opportunities facing South East Asia.

Andy Bookless, Marketing Director of Harvey Nash was seconded to manage a successful political campaign in the 2008 USA elections. Key to his role was establishing an international internship program for 35 school and college leavers to engage them in the political process.

(c) Employee engagement

The Group is a strong meritocracy, where talent comes first. An attractive culture and good corporate values are at the heart of what we do. Integrity, openness, transparency, fairness, passion and excellence in delivery are just some examples of the professional attributes to which we all aspire. We wish to work in the longer term interests of our clients and candidates and we know this, in turn will work in the longer term interests of our shareholders.

The Group underlines this commitment with our membership of the Recruitment and Employment Confederation (REC) which requires the Group to observe the highest principles of ethics, equity, integrity, professional conduct and fair practice.

(d) Equal opportunity and diversity

The Group seeks to fully promote diversity and opportunity for all in the workplace and also actively engages its clients in this regard.

Harvey Nash's diversity programme called "Tbay" is designed to increase its pool of diverse candidates using the internet but also actively promoting candidates from under-represented sectors of the community and advising clients on their own diversity programmes. (www.harveynash.com/tbay). We also link with organisations such as the Asia Business Network, Professional Muslim Institute, Women in Business Forum and many more. We are corporate members of the Association of Disabled Professions as well as a strategic partner for Leonard Cheshire Disability's initiative, Suitability.

Harvey Nash not only ensures employment decisions are made consistent with equal opportunities legislation in each country, but the Group actively encourages a diversity consciousness amongst its management, staff and clients. One of our key principles is that the Group's senior management is made up of nationals in the country in which they operate, who understand the market and are naturally integrated in the local business culture.

Due consideration is also given to the recruitment, promotion, training and working environment of all staff including those with disabilities.

(e) Health and safety
It is the policy of the Group to take all reasonable and practicable steps to safeguard the health, safety and welfare of its employees, visitors and other persons who may be affected by its activities.

The Group
- assesses risks to health and safety
- implements safe systems at work
- provides information, instruction and training
- establishes and maintains emergency procedures
- regularly reviews its policies

(f) Supplier payment policy
It is the policy of the Group to agree appropriate terms and conditions for transactions with suppliers (from standard terms to individually negotiated contracts) and that payment should be made in accordance with those agreed terms subject to compliance with the agreed contractual supplier service levels.

The Group pays all contractors providing IT services within 27 days (2008:27 days) of receipt of their invoice. Other trade creditor days of the Group for the year ended 31 January 2009 were 70 days (2008: 67 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.

At the height of the financial crisis in 2008 Harvey Nash brought forward payments to organisations qualifying as "small businesses" to assist the Group's partners and supply chain with the acute cash flow issues faced by this sector.

Substantial Shareholdings
On 27 April 2009, 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**
Knox D'Arcy	9,914,989	13.51
David Higgins	6,652,006	9.06
Standard Life Investments	6,019,506	8.20
River and Mercantile Asset Management	5,261,556	7.17
David Treacher	5,015,992	6.84
JPMorgan Asset Management	3,866,000	5.27
USS	3,858,210	5.26
Gartmore Investment Management	2,715,688	3.70

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 22.

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.

Authority to purchase own shares
The Directors on behalf of the Company have authority to purchase up to 10% of the Company's issued share capital.

Political and Charitable Donations
The Group made no political or charitable donations during the year (2008: £nil).

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

12 May 2009

Corporate Governance
for the year ended 31 January 2009

The Group 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. David Higgins resigned on 27 March 2009. 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 Richard Ashcroft (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. In the year, a formal survey was conducted to allow the board to provide confidential feedback on its performance.

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 year ended 31 January 2009 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 18 to 22 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 18 to 22.

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.

During the year, the internal audit function was reviewed by the audit committee. Whilst there were no significant concerns raised, all actions required as a result of the findings were discussed and agreed as part of a Committee meeting.

No significant concerns were raised from the review of the systems of internal control.

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, Ian Kirkpatrick and Gus Moore are required to put themselves forward for re-election every year.

It is the Board's firm position that Ian Kirkpatrick and Gus Moore remain 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 2009/10 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

12 May 2009

Remuneration Report

for the year ended 31 January 2009

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 2009. 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 competitive. The Remuneration Committee aligns business objectives and the creation of long term 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.

The Executive Director remuneration packages consist of:

- basic salary
- performance-linked bonus
- share bonuses and 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.

For the year ended 31 January 2010, the executive directors have forgone salary increases and in addition have committed to acquire shares in the Group in lieu of pension contributions.

