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Harvey Nash Group plc

Annual Report 2013

Directors, Secretary and Advisers

Ian Kirkpatrick
Non-Executive Chairman
Ian Kirkpatrick, aged 68, 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 has been a non-executive director of a number of private, publicly-quoted and public sector organisations Ian is Chairman of Prime Estates Limited He was appointed Chairman of Harvey Nash Group plc (Harvey Nash) in January 1997 and has announced his decision to retire at the Annual General Meeting in June 2013

Julie Baddeley
Senior Independent Non-Executive Director
Julie Baddeley, aged 62, is a Non-Executive Director and was appointed in September 2011 Julie is Chairman of the Remuneration Committee and Senior Independent Director Julie will be appointed as the Non-Executive Chairman and the Chairman of the Nomination Committee at the Annual General Meeting in June 2013 She is currently a Non-Executive Director of Chrysalis VCT plc and Senior Independent Director at Greggs plc, and Chairman of Sustain Limited, a leading environmental consultancy

Ian Davies
Non-Executive Director
Ian Davies, aged 58, is a Non-Executive Director and was appointed in September 2010 Ian, who was also appointed Chairman of the Audit Committee, is a former audit partner and has publicly listed Board experience He is currently deputy Chairman of BMT Group Limited, Chairman of the BMT Remuneration Committee and a member of the BMT Audit Committee Ian is also a Fellow of the Institute of Chartered Accountants in England and Wales, Chairman of the ICAEW Remuneration Committee, a Senior Independent Director of its Board and a member of Council and the Technical Advisory Committee Ian will be appointed as the Senior Independent Director at the Annual General Meeting in June 2013

Tom Crawford
Non-Executive Director
Tom Crawford, aged 62, is a Non-Executive Director and was appointed in February 2002 He was previously Joint Managing Director and founder of the business

Albert Ellis
Chief Executive Officer
Albert Ellis, aged 49, is Chief Executive Officer and was appointed to the Board in February 2000, as Group Finance Director He was appointed as Chief Executive Officer in June 2005 He was previously a Finance Director with Hays Plc

Richard Ashcroft
Group Finance Director
Richard Ashcroft, aged 55, 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, including Michael Page International Plc

Simon Wassall
European Managing Director
Simon Wassall, aged 50, was appointed to the Board in October 2005 He has been with the Group since 1994 and is responsible for the UK and European IT recruitment operations

Margot Katz
Group Director of Talent
Margot Katz, aged 61, is Group Director of Talent and was appointed to the Board on 1 May 2011 She has previous Board experience, including her role as the head of professional development for a leading Human Resources consultancy

Directors
Ian Kirkpatrick
Julie Baddeley
Ian Davies
Tom Crawford
Albert Ellis
Richard Ashcroft
Simon Wassall
Margot Katz

Secretary
Richard Ashcroft

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Registered Number
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Principal Bankers
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CHAIRMAN'S STATEMENT

I am delighted to report another excellent set of results given the current market conditions, which have exceeded expectations during the year, with growth in revenues and profits for the third successive year

Revenue exceeded last year's record peak as significant market share gains continued to drive activity in challenging markets The Group's strategy of expanding and diversifying the business, in particular focussing on the more buoyant temporary and contract recruitment market, underpinned this strong performance despite a weakening macro-environment throughout 2012

Financial Results

The Group's revenue for the year ended 31 January 2013 increased by 12% to £594 7m (2012 £533 0m) owing mainly to robust demand for temporary and contract recruitment Gross profit increased by 6% to £83 0m (2012 £78 5m) Changes in the mix of services in favour of contract and temporary recruitment was responsible for the overall margin shift

Operating profit, adjusted for non-recurring items, increased by 5% to £9 4m (2012 £9 0m) despite investment in three new offices in Hong Kong, Sydney and Ghent Excluding the investment in new offices, operating profit increased 10% with the conversion margin consistent at 11% Non-recurring costs of £0 8m (2012 £Nil) were incurred, comprising £0 6m property charges in relocating the Group's London office and £0 2m of acquisition related legal fees

Adjusted basic earnings per share increased by 5% to 8 33p (2012 7 97p), which is aligned to the increase in adjusted operating profit owing to a higher weighted average shares in issue arising from exercise of employee options offset by a lower income tax charge

Cash flow from operating activities was strong, 107% higher at £9 6m (2012 £4 7m) after a substantial reduction in working capital required from £6 7m in the prior year to £1 3m in the year to 31 January 2013 Strong free cash flow facilitated the capital relocation costs, the initial consideration of the Talent IT acquisition, the dividend increase and share purchases on behalf of the Group's EBT

The balance sheet remained strong with net cash of £5 0m (2012 £5 2m) Although the Group has no long-term debt, short-term working capital funding of circa £50m is available on a rolling twelve month basis to finance growth in the contracting and outsourcing payroll

Dividend

The Board is recommending an increased final dividend of 1 795 pence per share, 10% up on the prior year (2012 1 635p) If approved at the forthcoming Annual General Meeting, the final dividend, which would take total dividend pay-outs for the year to 2 92 pence per share (2012 2 66p), will be paid on 12 July 2013 to shareholders on the register as at 21 June 2013 This marks the sixth successive annual increase

Strategy

Total shareholder returns over seven years ending 31 January 2013, were within the top quartile when compared to a comprehensive list of comparator companies The Group's broad portfolio of services is the key factor delivering these yields

The Group's portfolio has two distinct but overlapping services recruitment, and IT outsourcing & offshoring services In the recruitment division, the Group benefits from market leadership in Europe and a strong brand and reputation in the US and Asian markets

In the outsourcing and offshoring business, the growth has been underpinned by our business in Vietnam which has pioneered the Group's entry into wireless telecoms outsourcing in Germany Our offshoring capability provides competitive advantage and a measure of stability, especially in recent years, when there has been economic uncertainty and demand for recruitment is naturally lower

With recent global macro-economic factors, demand has favoured lower cost offshore solutions rather than projects in mature economies in Europe Accordingly, the Group's strategic focus is on growing its outsourcing business in Vietnam whilst reducing onshore headcount This year will see the start of this transformation which will align the overall business with expected demand

Opportunities for making earnings enhancing bolt-on acquisitions continue to arise and we will explore these as part of our growth strategy As tighter credit markets squeezed smaller recruitment companies, the Group was able to acquire the Talent-IT business in Belgium and is now the market leader in Benelux

Finally, tight control of costs has always been at the heart of our strategy For example, achieving significant savings by relocating our head office

In summary, the Group is well positioned to consolidate its substantial market share gains in the recruitment sector, whilst at the same time re-shaping its outsourcing division to take advantage of new and evolving opportunities in the future and also continuing to take advantage of bolt-on acquisition opportunities as they arise

Employees

In my last review of a full year I would like to pay tribute to the outstanding staff which Harvey Nash employs, in whichever country they work I would like to thank all members of staff for their contribution over the past year, a time which has been far from ideal for recruitment

The management team, ably led by Albert Ellis, our increasingly outstandingly recognised CEO, strongly supported by Richard Ashcroft, Simon Wassall and Margot Katz are all to be congratulated on giving the Group such positive direction

Board

As I announced in June 2012, I will be retiring following the Annual General Meeting in 2013 We subsequently announced that Julie Baddeley, Senior Independent Director and Chairman of the Remuneration Committee, would be appointed Non-Executive Chairman with effect from the close of the Annual General Meeting in 2013 Julie joined the Group in September 2011 and is currently a Senior Independent Director of Greggs Plc and a Non-Executive Director at Chrysalis VCT plc having previously served on a number of boards including Camelot Group plc and Spice plc

Ian Davies, Non-Executive Director and Chairman of the Audit Committee, will take on the role of Senior Independent Director, also with effect from the close of the Annual General Meeting in 2013 Ian is currently deputy Chairman of BMT Group Limited and is Chairman of the Remuneration Committee of the Institute of Chartered Accountants in England and Wales, a Senior Independent Director of its Board and a member of Council and the Technical Advisory Committee

Having overseen the appointment of two Non-Executive Directors, I am delighted that the Board is announcing today, the appointment of David Bezem, as a third Non-Executive Director with effect from 1st June 2013 David has more than 25 years' experience providing corporate finance and general advice to quoted UK based companies with specialist expertise in the support services and media sectors David has a B Sc (econ) from the London School of Economics and qualified as a Chartered Accountant with Arthur Andersen & Co He has held a number of roles, most recently as a Managing Director in Altium's corporate finance business and prior to that as a managing director at Close Brothers Corporate Finance

I am confident that the Group will benefit from the leadership and guidance of this excellent team of Non-Executive Directors as it continues to deliver shareholder value in challenging markets