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:

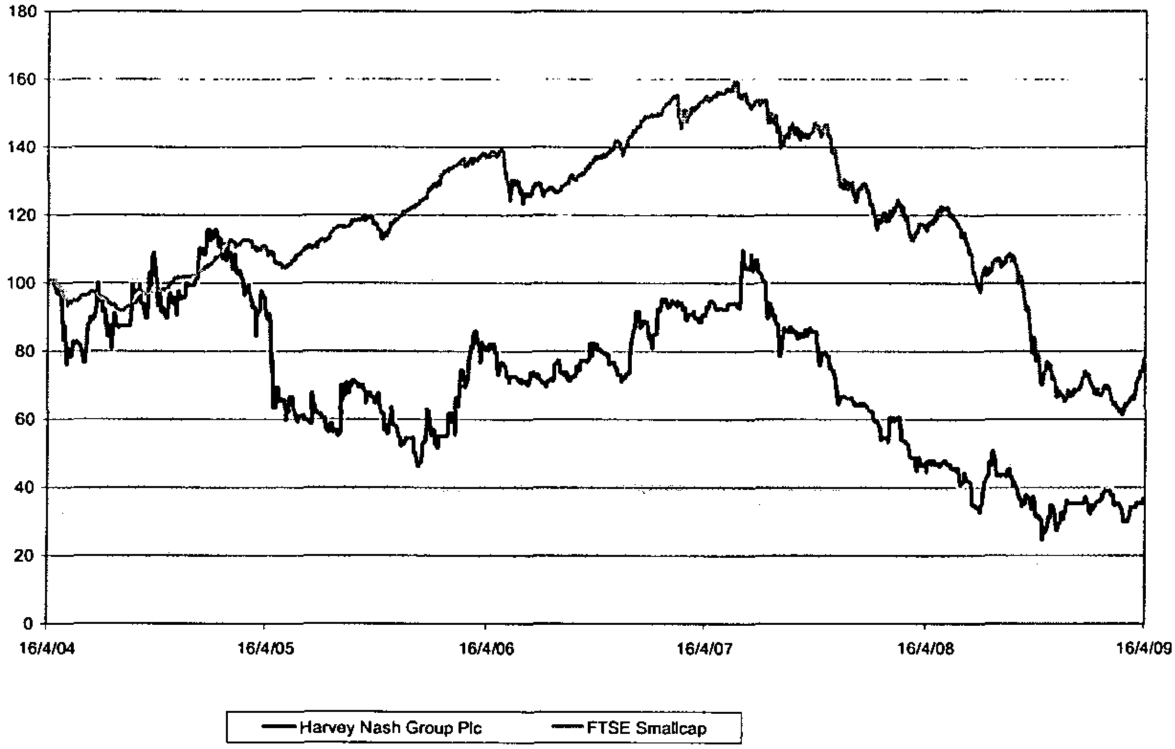
	Contract date	Unexpired term	Notice period	Contractual termination payments
Executive				
Albert Ellis	01.02.01	Continuous	12 months	Unexpired notice period
Richard Ashcroft	14.11.05	Continuous	12 months	Unexpired notice period
Simon Wassall	17.10.05	Continuous	12 months	Unexpired notice period
Non-Executive				
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	01.05.07	Resigned 27.03.09	6 months	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



April 2004: 100
Source – Datastream

In the opinion of the Directors the FTSE Smallcap 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 five year period ending 31 January 2009.

Directors' Remuneration (audited)

	Salary & fees £	Benefits in kind £	Annual bonus £	31 Jan 2009 Total £	31 Jan 2008 Total £
Executive					
David Higgins (resigned 27.03.09)	-	-	-	-	42,182
Albert Ellis	288,750	49,436	129,938	**468,124**	464,248
Richard Ashcroft	149,333	30,117	67,200	**246,650**	243,846
Simon Wassall	210,000	39,811	94,500	**344,311**	321,775
Non-Executive					
Ian Kirkpatrick	60,200	-	-	**60,200**	56,000
Tom Crawford	25,800	-	-	**25,800**	24,000
Gus Moore	25,800	-	-	**25,800**	24,000
David Higgins	58,000	-	-	**58,000**	54,500
	817,883	**119,364**	**291,638**	**1,228,885**	1,230,551

Benefits in kind include car allowance, private healthcare 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 set against budget targets and external market conditions.

Interests in Share Options (audited)
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 2008	Granted in year	Exercised in year	Lapsed in year	**No at 31-Jan 2009**
David Higgins (resigned 27.03.09)	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**
	27.05.08	27.05.11	27.05.18	38	39	-	250,000	-	-	**250,000**
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**
	27.05.08	27.05.11	27.05.18	38	39	-	150,000	-	-	**150,000**
Richard Ashcroft	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	**150,000**
	27.05.08	27.05.11	27.05.18	38	39	-	100,000	-	-	**100,000**

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 30p. The range of market prices during the year was between 21p and 51p.

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

	31 Jan 09 Ordinary shares	31 Jan 08 Ordinary shares
David Higgins – beneficial ownership (resigned 27.03.09)	**6,827,006**	6,191,162
David Higgins Incentive Trust	-	1,601,216
Albert Ellis	**410,131**	40,704
Ian Kirkpatrick	**5,250**	5,250
Tom Crawford	**4,576,827**	4,576,827
Gus Moore	**32,000**	32,000
Richard Ashcroft	**76,889**	16,704
Simon Wassall	**26,890**	6,705

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 2009, 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. This Trust is independent of the Company Schemes and is outside the scope of the Remuneration and Audit Committees. All shares were granted in the year ended 31 January 2009.

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

	31 Jan 09 £	31 Jan 08 £
David Higgins (resigned 27.03.09)	-	3,750
Albert Ellis	**28,875**	27,500
Richard Ashcroft	**14,933**	14,000
Simon Wassall	**21,000**	20,000
	64,808	65,250

Share Option Schemes (audited)
At 31 January 2009, 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 2008	Granted	Forfeited	Exercised	Options exercisable at 31 January 2009	Options not exercisable at 31 January 2009
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	576,471	-	-	-	576,471	-
25.10.02	25.10.05	25.10.12	£0.24	718,000	-	-	-	718,000	-
11.04.03	11.04.06	11.04.13	£0.31	762,000	-	-	-	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	-	100,000	-	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	185,000	-	10,000	-	175,000	-
17.10.05	17.10.08	17.10.15	£0.55	320,000	-	10,000	-	310,000	-
27.04.06	27.04.09	27.04.16	£0.68	140,000	-	-	-	140,000	-
25.05.06	25.05.09	25.05.16	£0.60	775,000	-	100,000	-	-	675,000
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	-	90,000	-	-	850,000
25.10.07	25.10.10	25.10.17	£0.66	95,000	-	25,000	-	-	70,000
27.05.08	27.05.11	27.05.18	£0.39	-	500,000	-	-	-	500,000
17.12.08	17.12.11	17.12.18	£0.30	-	82,500	-	-	-	82,500

402,178 share options lapsed or were forfeited in the year.

No share options were exercised in the year.

On behalf of the Board

Ian Kirkpatrick
Chairman

12 May 2009

Statement of directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements
for the year ended 31 January 2009

Statement of directors' responsibilities

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 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 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 financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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.

Each of the directors, whose names and functions are listed in page 2 of the Annual Report confirms that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report contained in pages 9 to 13 of the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

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.

On behalf of the Board

Richard Ashcroft
Company Secretary

12 May 2009

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 2009 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 2009 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 2009 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
12 May 2009

Consolidated Income Statement
for the year ended 31 January 2009

	Notes	2009 £ '000	2008 £ '000
Revenue	2 &5	**420,101**	318,637
Cost of sales		**(350,950)**	(260,153)
Gross profit		**69,151**	58,484
Total administrative expenses		**(58,794)**	(49,972)
Operating profit	7	**10,357**	8,512
Finance income	6	**117**	893
Finance costs	6	**(943)**	(1,787)
Profit before tax		**9,531**	7,618
Income tax expense	8	**(2,621)**	(2,231)
Profit for the year		**6,910**	5,387

Attributable to:		
Equity holders of the company	**6,524**	5,305
Minority interest	**386**	82
	6,910	5,387

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

- Basic earnings per share	9	**9.00p**	7.54p
- Diluted earnings per share	9	**8.92p**	7.33p

Consolidated Statement of Recognised Income and Expense
for the year ended 31 January 2009

	Notes	2009 £ '000	2008 £ '000
Profit for the year		**6,910**	5,387
Foreign currency translation differences	21	**6,811**	1,652
Total recognised income for the year		**13,721**	7,039

Attributable to:		
Equity holders of the company	**13,335**	6,952
Minority interest	**386**	87
	13,721	7,039

The above results are derived from continuing activities.

Consolidated Balance Sheet
as at 31 January 2009

	Notes	2009 £ '000	2008 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,256**	1,662
Intangible assets	11	**47,758**	41,825
Deferred income tax assets	8	**1,648**	1,269
		51,662	44,756
Current assets			
Cash		**4,458**	4,184
Trade and other receivables	12	**103,987**	70,551
Total assets		**160,107**	119,491
LIABILITIES			
Non-current liabilities			
Contingent consideration		**(21)**	(689)
Deferred income tax liabilities	8	**(305)**	(132)
		(326)	(821)
Current liabilities			
Trade and other payables	13	**(97,488)**	(66,492)
Current income tax liabilities	14	**(2,862)**	(1,850)
Contingent consideration		**(31)**	(2,112)
		(100,381)	(70,454)
Total liabilities		**(100,707)**	(71,275)
Net assets		59,400	48,216
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	17 & 21	**3,669**	3,622
Share premium	19	**8,412**	8,208
Shares to be issued	21	**86**	1,643
Fair value and other reserves	21	**15,079**	15,079
Own shares held	21	**(120)**	(148)
Cumulative translation reserve	21	**7,579**	767
Retained earnings	20 & 21	**24,107**	18,963
		58,812	48,134
Minority interest in equity		**588**	82
Total equity		**59,400**	48,216

The Consolidated financial statements on pages 27 to 51 were approved by the Board on 12 May 2009 and signed on its behalf by:

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Consolidated Cash Flow Statement
for the year ended 31 January 2009