Current trading and Outlook

The outlook for temporary recruitment and offshore projects remains encouraging, however, owing mainly to weak demand in Europe, the short-term outlook for the first half of the year reflects the caution in the market

The Board anticipates that market conditions will improve later in the year and therefore expects trading momentum in the second half to improve, with the full year results in line with current expectations

Ian Kirkpatrick
Chairman
29 April 2013

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland increased 21% to £210 4m (2012 £173 4m) and gross profit increased 9% to £31 2m (2012 £28 6m) Operating profit was up 13% at £2 7m compared to £2 4m the previous year These results are excellent given the widely reported challenging conditions in the UK and Ireland market Executive recruitment was patchy throughout the year but contract and temporary recruitment were robust

Whilst the financial services and banking sector was weak, demand from the public sector began to recover, in education, healthcare and local authority recruitment Budgetary constraints and fiscal consolidation is driving management change, demanding new commercial skills on Boards and a broad investment in technology systems A recent report into the higher education sector recommended harnessing technology to enable individual benchmarking and to solve the challenges facing UK universities

The regional offices continued to grow with revenues up 18% driven by market share gains, new mandates and the addition of new vertical skills markets Recent office openings such as in Manchester and the continued success of Scotland combined with Dublin's rapid recovery (gross profit was up 38%) resulted in strong financial results despite the challenging market Growth in Ireland is supported by a buoyant market for temporary and contract roles and multinationals based in Dublin with staffing needs

Our London business performed well compared to the market, growing existing accounts and acquiring new supplier relationships Permanent placements in the digital sector were lower than in the prior year, but demand for software development for smartphones and tablets continued to drive acute skills shortages and strong demand

A feature of the technology market is the renewed interest in offshore services with clients seeking to outsource existing operations and resource new projects at lower costs This cyclical trend of demand ebbs and flows along with corporate earnings and pressure on costs, and resulted in our UK offshore business increasing gross profit by 30%

During the year, we took the opportunity to reduce the Group's property overheads through relocation of the London office The move resulted in a non-recurring charge, with like-for-like savings over the ten-year period of the lease anticipated to be circa £0 9m per annum

Mainland Europe

Revenue in Europe increased 5% to £334 0m (2012 £319 0m) but gross profit was 2% lower at £38 0m (2012 £39 0m) However, operating profit increased 5% to £5 9m (2012 £5 6m) as a result of tight cost control, changes in the mix of revenue in favour of contracting and the margin enhancing acquisition As we have reported previously, clients continue to favour temporary and contract recruitment and demand for permanent recruitment is very weak Accordingly, given the uncertainty and volatility in the Eurozone and weakness of the permanent recruitment market, we are very pleased with this financial performance

Our strategy has been to expand in the Nordic and Benelux markets, including Germany and Poland whilst maximising cost control and productivity in Switzerland and France, which have been more challenging

The strongest growth in the region was in the Benelux with gross profit up 18% and operating profit up 38% This reflected robust organic and acquisition-led growth The Netherlands increased revenues and profits and in Belgium the new office in Ghent achieved breakeven during the final quarter of the year The acquisition of Talent-IT in Belgium has resulted in the combined Harvey Nash Benelux business becoming the clear market leader in technology and project recruitment in the region

Integration into the wider Group is on track and the combined business is performing in line with expectations One of the benefits to flow to the Group is Talent IT's innovation in relation to skills shortages developing a technology apprenticeship model bringing new talent to market on the client's behalf

Demand in the Netherlands was weak and sentiment in the labour market has been severely impacted by the instability in the Eurozone and additional regulation of recruitment businesses Despite these challenges, the number of temporary contractors working at client's sites increased by 13%, and resulted in a 9% increase in revenues France made a reduced loss following the closure of the contingent permanent recruitment business

In the Nordic region, the business is the market leader in executive recruitment Despite this focus on permanent recruitment, gross profit revenue was only 8% below the prior year with operating profit 26% below the year ended 31 January 2012 In Sweden, the mid-market professional recruitment brand performed well, up 18% whilst the successful introduction of interim management resulted in gross profit increasing 230%, reflecting the broader European trend to temporary recruitment Finland

and Norway were broadly similar to the prior year As separately announced today, the Group has exercised its option to acquire the remaining share capital in the Norwegian subsidiary Bjerke & Luther AS, which has been successfully integrated during the period since initial acquisition

Central & Eastern Europe includes Germany, Switzerland and Poland Gross profit was 8% lower and operating profit was 9% lower than the prior year Switzerland continues to be severely impacted by the rapid appreciation of the Swiss Franc and by the downturn of the financial services sector, in particular the two large recruiters based in Zurich are global banks A strategy for diversification in Geneva in the consumer goods sector has been implemented We have continued to support our major clients through their on-going restructuring and strategic reviews, but with demand materially lower, gross profit was down 12%

German contract recruitment revenues were robust and permanent recruitment relatively stable compared to other Eurozone countries The strongest growth came from the Munich office with revenue doubling compared to the prior year The engineering discipline was also very strong as demand from the automotive and manufacturing sectors contributed to a 27% increase in revenues Results from the Group's outsourcing locations in Nuremberg and Stuttgart were lower than in the prior year owing to project delays by the key client, particularly in the second half of the year The business will be right-sized in the current year to align it to current demand

Poland reported a contribution to overhead for the year as a whole, as demand is stable and the business is undertaking recruitment across Eastern Europe The next phase of growth is likely to come from professional technology recruitment in Poland itself and also in generating placements into Germany and other European countries as skills shortages continue and wage differentials persist This investment will create a loss in the first three quarters of the current year with a target to breakeven in the final quarter

United States

Revenue in the USA was up 20% at £45 6m (2012 £38 0m) and gross profit up 11% to £11 0m (2012 £9 9m) Operating profit was up 14% to £1 0m (2012 £0 8m) The US recruitment sector has continued to be challenging over the last two years Demand for recruitment was affected by increasingly volatile business sentiment, linked to the political deadlock which resulted in the so-called fiscal cliff in the final quarter of the year The Group's executive search business was adversely affected whilst its offshore and managed services offerings were beneficiaries as clients looked to reduce risk through lowering headcount and offshoring projects

However, the first half of the year was strong, buoyed up by improving economic indicators and a broad recovery in investment in technology This resulted in a switch in the technology market from temporary to permanent with IT permanent placements increasing by 27% year on year IT temporary contractor placements also increased 20% year on year with increased demand throughout the country Outsourcing and offshoring continued to grow strongly, increasing revenues by 62% year on year Offshoring growth was attributable to existing clients and new markets such as Australia, which is managed and led from the USA

Geographically, revenue and profit growth was strongest in the Midwest as both Chicago and Denver offices continued strong recoveries from the recent recession The West Coast was robust as Seattle benefited from improved market conditions while market conditions in San Francisco were more challenging The East Coast offices, New York and New Jersey reported modest growth as we have been able to diversify our client base away from the financial services sector and have proportionately more offshoring and outsourcing clients

Asia Pacific

This division, which includes the profitable Vietnam business and the two new offices opened during the period in Hong Kong and Sydney saw a 169% increase in gross profit, including start-up losses of £0 5m (included within the overall result)

Hong Kong and Sydney saw impressive revenue growth, facilitating the expansion of the new offices to approximately 20 consultants by year-end Rising demand for outsourcing around the world, the Group's success in Australia and the strong growth in the UK have contributed to record headcount in Vietnam with approximately 1,500 software developers and BPO staff working on client projects

We are preparing for the next phase of growth, further building on our strength as a provider of offshore services assisting clients to increase efficiencies and reduce costs As we align our in-house capability in Germany to take account of the changing market trends in Europe, we will continue to grow our client project headcount in Vietnam, our global off-shoring hub

New Strategic Partnership

Followıng the year-end, and as separately announced today, the Group concluded an agreement wıth Japanese quoted group Mıtsuı & Co to buıld the largest call centre ın Vıetnam and promote software development and busıness process outsourcıng to the Japanese market Under the venture, Harvey Nash Vıetnam wıll take a 15% stake ın MOCAP Vıetnam and transfer ıts non-core call centre busıness to the new strategıc partnershıp Mıtsuı & Co wıll provıde access to the Japanese markets whılst Harvey Nash wıll focus on ıts core outsourcıng servıces software development and busıness process outsourcıng

Albert Ellıs
Chıef Executıve Officer
29 Aprıl 2013

FINANCIAL REVIEW

Profit & Loss

The Group's overall revenue ıncreased by 12%, gross profit by 6% and operatıng profit adjusted for non-recurrıng ıtems by 5% Gross profit margın was 14% (2012 15%), wıth a change ın the mıx of servıces ın favour of contract and temporary recruıtment beıng responsıble for the movement