	Notes	2009 £ '000	2008 £ '000
Profit before tax		**9,531**	7,618
Adjustments for:			
- depreciation		**791**	751
- amortisation		**79**	-
- finance income	6	**(117)**	(893)
- finance costs	6	**943**	1,787
- share based employee settlement and share option charge		**173**	210
Operating cash flows before changes in working capital		**11,400**	9,473
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- increase in trade and other receivables		**(19,919)**	(21,467)
- increase in trade and other payables		**18,007**	29,176
- decrease in provisions for liabilities and charges		**-**	(328)
Cash flows from operating activities		**9,488**	16,854
Income tax paid		**(2,207)**	(2,275)
Net cash generated from operating activities		**7,281**	14,579
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(445)**	(574)
Cash acquired with acquisitions		**11**	1,278
Purchase of subsidiary undertakings		**(4,923)**	(6,514)
Interest received		**117**	893
Net cash absorbed from investing activities		**(5,240)**	(4,917)
Cash flows from financing activities			
Repayment of borrowings		**-**	(1,982)
Proceeds from issue of ordinary shares		**-**	60
Dividends paid to group shareholders		**(1,369)**	(1,228)
Interest paid		**(943)**	(1,787)
Net cash used in financing activities		**(2,312)**	(4,937)
(Decrease) / Increase in cash and cash equivalents		**(271)**	4,725
Cash and cash equivalents at the beginning of the year		**4,184**	(784)
Exchange gains on cash and cash equivalents		**545**	243
Cash and cash equivalents at the end of the year	15	**4,458**	4,184

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 52 to 59 show the financial statements of the Company prepared under UK Generally Accepted Accounting Principles (UK GAAP).

(i) Standards, amendments and interpretations effective in 2008
There are no new standards effective in 2008 which are relevant for the Group.

(ii) Standards, amendments and interpretations effective in 2008 but not relevant for the Group
The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"

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

The following new standards and 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 1 (Revised), "Presentation of financial statements –
Comprehensive revision including a statement of comprehensive income" (effective from 1 January 2009), which will impact the presentational disclosure of the financial statements but will have no impact on the carrying values of items.

• IFRS 3 (Revised), "Business combinations –
Comprehensive revision on applying the acquisition method" (effective from 1 July 2009), which will impact the way future acquisitions are reported. The Group will apply IFRS 3 (Revised) from 1 January 2010
with the main changes being that directly attributable costs such as advisers' fees and stamp duty will be charged to the income statement, revisions to contingent cash consideration in the period following the acquisition will be recorded in the income statement and any difference between the fair value of the consideration in the buy out of minority interests and the value of their reported minority interest will be recorded against equity rather than goodwill.

• IFRS 8 "Operating segments"
Revised standard (effective from 1 January 2009), upon adoption of IFRS 8 the Group will be required to disclose financial and descriptive information about its reportable segments. Whilst the criteria used to identify the reportable segments differs from that currently applied in accordance with IAS 14, there will be no effect on reported income or net assets.

• IFRIC 14 "IAS 19 –
The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2009), providing guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also provides an explanation for how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not expected to have an impact on the Group's financial statements.

(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 reserves.

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) Intangible assets
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.

Other acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Intangible assets are amortised to residual values over the useful economic life of the asset. The brand intangible asset recognised in the acquisition of Alumni AB was valued using the relief from royalty method. The brand intangible asset is being amortised on a straight line basis over its useful economic life which the directors consider is 20 years.

(i) Impairment of assets
All assets 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 2008/09, the Group's strategy, which was unchanged from 2007/08, is to have adequate headroom and access to cash facilities to meet its requirements.

	2009	2008
Net debt £'000	**-**	-
Total equity £'000	**60,458**	48,216
Total capital £'000	**60,458**	48,216
Gearing ratio %	**-**	-

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 2009, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £123k (2008:£80k) lower mainly as a result of foreign exchange losses on translation of dollar-denominated assets and liabilities.

At 31 January 2009, if sterling had strengthened by 5% against the euro with all other variables held constant, operating profit for the year would have been £354k (2008:£273k) 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.

		2009	**2009**	2008	2008
		£ '000	**£ '000**	£ '000	£ '000
	Rating *	**Credit Limit**	**Balance**	Credit Limit	Balance
Bank overdraft – secured	A-1	**2,000**	-	2,000	-

* 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**	
	2009	2008	**2009**	2008	**2009**	2008
	£ '000	£ '000	**£ '000**	£ '000	**£ '000**	£ '000
United Kingdom & Ireland	**115,750**	105,268	**37,459**	41,666	**305**	380
Germany	**40,961**	28,725	**19,354**	6,384	**550**	3
Netherlands	**185,551**	125,425	**57,824**	38,132	**36**	16
Rest of Europe	**46,659**	34,927	**23,913**	19,141	**14**	25
United States	**28,583**	23,744	**18,503**	12,440	**76**	48
Asia Pacific	**2,597**	548	**1,406**	459	**197**	102
Total	**420,101**	318,637	**158,459**	118,222	**1,178**	574

6. Finance Income and Costs

	2009	2008
	£ '000	£ '000
Interest expense:		
Interest payable on bank borrowings	**(905)**	(1,759)
Interest on prior year taxes	**(38)**	(28)
Finance costs	**(943)**	(1,787)
Finance income	**117**	893
Finance costs – net	**(826)**	(894)

7. Operating Profit

The following items have been included in arriving at operating profit.

	2009 £ '000	2008 £ '000
Employee benefits (note 22)	**42,318**	35,930
Depreciation of property, plant and equipment	**791**	751
Auditors' remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated accounts	**16**	12
- fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	**282**	232
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	**207**	129
- all other services	**46**	151
Operating lease rentals payable		
- Plant and machinery	**602**	502
- Property	**4,525**	2,688
Net exchange difference on foreign currency borrowings less deposits	**-**	30
Impairment of trade receivables	**86**	81
Share Option Charge and Share based employee settlement (note 27)	**173**	210

8. Income tax expense

	2009 £ '000	2008 £ '000
Corporation tax on profits in the year - UK	**15**	530
Corporation tax on profits in the year - overseas	**2,839**	1,932
Adjustments in respect of prior years	**119**	(9)
Total current tax	**2,973**	2,453
Deferred tax	**(352)**	(222)
Total tax charge	**2,621**	2,231

The tax for the year is higher (2008: higher) than the Group's weighted average rate of corporation tax applied to the pre-tax profit. The differences are explained below:

	2009 £ '000	2008 £ '000
Profit on ordinary activities before tax	**9,531**	7,618
Weighted average tax rate	**25.68%**	26.45%
	2,448	2,015
Effects of:		
Expenses not deductible for tax purposes	**274**	128
Utilisation of previously unrecognised tax losses	**(259)**	(221)
Tax losses for which no deferred income tax is recognised	**304**	267
Deferred tax adjustment in respect of prior years	**(272)**	4
Adjustments to tax in respect of prior year	**119**	(9)
Other	**7**	47
Total taxation (continuing operations)	**2,621**	2,231

Current tax:		
Tax on profit in the year	**2,854**	2,462
Adjustments in respect of prior years	**119**	(9)
Total current tax	**2,973**	2,453
Deferred tax:		
Origination and reversal of timing differences	**67**	(12)
Adjustments in respect of prior years	**(272)**	4
Deferred tax to equity	**(147)**	(214)
Total deferred tax charge/(credit)	**(352)**	(222)
Total tax charge (continuing operations)	**2,621**	2,231

Deferred Tax

	2009 £ '000	2008 £ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**858**	671
Deferred tax asset to be recovered within 12 months	**790**	598
	1,648	1,269
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(216)**	(132)
Deferred tax liability to be recovered within 12 months	**(89)**	-
	(305)	(132)
Net deferred tax asset	**1,343**	1,137

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 2008	**9**	**-**	**209**	**348**	**703**	**1,269**
(Charged)/credited to income statement and equity	(2)	-	(167)	334	214	379
1 February 2009	**7**	**-**	**42**	**682**	**917**	**1,648**

* Included in the Other deferred tax asset is £0.6m which relates to Group interest charges payable by the US business.

Liability	Accelerated tax depreciation £ '000	Unremitted earnings £ '000	Share-based payments £ '000	Tax losses £ '000	Other £ '000	Total £ '000
1 February 2008	**-**	**(132)**	**-**	**-**	**-**	**(132)**
Charged to income statement and equity	-	(6)	-	-	(167)	(173)
1 February 2009	**-**	**(138)**	**-**	**-**	**(167)**	**(305)**

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, accelerated capital allowance and short term timing differences of £1,092,678 (2008: £1,203,000) 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.

9. Earnings Per Share

	2009	2008
Profit attributable to shareholders £'000	**6,524**	5,305
Weighted average number of shares	**72,471,450**	70,339,958
Basic earnings per share	**9.00p**	7.54p

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.

	2009	2008
Profit attributable to shareholders £'000	**6,524**	5,305
Weighted average number of shares	**72,471,450**	70,339,958
Effect of dilutive securities	**646,657**	2,064,640
Adjusted weighted average number of shares	**73,118,107**	72,404,599
Diluted earnings per share	**8.92p**	7.33p

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 2008	1,512	727	1,514	7,282	33	11,068
Exchange adjustments	61	30	(12)	58	(17)	120
Acquisitions*	-	-	6	-	-	6
Additions at cost	203	21	55	886	13	1,178
Disposals	-	-	-	(112)	-	(112)
At 31 January 2009	1,776	778	1,563	8,114	29	12,260
Accumulated depreciation						
At 1 February 2008	1,044	679	1,139	6,538	6	9,406
Exchange adjustments	(28)	(29)	32	(76)	8	(93)
Charge for the year	164	38	114	474	1	791
Disposals	-	-	-	(100)	-	(100)
At 31 January 2009	1,180	688	1,285	6,836	15	10,004
Net book amount						
At 31 January 2009	**596**	**90**	**278**	**1,278**	**14**	**2,256**

* Acquisitions relate to fixed assets acquired in Poland.