Operatıng profit, adjusted for non-recurrıng ıtems, ıncreased by 5% to £9 4m (2012 £9 0m) The conversıon rate of gross profit to operatıng profit was consıstent at 11% Cost were tıghtly controlled durıng the year, rısıng by just 6% compared to a growth ın revenue of 12% despıte ınvestment ın new offices ın Hong Kong, Sydney and Ghent Headcount ıncreased durıng the year by 18% through a combınatıon of organıc growth and acquısıtıon

The non-recurrıng ıtem represents costs assocıated wıth the Group relocatıng ıts head office to the Heron Tower £0 6m plus legal fees assocıated wıth the acquısıtıon of Talent IT ın Belgıum £0 2m Net ınterest payable durıng the year was £0 8m (2012 £0 5m)

Taxatıon

The overall effectıve rate of tax ıs a functıon of the mıx of profits between the varıous countrıes ın whıch the group operates, wıth hıgher rates ın the Unıted States, Germany and Belgıum ın partıcular beıng offset by lower rates elsewhere

The tax charge for the year was £2 3m (2012 £2 6m) gıvıng an overall effectıve rate of tax of 28 6% (2012 30 3%) Thıs ıncluded an adjustment to current taxatıon ın respect of prıor years of £1 1m and an offsettıng prıor year deferred taxatıon credıt of £1 1m The deferred tax asset of £2 7m (2012 £2 0m) related prımarıly to accrued Group ınterest charges payable by the US busıness (£1 0m), tax losses (£1 0m) and post-employment lıabılıtıes (£0 5m) and was offset by a deferred tax lıabılıty (£0 5m) relatıng maınly to unremıtted earnıng (£0 2m) and accrued revenue (£0 2m)

Non-controllıng ınterests

The non-controllıng ınterest (£0 1m) represents the mınorıty share of profit after tax of Bjerke & Luther AS ın Norway, ın whıch the group has 50 1% stake The remaınıng 49 9% stake was acquıred by the Group on 29th Aprıl 2013 for a consıderatıon of £1 3m

Earnıngs per Share

Adjusted basıc earnıngs per share (whıch excludes the effect of non-recurrıng costs) rose by 5% to 8 33p (2012 7 97p) Basıc earnıngs per share, after non-recurrıng costs, fell by 6% to 7 49p (2012 7 97p)

Balance Sheet

Total net assets at the year-end were £68 5m (2012 £63 5m), an ıncrease of 8%

Property, plant and equıpment rose by £0 8m owıng maınly to the cost of leasehold ımprovements (£1 2m) relatıng maınly to the cost of fittıng out the new premıses ın London, addıtıons to computer equıpment (£1 2m) and fixed assets related to the acquısıtıon of Talent IT, less deprecıatıon £2 3m Fıxed asset dısposals (£8 5m cost) ıncluded a lease acquıred as part of the acquısıtıon of Talent IT (£0 8m) whıch was resold ımmedıately at the purchase prıce The balance related maınly to the wrıte-off of fully deprecıated fixed assets ın London, whıch ceased to be used followıng the move to new premıses

Intangıble assets rose by £4 3m owıng to goodwıll arısıng on the acquısıtıon of Talent-IT (£3 2m) plus exchange adjustments (£1 1m) less brand amortısatıon (£0 1m)

The deferred income tax asset rose by £0 7m owing mainly to a switch between current tax and deferred tax relating to post-employment liabilities in Germany

Net trade receivables rose to £86 6m (2012 £78 2m) as a result of higher revenue Prepayments and accrued income rose by £2 0m owing mainly to increases in accrued revenue in the United Kingdom and outsourcing contracts in Germany Debtor days fell to 42 5 days (2012 42 9 days) Trade payables fell by £0 7m to £47 4m, while accruals for taxes and social security payable rose by £1 9m owing to higher staff costs Other accruals rose by £8 0m owing to mainly to higher accruals for contractor costs in the United Kingdom and the Netherlands The overall reduction of £0 1m in provisions for liabilities and charges relates to the utilisation during the year of a provision for an onerous lease The remaining provision relates to an onerous lease which expires in September 2014

The Group had a positive net cash position at 31 January 2013 of £5 0m (2012 £5 2m) and has no long-term debt

Cash Flow

Cash flow from operating activities was strong, 107% higher at £9 6m (2012 £4 7m) after a substantial reduction in the working capital required from £6 7m in the prior year to £1 3m in the year to 31 January 2013 This excellent free cash flow facilitated all of the capital and move costs of the relocation, the initial consideration of the Talent-IT acquisition, the dividend increase and share buy backs

Banking Facilities

As at the 31 January 2013, the Group had total borrowings of £9 4m The Group maintains substantial headroom in its banking facilities to fund working capital The facilities were increased on 12th February 2013 to £52 4m, comprising £50m of invoice discounting facilities of which £25m is in the United Kingdom, the equivalent in Euros of £15m is in the Netherlands, the equivalent in US $ of £5m is in the United States and the equivalent in Euros of £5 million is in Belgium, plus a £2m and €0 5m overdraft facility in the United Kingdom and Belgium respectively

Acquisitions

On 31 May 2012 the Group acquired 100% of the share capital of Talent-IT BVBA, a Belgian based IT project and recruitment company, and its subsidiary Team4Talent BBVA for an initial cash consideration of £1 4m Contingent consideration of a further £2 2m is payable subject to certain earn out thresholds being met over a 3 year period

R Ashcroft

Richard Ashcroft
Group Finance Director
29 April 2013

Directors' Report

for the year ended 31 January 2013

The Directors present their annual report and the audited consolidated financial statements of the Group and Company for the year ended 31 January 2013

Principal Activities

The Group's principal activity during the year was the provision of professional recruitment and outsourcing services The Group has a number of overseas subsidiaries and branches in Europe, USA, Vietnam, Australia and Hong Kong 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, 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

- Adjusted operating profit per employee * £12,705 (2012 £14,203)
- Gross profit per employee £111,653 (2012 £124,239)
- Debtor days 42 5 (2012 42 9)
- Fee earner percentage ** 66% (2012 68%)

* Operating profit before non-recurring items

** Fee-earners as a percentage of total sales and administration employees

A further analysis of the key performance indicators is given in the Financial Review on page 8

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

Risk	Description	Mitigation
Economic Environment	The performance of the Group is impacted by the economic cycles of the economies of the countries in which it operates	The Group has a number of policies in place to mitigate macro economic risks These include a broad portfolio of services appropriate to different stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue
Key Clients	The Group is not overly reliant on any one key client, however there is a risk that business performance may be impacted if a number of key clients were lost	The Group ensures that there are regular reviews of relationships with all clients The Group continues to invest heavily in customer experience and relationship management The diversified geographical and sectoral footprint also reduces the risk of losing a number of key clients due to the macro economic conditions impacting a country or sector
Talent	The loss of senior management or key personnel could adversely affect the Group's results	This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council and Group Director of Talent
Regulatory Environment	The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market	The Group mitigates this risk by taking external professional advice where appropriate and maintaining robust internal controls and processes to ensure compliance with respect to legal and contractual obligations
Foreign Exchange	The Group has significant operations outside the UK and is therefore exposed to movements in exchange rates	Harvey Nash manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings The currency risk of holding assets and liabilities in foreign currencies across the Group is managed by partially matching foreign currency assets with foreign currency liabilities
Technological development and innovation	Technological advancement is at the forefront of maintaining excellent customer experience, as is understanding the impact of social media on the recruitment sector	The group continually invests in customer experience technology and the improvement of customer service Talent is key to the Group and consultants are trained in the use of social media and its impact on the traditional recruitment model
Data protection	The Group operates with a number of complex systems which maintain confidential data	Data protection remains a key priority The Group has data protection and security policies in place and regularly reviews the effectiveness of these policies

Results and dividends
The Group's profit before tax for the year was £7 9m (2012 £8 5m) A final dividend of 1 795 pence per share has been declared on 30 April 2013 amounting to £1 3m (2012 1 635p per share amounting to £1 2m) subject to shareholder approval at the AGM on 20 June 2013 If approved this would take total dividend payouts for the year to 2 92 pence per share (2012 2 66p)

Share Capital
There was no movement in shares in issue during the year The number of ordinary shares at 31 January 2013 was 73,450,393 (2012 73,450,393) with a nominal value of £3,672,520 (2012 £3,672,520)

Directors and their Interests
The Directors who held office at the date of this report are shown on page 2 The Company's Articles of Association require directors to retire from office every three years, while Non-Executive Directors who have served for over nine years must stand for re-election every year Tom Crawford having served for longer than nine years, therefore offers himself for re-election