Additions include £0.7m which was was incurred by Nash Technologies in Germany and were not settled in cash at 31 January 2009.

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 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 prior year.

11. Intangible Assets

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2008	1,155	40,670	41.825
Exchange adjustments	(42)	5,993	5,951
Additions at cost *	-	108	108
Adjustments **	-	(47)	(47)
At 31 January 2009	1,113	46,724	47,837
Amortisation			
At 1 February 2008	-	-	-
Charge for the year	(79)	-	(79)
At 31 January 2009	(79)	-	(79)
Net book amount at 31 January 2009	**1,034**	**46,724**	**47,758**

* Additions in the year ended 31 January 2009 relate to an acquisition made in Poland in December 2008. A total investment of £0.1m was made and the fair value of net assets acquired were £0.01m.

** Adjustments in the year ended 31 January 2009 relate to additional goodwill being recognised for the acquisition of TechDiscovery LLP (£0.6m) and a reduction in the goodwill being recognised for the acquisition of Alumni AB (£0.7m).

The carrying amounts of the intangible by acquisition are as follows:

Goodwill	2009 £ '000	2008 £ '000
Harvey Nash BV	**2,848**	2,411
Harvey Nash US and TechDiscovery LLP	**12,295**	8,520
Techpartners Group	**10,807**	10,803
HN IT Consulting NV	**6,168**	5,276
Impact Executives Limited	**3,702**	3,702
Alumni AB	**5,361**	5,555
Silk Road BVI	**1,403**	1,017
Rescon Limited	**4,041**	3,386
Poland	**99**	-
	46,724	40,670
Alumni AB Brand Intangible Asset	**1,034**	1,155
Total	**47,758**	41,825

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 2009-2010 financial year. Management believe the forecasts are reasonably achievable.

Subsequent cash flows were increased over the next five years at 5% and thereafter at 2.5% 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 was on average 7.05%.

12. Trade and Other Receivables

	2009	2008
	£ '000	£ '000
Amounts falling due within one year:		
Trade receivables	**81,442**	60,036
Less: Provision for bad and doubtful debts	**(392)**	(306)
	81,050	59,730
Other receivables	**2,731**	643
Prepayments and accrued income	**20,206**	10,178
	103,987	70,551

As of 31 January 2009, trade receivables of £81.1m (2008: £59.7m) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 January 2009, trade receivables of £28.0m (2008: £19.9m) 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:

Months overdue	**2009** **£ '000**	2008 £ '000
1 – 2 months	**19,957**	15,267
2 – 3 months	**4,195**	2,695
Over 3 months	**3,871**	1,909
	28,023	19,871

As of 31 January 2009, trade receivables of £0.4m (2008: £0.3m) were impaired and provided for.
The individually impaired receivables mainly relate to customers which are in difficult economic situations. 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:

	2009	2008
	£ '000	£ '000
At 1 February	**306**	225
Provision for receivables impairment	**210**	105
Receivables written off during the year as uncollectible	**(124)**	(22)
Unused amounts reversed	**-**	(2)
At 31 January	**392**	306

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:

	2009 £ '000	2008 £ '000
Sterling	**15,582**	12,796
Euros	**58,199**	40,787
US dollar	**4,052**	2,933
Other currencies	**3,217**	3,215
	81,050	59,730

13. Trade and Other Payables – current

	2009 £ '000	2008 £ '000
Trade payables	**48,375**	34,520
Other tax and social security payable	**8,695**	6,500
Accruals and deferred income	**32,671**	25,082
Other payables	**7,747**	390
	97,488	66,492

14. Current Tax Liabilities

	2009 £ '000	2008 £ '000
Current tax liabilities	**2,862**	1,850

15. Analysis of Changes in Net Debt

	1 February 2008 £'000	Cash flow £'000	Foreign exchange movements £'000	31 January 2009 £'000
Cash and cash equivalents	4,184	(271)	545	4,458

Cash and cash equivalents includes £0.3m rental deposit (2008: £nil). These sums are not readily available for other purposes within the Group.

16. Operating Lease Commitments

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

	2009 Property £ '000	2009 Vehicles, plant and equipment £ '000	2008 Property £ '000	2008 Vehicles, plant and equipment £ '000
Commitments under non-cancellable operating leases:				
Within one year	**5,007**	**548**	2,780	304
Later than one year and less than five years	**10,060**	**481**	7,360	678
After five years	**328**	**-**	388	-
	15,395	**1,029**	10,528	982

17. Called Up Share Capital

	2009 £ '000	2008 £ '000
Authorised		
110,000,000 (2008: 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,385,393 ordinary shares of 5p each (2008: 72,440,200)	**3,669**	3,622

The Harvey Nash Employment Benefit Trust held 85,140 shares (2008: 126,775 shares).

Movement in shares in issue	**2009 shares**	2008 shares
Ordinary shares of 5p each		
At 1 February	**72,440,200**	66,492,466
Allotted under share option schemes	-	208,588
Acquisition of Alumni AB	-	5,512,500
Acquisition of Silk Road systems	**123,419-**	226,646
Acquisition of Rescon IT Limited	**371,058**	-
Acquisition of TechDiscovery LLP	**450,716**	-
At 31 January	**73,385,393**	72,440,200

During the year, the number of shares in issue increased to 73,385,393 ordinary shares with a nominal value of £3,669,270.

18. 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:

	2009	2008
Number of employees	**133**	127
Options issued since 7 November 2002	**5,447,500**	4,865,000
Vesting period (years)	**3**	3
Expected volatility	**0.44**	0.49
Option life (years)	**3**	3
Expected life (years)	**3**	3
Risk free rate	**4.3%**	4.3%
Expected dividends expressed as a dividend yield	**4.1**	3.8
Possibility of ceasing employment before vesting	**20%**	20%
Expectations of meeting performance criteria	**100%**	100%
Average fair value per option	**0.23p**	0.23p

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 2009 is shown below:

	2009		2008	
	Number ('000)	**Weighted average exercise price**	Number ('000)	Weighted average exercise price
Outstanding at 1 February	**5,405**	**0.60**	4,656	0.53
Granted	**583**	**0.38**	1,060	0.85
Forfeit	**(402)**	**0.82**	(103)	0.55
Exercised	**-**	**-**	(208)	0.29
Outstanding at 31 January	**5,586**	**0.56**	5,405	0.60
Exercisable at 31 January	**3,306**	**0.45**	2,824	0.50

Details of the expiry date of options outstanding at the year end is given in the Remuneration Report on page 22.
The total charge for the year relating to employee share based payment plans was £0.2m (2008: £0.2m), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £0.1m (2008: £0.2m)

19. Share Premium Account

	2009 £ '000	2008 £ '000
At 1 February	**8,208**	4,111
Premium on shares issued during the year under share option schemes	**-**	50
Acquisitions in the period	**204**	4,320
Costs associated with raising equity	**-**	(273)
At 31 January	**8,412**	8,208

20. Retained Earnings

	2009 £ '000	2008 £ '000
At 1 February	**18,963**	15,218
Employee share options and bonus plan	**136**	(117)
IFRS 2 Deferred Tax charge to equity	**(147)**	(215)
Profit for the year	**6,524**	5,305
Dividends paid	**(1,369)**	(1,228)
At 31 January	**24,107**	18,963

21. 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 2008	**3,622**	**8,208**	**1,643**	**15,079**	**(148)**	**767**	**18,963**	**48,134**
Employee share option and bonus plan	-	-	-	-	28	1	136	165
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(147)	(147)
Acquisitions in the period	47	204	(1,745)	-	-	-	-	(1,494)
Profit for the year	-	-	-	-	-	-	6,524	6,524
Dividends paid	-	-	-	-	-	-	(1,369)	(1,369)
Currency translation adjustments	-	-	188	-	-	6,811	-	6,999
31 January 2009	**3,669**	**8,412**	**86**	**15,079**	**(120)**	**7,579**	**24,107**	**58,812**

	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**

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 SilkRoad Systems Limited.

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.

22. Employees and Directors

Staff costs for the Group during the year (including directors)	**2009 £ '000**	2008 £ '000
Wages and salaries	**35,753**	30,508
Social security costs	**4,842**	4,035
Other pension costs (note 23)	**1,550**	1,177
Share option charge and share based employee settlement	**173**	210
	42,318	35,930

2009 Average number of people employed (including directors)	UK	Rest of World	**Total**
Directors	3	-	**3**
Sales	194	230	**424**
Administrative	104	89	**193**
	301	319	**620**

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**

Key management compensation	**2009 £ '000**	2008 £ '000
Salaries and short-term employee benefits	**3,606**	3,555
Post-employment benefits	**247**	230
	3,853	3,785

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

Directors	**2009**	2008
	£ '000	£ '000
Fees	**170**	159
Basic salaries, allowances and taxable benefits and car allowance	**1,059**	1,072
Aggregate emoluments	**1,229**	1,231
Pension contributions	**65**	65
Emoluments of Chairman	**60**	56
Emoluments of highest paid Director (including pension contributions)	**497**	492

Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 18 to 22.

23. 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 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 (2008: £nil).

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 2009, was £503,636 (2008: £402,911).
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 2009, was £1,046,364 (2008: £774,089).

24. 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	-

25. 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 2009 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
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy

All subsidiary companies are consolidated.

The results for Harvey Nash Consulting (Scotland) Limited and Fila & Myszel Associates Sp are not considered material to the Group so no minority interest has been recognised.

The directors believe that the book value of investments is supported by their underlying net assets.

26. Derivative Financial Instruments

The Group's financial instruments comprise cash, bank overdraft, 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 35 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 2009.