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 we have a responsibility to play a constructive part within the community at large, and that social, environmental and ethical matters are part of the investment mix in order to create a long-term sustainable business Aware of the importance of Corporate Responsibility to our employees, the Group's key message over the last five years, has been in that being a member of the Harvey Nash team also means being a valued contributor to society Our employees are enthusiastic about people and are always ready to support programmes that benefit the community

The Board encourages employees to make their own personal choices, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees is actively promoted The Group does not take responsibility to do this on employees' behalf The Group is not aligned to a particular political party and neither does it make political donations or material charitable grants However, detailed policies and activity is available for each country as appropriate A few examples of recent activity and the Group's general policies are described below

(a) Environmental policy
The Group's operations, being services, are inherently less damaging to the environment than other business sectors However, the Board recognises that the business must minimise its impact on the environment and utilises recommendations from the Carbon Trust to reduce the carbon footprint of the organisation The Group's environmental policy statement commits our company to

- Re-cycling - reducing the overall amount of waste being sent to landfill by separating out materials for recycling,
- Water – making use of mains water supply for personal consumption through on site water filtration and purification,
- Efficiency - optimising the operation of building cooling and heating systems,
- Energy - introducing low energy lighting wherever appropriate and feasible,
- Technology hardware and software - software automatically swicthes off computers to reduce consumption of power
- Travelling - promoting the use of public transport and increased use of video teleconferencing and online webinars
- Procurement – processes are in place to ensure that the procurement of goods, services and material capital items such as property seeks wherever possible to reduce the Group's carbon footprint

(b) Charitable, political and work in the community
A number of senior directors in the business are involved with projects and work in the community

Harvey Nash employees on not-for-profit advisory boards:

Albert Ellis, CEO, is part of an External Advisory Panel of City University London's Centre for Information Leadership - a group of IT industry luminaries who steer the Centre's education and research direction He is also an advisor on Asia House's international advisory Board

Magnus Tegborg, Managing Director of Harvey Nash's Nordic businesses is chairman of the nomination committees for City of Stockholm board and for the nomination of Members of Parliament for the Stockholm region

Simon Wassall, Managing Director Europe is a Board member of Byte Night London - the IT industry's annual sleep out in support of Action for Children

Nick Marsh, Managing Director Executive Search APAC, is a member of the CSR Steering Group for the British Chambers of Commerce, Hong Kong

Rhona Hutchon, Market Director Edinburgh, is co-chair of Byte Night Scotland

Sherree Young, Head of Practice Oil & Gas is NED / Trustee at Kids' City, a London based charity providing childcare and out of school activities to children

Lo Bäckström, Consultant & Head of Public Practice, Alumni Sweden is on the nomination committee for Junior Achievement Sweden, a non-profit encouraging entrepreneurship through schools

Some examples of charitable activity:

In the US our Chicago office supported i c stars, a charity supporting low income young adults, and Hire for Heroes, an initiative that creates job opportunities for US military, through providing event support and career advice workshops Our San Francisco office supported Food Bank's Fight Against Hunger campaign by distributing fruit and vegetables to low income families

In Germany, employees participated in a company run of Nuremberg as well as a 24 hour shared cycle ride on a static bike, both activities contributing to several charitable organisations There were also activities to support the Olga Hospital which helps sick children and their parents

In Sweden, support was given to the Swedish Childhood Cancer Foundation through a number of activities – including sponsored bike rides In addition, there was support for Hand in Hand, a charity which aims to eliminate poverty through helping individuals to help themselves Employees helped a number of charities recruit senior executives on a cost neutral basis

In Vietnam, there was a wide range of activities targeted at supporting children in need and the poor including the Ha Noi Run for children which raised funds and awareness for healthcare issues in Vietnam
In the Netherlands, employees participated for the third year in the annual Unicef run of Breukelen, a sponsored run for charity

In UK, throughout the country our offices have been actively involved in working with local schools to provide career advice and guidance In London, various activities including bucket collections, Byte Night and static cycling outside our Heron Tower head office, generated over £15,000 for a variety of charities Our Mortimer Spinks business made a major contribution to Red Nose Day, involving most staff from all three offices and raising over £1,300 Impact Executives raised £1,000 for the The Wopila Foundation helping build schools for children in Africa In Scotland, we raised £3,000 as part of Byte Night

(c) Employee engagement

Engagement is built partly on respect for the organisation and its leaders, partly on knowing what's going on, partly on the ability to influence and achieve, and partly on opportunities for people to grow and develop The Group has plans to meet expectations in all these areas (particularly in the areas of Leadership and Development) and progress is measured in an annual Employee Engagement Survey

The Group's commitment to its employees means that it takes actions to achieve a common awareness of all employees in relation to the financial and economic factors that affect the performance of the company Employees are also systematically provided with information on matters of concern to them and are consulted on a regular basis to ensure that their views can be taken into account when making decisions that are likely to affect their interests

The Group is a strong meritocracy, where talent and contribution come first An attractive culture and strong, commercial corporate values are at the heart of what we do Integrity, transparency, fairness, passion and excellence in delivery to our clients are just some examples of the professional attributes to which we all aspire We always aim 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 which requires the Group to observe the highest principles of ethics, equity, integrity, professional conduct and fair practice

(d) Equal opportunity and diversity

The Harvey Nash Group fully supports the aims of the UK Equalities Act 2010 We believe equality and diversity is necessary for

- individuals everyone has the right to be treated fairly and the opportunity to fulfil their potential
- the economy a competitive economy and successful organisations draw on all available talent
- society a more equal society offers more stability in the long-term which is attractive to business

Network 4 Net-Worth was established in the USA, this is a young professionals networking organization that aims to build lasting professional and personal relationships through group networking and personal development sessions The key focus is on Generation Y with an emphasis on the promotion of diverse talent pools

Inspire is the fastest growing senior professional network within the executive recruitment sector, and was established by senior business women from Harvey Nash's executive search division with funding from the Group Inspire is a unique forum for senior business women to meet and exchange ideas and experiences with their peers with a mission to promote female Board and Executive participation Membership has grown to over 3,000 board level members in San Francisco, New York, London, Stockholm and Hong Kong Through events, forums, white papers and influence, Inspire plays a major role in promoting gender balance in the board room and within the company This is achieved through an active extension of the pool of talent in which shortlists are put together

In 2012 we launched Aspire – the network for senior level women who wish to progress to board positions Through the network our aim is to improve the supply of talent at board level

Harvey Nash Scotland's participation in the "Girl Geek" dinner network is also aimed at supporting the community of business women in the technology and creative sectors

In the UK, Harvey Nash actively engages with the government of the day and other businesses through membership of various business organisations including the CBI and its annual business conference and various Chambers of Commerce

Harvey Nash regularly chairs and hosts 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 with the Vietnamese leadership on the strategic challenges and opportunities facing South East Asia

Harvey Nash not only ensures that employment decisions are made consistent with equal opportunities legislation in each country, but, the Group actively encourages a diversity consciousness among 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 & 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 the risk to health and safety,
- implements safe systems at work,
- provides information, instruction and training,
- 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 endeavours to pay sub-contractors providing technology services within 26 days (2012 25 days) of receipt of their invoice This contrasts with the Group's trade debtors who settled their invoices within 42 5 days (2012 45 days) Other trade creditor days of the Group for the year ended 31 January 2013 were 55 days (2012 58 days) based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors The Company has no trading activity

Substantial Shareholdings
On 25 April 2013, the Company had been notified that there were holdings of 3% or more in the ordinary share capital of the Company as follows

	Number of shares	% of total
Standard Life Investments	6,399,506	8 71
Board Directors	5,820,412	7 92
Unicorn Asset Management	5,566,523	7 58
BlackRock	5,478,500	7 46
Mr D Treacher	4,996,318	6 80
River and Mercantile Asset Management	4,212,373	5 73
Universities Superannuation Scheme	3,633,210	4 95
Mr D Higgins	3,531,063	4 81
Barclays Stockbrokers	3,300,975	4 49
Ignis Asset Managment	2,917,608	3 97
JPMorgan Asset Management	2,609,233	3 55

Directors' and Officers' Liability Insurance
The Company maintains liability insurance for the Directors and officers of the Company and its subsidiaries

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 21

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

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 (2012 £nil)

As outlined in the Corporate Responsibility section above, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees is actively promoted

On behalf of the Board

Richard Ashcroft
Company Secretary
29 April 2013

Corporate Governance
for the year ended 31 January 2013

The Group supports the Principles of Good Governance and Code of Best Practice as set out in The UK Corporate Governance Code (2010) Throughout the year ended 31 January 2013 the Company has complied with all the provisions of the Code with the exception of B2 1 Further details of our compliance with the Code are provided in the statement of internal control

Application of Principles of Good Governance

Board of Directors
Throughout the financial year there were four Executive and four Non-Executive Directors A list of Director biographies together with their roles is given on page 1 The Non-Executive Chairman and Chair of the Nomination Committee, Ian Kirkpatrick, announced his decision to retire in June 2012, this will take effect from the Annual General Meeting in June 2013 Julie Baddeley acted as Senior Independent Director throughout the year and will succeed Ian Kirkpatrick as the Group's Chairman Julie also chairs the Remuneration Committee and is a member of the Audit and Nomination Committees

Ian Davies, chairs the Audit Committee and is a member of the Remuneration and Nomination Committees and will succeed Julie Baddeley as the Senior Independent Director in June 2013

Tom Crawford, who has extensive Group and industry experience and is not considered independent, is a significant shareholder and is required to put himself forward for re-election every year due to the longevity of his term

The Board members with executive responsibility were the Chief Executive Officer, Group Finance Director, European Managing Director and Group Talent Director

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 Board members apart from, Ian Kirkpatrick, Tom Crawford and Margot Katz who were each absent from two meetings There were 12 Board meetings in the 12 months to 31 January 2013

The Executive Directors are responsible for the overall operational and financial management of the Group within the framework set out by the Board The Executive Council sits below the Group Board and executes the day to day running of operations The Executive Council is made up of senior operational management, including the executive directors 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 Senior Independent Director 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 Independent 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 providing 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 Davies (Chairman), Ian Kirkpatrick and Julie Baddeley The Board considers that the membership of the Committee as a whole has sufficient recent and relevant financial experience to discharge its function

The Audit Committee Report on page 23 includes details of the Audit Committee policy, practices and engagement with external auditors

Remuneration Committee

The Remuneration Committee meets at least twice a year The members of the Committee are Ian Kirkpatrick, Julie Baddeley and Ian Davies The Chairman of the Remuneration Committee is Julie Baddeley The Committee's full terms of reference are available on the Company's website or from the Company Secretary on request The Remuneration Committee met three times in the year to 31 January 2013 with full attendance by its members at the time, with the exception of Ian Kirkpatrick, who offered his apologies for one meeting

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 Remuneration Report on pages 17 to 22 includes details of remuneration policy, practices and the remuneration of the Directors

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), Julie Baddeley, Ian Davies and Albert Ellis The Nomination Committee met twice in the year ended January 2013 with full attendance by its members at the time

The Committee's terms of reference, which are available from the Company's website or 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

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 Amendments to the Company's articles require shareholder approval at the AGM

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 an Audit Committee meeting

The Directors have reviewed the systems of internal financial control in operation during the year and up to the date of approval of the Annual Report and no significant concerns were raised The process is regularly reviewed This process accords with the 2005 Turnbull Guidance

Compliance with the UK Corporate Governance Code (2010) Provisions

Throughout the year ended 31 January 2013 and to the date of this document, the Company has complied with the provisions and applied the Main Principles of the UK Corporate Governance Code (the "Code") with the exception of provision B2 1

During the year, Ian Kirkpatrick, the Group Chairman also chaired the Nomination Committee throughout the period in which his successor was appointed However after the process to appoint a successor was initiated an external market leading consultancy was appointed to conduct the process, including the benchmarking of internal candidates

The Code can be found on the FRC website (www frc org uk)

Going Concern
After having made appropriate enquiries including a review of the 2014 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
29 April 2013

Remuneration Report

for the year ended 31 January 2013

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 2013 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 2006

Remuneration Policy

Remuneration policy has been developed with regard to the wider debate on executive remuneration and the Board has always been committed to aligning overall compensation with the long-term interests of shareholders balanced by a variable component which focuses on achieving stretching current performance targets

Total shareholder returns (TSR) over the seven years ending on the balance sheet date, 31 January 2013, compared with a broad selection of listed comparator companies, revealed the Group yielded returns which were within the top quartile Outstanding performance is required by the Executive Directors in order to meet the challenging targets set by remuneration committee and failure to meet these targets has a direct impact on remuneration

Despite the Group remaining profitable throughout the downturn, during the four years ended 31 January 2013 the Executive Directors voluntarily accepted pay freezes and fixed remuneration was frozen throughout this time

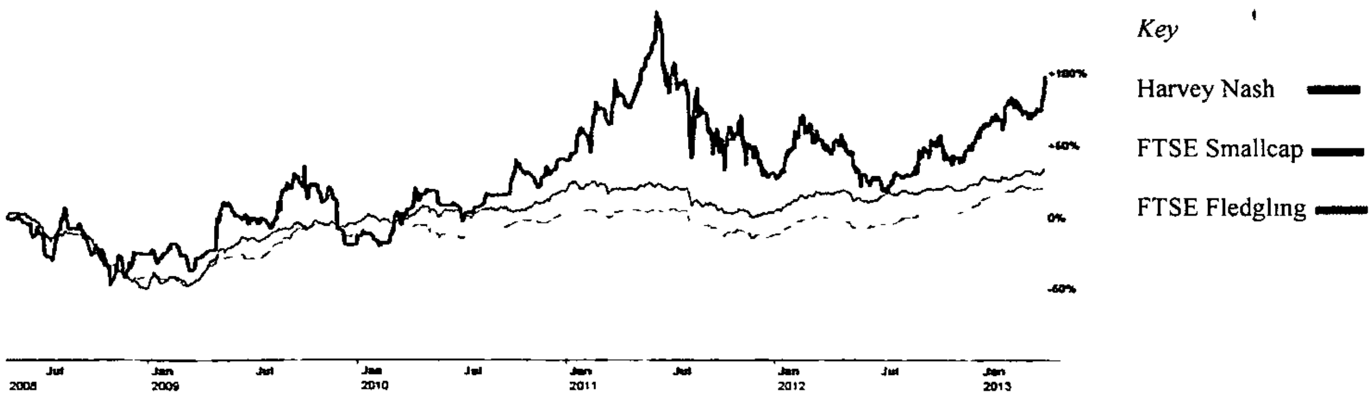
In both the years ended 31 January 2012 and 2013 the Group exceeded market expectations and demanding profit targets, whilst ensuring that the Group generated sufficient trading cash flow to allow the Board to recommend a 10% increase in the dividend in each of those years After two consecutive years in which no share options have been awarded, the Remuneration Committee agreed to grant share options to the Executive Directors in June 2012 to further align incentives with shareholder interests by having share price performance as a key part of Executive Director's remuneration

No changes have been made to basic salary or benefits in kind in 2013 except in the area of pension contributions where an increase from 10% to 12 5% of basic salary was implemented as the first step of an increase to reduce the widening gap when compared to market rates

No increases in base remuneration or benefits are proposed for the year ended 31 January 2014, except for the second and final stage of the increase in pension contributions from 12 5% - 15%

Performance Graph

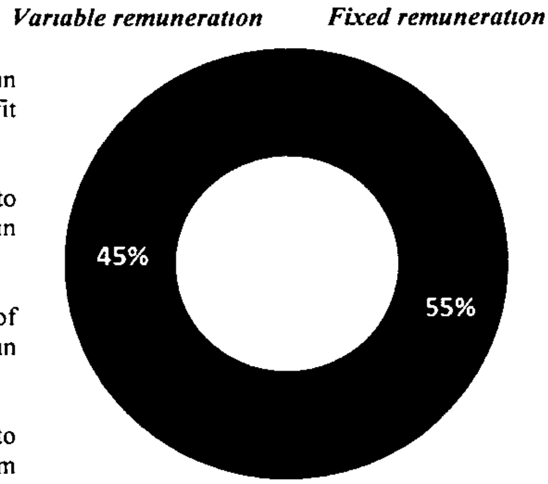
The company is included in the FTSE Fledgling Index and therefore, in the opinion of the Directors, is the index against which the total shareholder return of Harvey Nash Group plc should be measured At points over the past five years, the Group has also been part of the FTSE Smallcap index and is therefore benchmarked against smallcap performance as well The below graph shows the outstanding performance of the Harvey Nash Group share price against the FTSE Fledgling and FTSE Smallcap sectors over the past 5 years



Source – Financial Times

The Group has also outperformed the FTSE fledgling and the FTSE smallcap indices on a Total Shareholder Return basis by a margin 13 5% and 38 8% respectively The Total Shareholder Return is calculated by adding the dividends in the period to the capital gain/loss in the period and dividing this by the share price at the start of the period (assuming dividends re-invested)

Ratio of fixed and variable pay at target and maximum performance



Executive remuneration packages have been designed to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages

These packages and the Group's remuneration policy are reviewed each year to ensure that they continue to be aligned to shareholders interest and are competitive in the market

The Remuneration Committee aligns the business objectives and the creation of long-term shareholder value, and takes advice from external sources as appropriate in order to determine and develop its policies

The committee believes in a good balance of fixed and variable remuneration to harmonise the incentives of delivering long-term shareholder value and shorter-term results without unnecessarily increasing the fixed cost base of the company The current year allocation of fixed and variable remuneration is 55% 45% respectively for full time Directors, which the Committee considers appropriate The Group reviews this policy on an on-going basis

Components of Executive Directors' remuneration

Remuneration Element	How does it support group strategy and investor's interests	Remuneration percentage	Target assessment
Basic salary and benefits in kind including A car allowance and private healthcare are provided Pension contributions equal to 12 5% of basic salary	Basic salary is set to make it competitive in the market and attract high calibre candidates with executive experience that will strongly contribute to the group's overall performance	At max performance 54% At min performance 100%	The Remuneration Committee review the basic pay levels of the Board annually Where appropriate, external benchmarking and research including those by Manifest/MM&K and Thomson Reuters are used to assess the competitiveness and appropriateness of the remuneration package
Cash Bonus	Rewards sustainable growth in profitability and outperforming the peer group of companies in the sector	At max performance – 60% of basic salary At min performance – 0% of basic salary The bonus is awarded on a pro-rata basis between minimum and maximum performance and is payable annually in arrears	Targets are set based on the achievement of stretching profit performance In the current year, performance was adjusted for non-recurring items and associated cost savings achieved from the move of the Head Office to new premises
Share award (deferred)	Recognises the achievement of stretch targets which exceed market expectations and incentivises long-term enterprise value creation through a three year legal lock-in period, aligning executives interest perfectly with all shareholders	Max - 40% of basic salary Min - 0% of basic salary After the cash bonus is awarded in full, the share award is awarded on a pro-rata basis between minimum and maximum performance and is payable annually in arrears Shares must be held for a minimum of 3 years	Targets are set based on the achievement of stretching operating profit performance In the current year, performance was adjusted for the associated non-recurring costs and savings achieved relating to the relocation of Head Office to a more cost effective location
Share options	Links performance directly earnings per share and shareholder interests	Share option awards are made at the discretion of the remuneration committee In the current year, share options of 25% of basic salary were made to the CFO, CEO and MD	Options vest over 3 years and are subject to the achievement of challenging earnings per share performance conditions over the 3 year performance period The maximum share options awards allowed at any one point under the scheme is 5% of issued ordinary share capital The scheme is open to all employees

The executive directors receive performance payments based on the absolute level of increased Group profit for the year, set against demanding budget targets and in relation to external market conditions at the time

Non-Executive Directors' remuneration

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year During the downturn Non-Executive pay was also subject to the same pay freeze which was voluntarily proposed by executives and had fallen far behind market rates This was adjusted during the year ended 31 January 2012 to align Non-Executive remuneration to current market rates, with 2013 being the first full year of the adjusted salary payments There were no increases to Non-Executive Directors' remuneration in 2013, with the exception of the Chairman's salary which was further adjusted to align to median market rates No increases to Non-Executive remuneration are proposed for the year ended 31 January 2014

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 directors who held office during the year

	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
Margot Katz	30 06 11	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
Ian Davies	30 09 10	Continuous	6 months	Unexpired notice period
Julie Baddeley	30 06 11	Continuous	6 months	Unexpired notice period

Ian Kirkpatrick announced his intention to retire as Chairman at the Annual General Meeting in June 2012 Ian will retire after the Annual General Meeting in June 2013 and has therefore provided notice in excess of 6 months in accordance with his notice period requirement Ian Kirkpatrick will be paid until his retirement in June 2013, at a level consistent with remuneration in the year ended 31 January 2013 and no additional termination package will be awarded

Members of the Remuneration Committee

The members of the Remuneration Committee during the year were Julie Baddeley (Chairman), Ian Kirkpatrick and Ian Davies

Directors' Remuneration

	Salary & fees £	Benefits in kind £	Bonus in cash £	Deferred award in shares £	31 Jan 2013 Total £	31 Jan 2012 Total £
Executive						
Albert Ellis	350,000	23,850	210,000	99,919	683,769	724,204
Richard Ashcroft	175,000	15,650	105,000	49,960	345,610	366,683
Simon Wassall	235,000	21,150	141,000	67,089	464,239	491,493
Margot Katz	100,000	-	35,419	-	135,419	105,000
Non-Executive						
Ian Kirkpatrick	92,900	-	-	-	92,900	69,325
Tom Crawford	42,000	-	-	-	42,000	34,417
Gus Moore (3)	0	-	-	-	0	12,083
Ian Davies	47,000	-	-	-	47,000	39,708
Julie Baddeley	47,000	-	-	-	47,000	19,583
	1,088,900	**60,650**	**491,419**	**216,968**	**1,857,937**	1,862,496

(1) Salary and fees include aggregate emoluments paid to or receivable by directors in respect of qualifying services
(2) Benefits in kind include car allowance, private healthcare and a limited contribution to the cost of personal tax advice
(3) Gus Moore retired during the previous year, no payments have been made to Gus Moore or any other previous directors during the year
(4) Julie Baddeley and Ian Davies' fees include £5,000 for chairing the Remuneration Committee and Audit Committee respectively

Pension contributions

Pension contributions to the Group's money purchase pension scheme were made at 12 5% (2012 10%) of basic salary as shown below

	31 Jan 2013 Total £	31 Jan 2012 Total £
Albert Ellis	**41,563**	35,000
Richard Ashcroft	**20,781**	17,500
Simon Wassall	**27,906**	23,500
	90,250	76,000

Other than the contributions made to the money purchase pension scheme, the Group has no commitments under provisions and no such commitments not provided for, that are payable to current or former directors in respect of pension obligations

Interests in Share Options

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)	Number at 1 Feb 2012	Granted in year	Exercised in year	Lapsed In year	**Number at 31 Jan 2013**
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**
	01 06 12	01 06 15	27 05 18	51 5	51 5	-	169,903	-	-	**169,903**
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**
	01 06 12	01 06 15	27 05 18	51 5	51 5	-	114,078	-	-	**114,078**
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**
	01 06 12	01 06 15	27 05 18	51 5	51 5	-	84,951	-	-	**84,951**

Gains made by Directors on the exercise of share options in the year was £88,390 (2012 £0)

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 options granted under the Performance Related Scheme are subject to continued employment and performance criteria relating to earnings per share growth Harvey Nash's compounded annual growth in earnings per share over the performance period must exceed the compounded annual growth in the Retail Prices Index by a minimum of 3% This performance criterion was chosen to incentivise the maximisation of shareholders' return If unforeseen circumstances cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical in the circumstances, they may, at their discretion amend the performance criteria

The options are 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 67p The range of market prices during the year was between 47p and 69p

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 compounded earnings per share growth of 3% plus the retail price index The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return If unforeseen circumstances cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical in the circumstances, they may, at their discretion amend the performance criteria

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 HMRC 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

At 31 January 2013, the following options to subscribe for ordinary shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes

Date of grant	Exercisable From	Exercisable To	Exercise price	Options at 01-Feb 2012	Granted	Forfeited	Exercised	Options at 31-Jan 2013
01 03 02	01 03 05	01 03 12	£0 59	339,704	-	(289,704)	(50,000)	-
25 10 02	25 10 05	25 10 12	£0 24	423,000	-	(50,000)	(373,000)	-
11 04 03	11 04 06	11 04 13	£0 31	345,000	-	-	(345,000)	-
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	180,000	-	-	-	180,000
24 06 04	24 06 07	24 06 14	£0 70	40,000	-	-	-	40,000
02 08 04	02 08 07	02 08 14	£0 70	25,000	-	-	-	25,000
15 11 04	15 11 07	15 11 14	£0 80	130,000	-	-	-	130,000
18 05 05	18 05 08	18 05 15	£0 55	125,000	-	-	-	125,000
17 10 05	17 10 08	17 10 15	£0 55	310,000	-	-	-	310,000
27 04 06	27 04 09	27 04 16	£0 68	110,000	-	-	-	110,000
25 05 06	25 05 09	25 05 16	£0 60	600,000	-	-	-	600,000
01 06 06	01 06 09	01 06 16	£0 60	100,000	-	-	-	100,000
25 06 07	25 06 10	25 06 17	£0 88	735,000	-	-	-	735,000
25 10 07	25 10 10	25 10 17	£0 66	50,000	-	-	-	50,000
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	47,500	-	-	-	47,500
01 06 12	01 06 15	01 06 22	£0 52	-	368,932	-	-	368,932
Total				**4,085,204**	**368,932**	**(339,704)**	**(768,000)**	**3,346,432**