The Group held no derivative financial instruments at 31 January 2009 (2008: none) requiring to be fair valued.

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 2009 (2008: £2.0m). All conditions precedent to the overdraft were met at 31 January 2009 and 31 January 2008.

Undrawn borrowing facilities	**Fixed rate £'000**	**Floating rate £'000**	**2009 Total £'000**	2008 Total £'000
Expiring within one year	**-**	**2,000**	**2,000**	2,000

27. Share based payments

	2009 £ '000	2008 £ '000
Share based payments - management bonus	**-**	53
Share based payments - IFRS 2 charge	**173**	157
	173	210

28. Dividends

The dividends paid in year end January 2009 were £1.4m (2008: £1.2m).
The proposed final dividend of £0.9m (1.2p per share) is subject to approval by shareholders at the Annual General Meeting on 2 July 2009 (2008: 1.1p per share amounting to £0.8m) and has not been included as a liability at 31 January 2009.

	2009 £ '000
Final dividend for year end January 2008 of 1.1p per share	791
Interim dividend for year end January 2009 of 0.8p per share	578
	1,369
Proposed final dividend for year end January 2009 of 1.2p per share	881

29. Contingent Consideration

	2009 £ '000
At 1 February	2,801
Settled in the year	(2,788)
Foreign exchange	650
Adjustment to consideration - Alumni	(663)
Additional consideration	52
At 31 January	52

Financial statements for the Parent Company
Harvey Nash Group plc, the Company
Under UK GAAP

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

We have audited the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2009 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 2009.

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 2009;
- 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
12 May 2009

Company Balance Sheet

as at 31 January 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments	3	**52,117**	51,819
		52,117	51,819
Current assets			
Debtors	4	**15,208**	8,977
Cash at bank		**146**	1,523
		15,354	10,500
Creditors due within one year	5	**(31)**	(637)
Net current assets		**15,323**	9,863
Total assets less current liabilities		**67,440**	61,682
Creditors due after more than one year	6	**(13,643)**	(12,448)
Net assets		**53,797**	49,234
Capital and reserves			
Share capital	7	**3,669**	3,622
Shares to be issued	8	**86**	1,643
Share premium account	8	**8,412**	8,208
Capital contribution	8	**20,000**	20,000
Other reserves	8	**13,667**	13,494
Profit and loss account	8	**7,963**	2,267
Equity shareholders' funds	9	**53,797**	49,234

The financial statements on pages 54 to 59 were approved by the Board on 12 May 2009 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".

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	2009 £ '000	2008 £ '000
Shares in group undertakings		
At 1 February	**51,819**	39,066
Increase – share-based payments	**173**	157
Additions	**125**	12,596
At 31 January	**52,117**	51,819

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 2009-2010 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 2009 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
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy

4. Debtors

	2009 £'000	2008 £'000
Amounts owed by subsidiary undertakings	**15,208**	8,977

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

	2009 £'000	2008 £'000
Bank overdraft	**-**	-
Deferred consideration	**31**	637
	31	637

6. Creditors: Amounts Falling Due After More Than One Year

	2009 £'000	2008 £'000
Amounts owed to subsidiary undertakings	**13,622**	11,759
Deferred consideration	**21**	689
	13,643	12,448

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

7. Share Capital

	2009 £'000	2008 £'000
Authorised		
110,000,000 (2008: 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,385,393 ordinary shares of 5p each (2008: 72,440,200)	**3,669**	3,622

A reconciliation of movements in share capital is presented in note 17 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 2008	**3,622**	**8,208**	**1,643**	**20,000**	**13,494**	**2,267**	**49,234**
Employee share option and bonus plan	-	-	-	-	173	-	**173**
Acquisitions in the period	47	204	(1,745)	-	-	-	**(1,494)**
Dividends received	-	-	-	-	-	3,500	**3,500**
Dividends paid	-	-	-	-	-	(1,369)	**(1,369)**
Profit for the year	-	-	-	-	-	482	**482**
Exchange gain	-	-	188	-	-	3,083	**3,271**
31 January 2009	**3,669**	**8,412**	**86**	**20,000**	**13,667**	**7,963**	**53,797**

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

	2009	2008
	£'000	£'000
Profit/(Loss) for the year	**482**	(62)
Dividends received	**3,500**	4,000
Dividends paid	**(1,369)**	(1,228)
Exchange gain/(loss)	**3,271**	(132)
Issued share capital (including premium)	**251**	4,394
Shares to be issued	**(1,745)**	1,055
Employee share option charge	**173**	157
Net increase in shareholders' funds	**4,563**	8,184
Opening shareholders' funds	**49,234**	41,050
Closing equity shareholders' funds	**53,797**	49,234

10. Profit Attributed to the Parent Company

The profit for the year ended 31 January 2009 in the financial statements of Harvey Nash Group plc, the Company, was £482,000 before the receipt of dividends (2008: loss £62,000). 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 (2008: nil), other than directors. Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2008: nil). See note 22 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	-