Interest in Shares

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

	31 Jan 13 Ordinary shares	31 Jan 12 Ordinary shares
Albert Ellis	**666,528**	475,853
Ian Kirkpatrick	**5,250**	5,250
Tom Crawford	**4,736,467**	4,736,467
Richard Ashcroft	**180,041**	116,911
Simon Wassall	**214,221**	78,049
Margot Katz	**6,369**	6,369
Ian Davies	-	-
Julie Baddeley	**10,000**	-

Included in the above, pursuant to the provisions of the Companies Act 2006, Tom Crawford is deemed to be interested in his capacity as a trustee 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 2013, the interest was in a total of 434,425 ordinary shares

On behalf of the Board

Julie Baddeley
Chairman
29 April 2013

Audit Committee Report

for the year ended 31 January 2013

Ian Davies, Chairman of the Board Audit Committee, reports on how the Board Audit Committee discharged its responsibilities during the year ended 31 January 2013

Our terms of reference require that we meet 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 control procedures and compliance with accounting standards In addition we review forthcoming regulatory changes and proposed standards to assess their impact on the Group

The Audit Committee met three times during the year to 31 January 2013, with full attendance at each meeting, with the exception of Ian Kirkpatrick who was unable to attend one meeting

I visited our operations in Germany, Norway, Switzerland and Vietnam last year to meet with local management and local auditors

I reported after each Committee to the Board on the principal matters discussed, to ensure that all directors were kept informed of our work I also made myself available to any Director who wished to discuss particular items in greater detail with me

During the year we have

- Reviewed the financial statements and 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 the reports and recommendations from the Group's internal audit function,
- Monitored the independence and objectivity of the external auditors and made a recommendation to the Board on the reappointment, terms of engagement and remuneration of the external auditors,
- Reported to the Board any matters requiring its attention,
- Reviewed the effectiveness of the external audit process,
- Reviewed the key judgemental areas of acquisition accounting, goodwill impairment and revenue recognition

We considered whether the 2013 Annual Report was fair, balance and understandable and whether it provides the necessary information for shareholders to assess Harvey Nash performance, business model and strategy We considered that as a whole the Annual Report is fair, balance and understandable

The Audit Committee have a policy which governs the extent of non-audit services provided by the auditors This requires a competitive tendering process for significant non-audit audit services other than routine tax and compliance services, and precludes PwC from providing certain services such as valuation work or the provision of accounting services

In addition we have set limits on the value of non-audit services which may be provided by PwC An analysis of the fees paid to PwC can be found in Note 4 to the consolidated financial statements

PwC have been the Harvey Nash auditor since 1998 and the lead partner rotates every five years The Audit Committee confirms that based upon our own interactions with PwC, we continue to be satisfied with the performance of PwC and that PwC remain independent

The Audit Committee terms of reference are available from the Company Secretary upon request

Ian Davies
Audit Committee Chairman
29 April 2013

Statement of Directors' Responsibilities in respect of the Annual Report
for the year ended 31 January 2013

The directors are responsible for preparing the Annual Report, the Remuneration Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 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 on page 1 confirm 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, Chairman's Statement, Operational Review and Financial Review include 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

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved, that

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

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

On behalf of the Board

Richard Ashcroft
Company Secretary
29 April 2013

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 31st January 2013 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Harvey Nash Group Plc Annual Report 2013 to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 January 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements, and
- the information given in the Corporate Governance statement set out on pages 14 to 16 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review

- the Statement of Directors' Responsibilities, set out on page 26, in relation to going concern,

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the Corporate Governance Code specified for our review, and

- certain elements of the report to shareholders by the Board on directors' remuneration

Other matters

We have reported separately on the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2013 and on the information in the Directors' Remuneration Report that is described as having been audited

Nigel Reynolds
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2013

Consolidated income statement
for the year ended 31 January 2013

	Notes	2013 £ '000	2012 £ '000
Revenue	5	**594,697**	532,952
Cost of sales		**(511,739)**	(454,433)
Gross profit	5	**82,958**	78,519
Total administrative expenses		**(73,518)**	(69,543)
Operating profit before non-recurring items	5,7	**9,440**	8,976
Non-recurring items	31	**(813)**	-
Operating profit	5,7	**8,627**	8,976
Finance income	6	**9**	25
Finance costs	6	**(767)**	(466)
Profit before tax		**7,869**	8,535
Income tax expense	8	**(2,250)**	(2,588)
Profit for the year		**5,619**	5,947
Attributable to			
Owners of the parent		**5,481**	5,815
Non-controlling interest		**138**	132
		5,619	5,947

Earnings per share for profit attributable to Owners of the parent

- Basic earnings per share	9	**7.49p**	7 97p
- Diluted earnings per share	9	**7.44p**	7 86p
- Basic earnings per share (excluding non-recurring items)	9	**8 33p**	7 97p
- Diluted earnings per share (excluding non-recurring items)	9	**8 27p**	7 86p

Consolidated statement of comprehensive income
for the year ended 31 January 2013

	2013 £ '000	2012 £ '000
Profit for the year	**5,619**	5,947
Foreign currency translation differences	**1,438**	(1,594)
Other comprehensive income for the year	**1,438**	(1,594)
Total comprehensive income for the year	**7,057**	4,353
Total comprehensive income attributable to		
Owners of the parent	**6,919**	4,221
Non-controlling interest	**138**	132
	7,057	4,353

Consolidated balance sheet
as at 31 January 2013

	Notes	2013 £ '000	2012 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**4,373**	3,545
Intangible assets	11	**52,320**	48,052
Deferred income tax assets	8	**2,662**	1,983
		59,355	53,580
Current assets			
Cash and cash equivalents		**14,346**	18,550
Trade and other receivables	12	**108,577**	97,357
		122,923	115,907
Total assets		**182,278**	169,487
LIABILITIES			
Non-current liabilities			
Contingent consideration	30	**(2,262)**	(19)
Deferred income tax liabilities	8	**(469)**	(908)
Provision for liabilities and charges	29	**-**	(88)
		(2,731)	(1,015)
Current liabilities			
Trade and other payables	13	**(100,774)**	(91,113)
Current income tax liabilities	14	**(583)**	(178)
Borrowings	26	**(9,386)**	(13,366)
Provision for liabilities and charges	29	**(313)**	(287)
		(111,056)	(104,944)
Total liabilities		**(113,787)**	(105,959)
Net assets		**68,491**	63,528
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	17	**3,673**	3,673
Share premium	19	**8,425**	8,425
Fair value and other reserves		**15,079**	15,079
Own shares held		**(50)**	(424)
Cumulative translation reserve		**7,635**	6,197
Retained earnings	20	**33,477**	30,203
Total shareholders' funds		**68,239**	63,153
Non-controlling interest in equity		**252**	375
Total equity		**68,491**	63,528

Parent Company Number 03320790
The Consolidated financial statements on pages 27 to 53 were approved by the Board on 29 April 2013 and signed on its behalf by

I. Kirkpatrick

Ian Kirkpatrick
Chairman

R Ashcroft

Richard Ashcroft
Group Finance Director

Consolidated statement of changes in equity
for the year ended 31 January 2013

	Share capital	Share premium	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total	Non-controlling interest in equity	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000		£ '000	£ '000
Balance at									
1 February 2011	**3,673**	**8,425**	**15,079**	**(304)**	**7,791**	**26,203**	**60,867**	**481**	**61,348**
Profit for the year	-	-	-	-	-	5,815	5,815	132	5,947
Currency translation adjustments	-	-	-	-	(1,594)	-	(1,594)	-	(1,594)
Total comprehensive income and expense for the year	-	-	-	-	(1,594)	5,815	4,221	132	4,353
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(238)	**(238)**
Employee share option and bonus plan*	-	-	-	142	-	13	155	-	**155**
Own Shares purchased*	-	-	-	(262)	-	-	(262)	-	**(262)**
Dividends paid	-	-	-	-	-	(1,828)	(1,828)	-	**(1,828)**
31 January 2012	**3,673**	**8,425**	**15,079**	**(424)**	**6,197**	**30,203**	**63,153**	**375**	**63,528**
1 February 2012	**3,673**	**8,425**	**15,079**	**(424)**	**6,197**	**30,203**	**63,153**	**375**	**63,528**
Profit for the year	-	-	-	-	-	5,481	5,481	138	**5,619**
Currency translation adjustments	-	-	-	-	1,438	-	1,438	-	**1,438**
Total comprehensive income and expense for the year	-	-	-	-	1,438	5,481	6,919	138	7,057
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(197)	**(197)**
Acquisition of non-controlling interest**						64	64	(64)	**-**
Employee share option and bonus plan*	-	-	-	758	-	(245)	513	-	**513**
Own Shares purchased*	-	-	-	(384)	-	-	(384)	-	**(384)**
Dividends paid	-	-	-	-	-	(2,026)	(2,026)	-	**(2,026)**
31 January 2013	**3,673**	**8,425**	**15,079**	**(50)**	**7,635**	**33,477**	**68,239**	**252**	**68,491**

* The movements in the Own shares held reserve relate to shares awarded from and purchased by the Employee Benefit Trust
** Acquisition of non-controlling interest relates to the acquisition of the remaining shares in Tech Discovery Inc

Consolidated cash flow statement
for the year ended 31 January 2013

	Notes	2013 £ '000	2012 £ '000
Profit before tax (before non-recurring items)		**8,682**	8,535
Adjustments for			
- depreciation	7, 10	**2,300**	2,255
- amortisation	7, 11	**67**	73
- loss on disposal of property, plant and equipment	7	**22**	30
- finance income	6	**(9)**	(25)
- finance costs	6	**767**	466
- share based employee settlement and share option charge	27	**13**	-
- non-recurring items	31	**(813)**	-
Operating cash flows before changes in working capital		**11,029**	11,334
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- Increase in trade and other receivables		**(12,900)**	(12,496)
- Increase in trade and other payables		**11,578**	5,773
- (Decrease) / increase in provisions	29	**(62)**	46
Cash flows from operating activities		**9,645**	4,657
Income tax paid		**(2,962)**	(2,847)
Net cash generated from operating activities		**6,683**	1,810
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(2,656)**	(1,275)
Purchases of property, plant and equipment – rechargeable to clients	10	**(181)**	(721)
Cash acquired with acquisitions	30	**254**	-
Purchase of subsidiary undertakings	30	**(1,736)**	-
Interest received	6	**9**	25
Net cash absorbed from investing activities		**(4,310)**	(1,971)
Cash flows from financing activities			
Proceeds from employee share options exercise		**453**	147
Purchase of own shares		**(451)**	(262)
Dividends paid to group shareholders		**(2,026)**	(1,828)
Dividends paid to non-controlling interests		**(261)**	(238)
Interest paid	6	**(767)**	(466)
(Decrease) /increase in borrowings	26	**(3,980)**	6,056
Net cash (used)/ generated in financing activities		**(7,032)**	3,409
(Decrease) / increase in cash and cash equivalents		**(4,659)**	3,248
Cash and cash equivalents at the beginning of the year		**18,550**	15,588
Exchange gains/(losses) on cash and cash equivalents		**455**	(286)
Cash and cash equivalents at the end of the year		**14,346**	18,550

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, Hong Kong, Australia and Vietnam

The Company is a public listed company incorporated in the UK Its registered address is 110 Bishopsgate, London, EC2N 4AY 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 across the group

(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 2006 applicable to Companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention on a going concern basis, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss

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 54 to 60 show the financial statements of the Company prepared under UK Generally Accepted Accounting Principles (UK GAAP)

(i) New and amended standards, adopted by the Group

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

- IFRS 7 (amended) 'Financial instruments Disclosures'

These changes have no material impact on the consolidated result, financial position or cash flows of the Group

(ii) New standards, amendments and interpretations issued but not effective for the financial year and not early adopted

The following standards and amendments to existing standards have been published and are effective for future accounting periods and the Group has not early adopted them

- Improvement 2011 Annual improvements to IFRS's 2009 – 2011 Cycle
- IFRS 7 'Disclosures Offsetting Financial Assets and Financial Liabilities'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 10, IFRS 12 and IAS 27 (amended) 'Investment Entities'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value measurement'
- IAS 1 'Presentation of Financial Statements'
- IAS 27 'Separate Financial Statements'
- IAS 32 'Offsetting Financial Assets and Liabilities'

The Group is yet to assess the full impact of the above and intends to adopt them in the relevant future accounting periods in which they become mandatory, subject to endorsement by the EU where relevant

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group

(b) Going concern

The directors have, at the time of approving the financial statements a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the financial statements Further detail is contained in the Corporate Governance report on page 16

(c) Basis of consolidation
The Group financial statements consolidate the results 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 They are deconsolidated from the date which control ceases Transactions and balances, including unrealised profits, between Group companies are eliminated on consolidation

The acquisition 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 Costs directly attributable to the acquisition are expensed as incurred Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date

The group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets

(d) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for the supply of 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 Where the Group is acting as a principal, turnover represents amounts billed for the services, inclusive of the remuneration costs of the workers

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

Revenue arising from permanent placements is recognised on acceptance of the candidate Provision is made for the expected cost of obligations where employees do not work for the specified contractual period

Executive recruitment and assignment fees are recognised as services are provided, typically in three stages, retainer, shortlist and placement fee Provision is made for the expected cost of obligations where employees do not work for the specified contractual period

Revenue anticipated, but not invoiced, at the balance sheet date, is accrued on the balance sheet within prepayments and accrued income Revenue invoiced not earned at the balance sheet date is recorded as a liability within accruals and deferred income

(e) Investments
Shares in subsidiaries are valued at cost less provision for impairment Investments in associated undertakings ('associated companies') are stated at the amount of the Group's share of net assets

(f) 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 (excluding motor vehicles), 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 premises	term of the lease
Furniture, fixtures and equipment	5 years
Office equipment	5 years
Computer equipment	3 years
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
The gain or loss on disposals or retirement of an item of plant property or equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement

Property, plant and equipment purchased to deliver outsourcing projects, which have been recharged to clients at cost, remain the legal property of Harvey Nash They have therefore been capitalised within the balance sheet and depreciated at the rates listed above

The recharge of the asset at cost to the client represents a disbursement associated with the project delivery and is recognised in line with the depreciation

(g) 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

Transactions in foreign currencies are translated at the rate prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies in each company are retranslated into the respective functional currency of the entity at the rates of exchange prevailing on the reporting period date

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 recognised in equity When a foreign operation is sold, the cumulative amount previously recognised in equity in respect of that particular foreign operation is recognised in the income statement

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation

(h) Operating leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance expenses are recognised immediately in the profit and loss

Rentals payable under operating lease are taken to the income statement on a straight line basis over the lease term Lease incentive benefits are recognised as a reduction in rental expense on a straight line basis over the lease term

(i) 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 Goodwill is allocated to cash generating units for the purpose of impairment testing The allocation is made to those cash generating units that are expected to benefit from the future cash flows of the business combination in which the goodwill arose

Other intangible assets which are acquired separately or through a business combination, are stated at cost or fair value respectively, less accumulated amortisation and impairment losses An intangible asset with a finite useful life is amortised from the date the asset is available for use, and is charged to the income statement on a straight line basis over it's useful life, between 1 and 20 years The Group does not have any assets, other than Goodwill, with infinite useful lives Any impairment is recognised immediately in the income statement

(j) Impairment of tangible and intangible 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 An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

The recoverable amount is the higher of the asset's fair value less costs of sale and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted 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

(k) Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument Financial assets are derecognised when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and reward of the financial asset Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the contract is discharged cancelled or expires

Financial assets

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables' Loans and receivables are measured at amortised cost using the effective interest method, less any impairment Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial For trade receivables, generally this results in recognition at nominal value less any allowance for doubtful debts

Financial assets which are not classified as loans and receivables are classified as '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 or such designation would eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise Assets in this category are classified as current assets

Financial Liabilities

Financial liabilities are classified as either 'Fair Value through the Profit and Loss' or 'other financial liabilities' A financial liability is classified as FVTPL if it is held for trading or specifically designated as such to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the profit and loss

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability, or , where appropriate, a shorter period, to the net carrying amount on initial recognition

(l) Cash and cash equivalents

Cash comprises cash-in-hand and deposits which can be withdrawn as cash without giving any notice and without suffering any penalty Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value

(m) 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

(n) Deferred 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

(o) 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

(p) Employee benefits

Pension obligations
Wherever possible the Group operates defined contribution pension schemes, under which the Group pays fixed contributions into separate entities The Group has no legal or constructive obligation to pay further contributions Pension costs are charged to the income statement in the year in which they arise In Germany and Switzerland, legislation requires the operation of defined benefit pension which contain an element of defined benefit, which are fully insured and for which therefore there are no unrecorded liabilities

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

Share-based plans
The Group's management awards certain employees 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

(q) 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

(r) Borrowing costs
Borrowing costs are written off as incurred or in the case of initial arrangement fees, may be spread over the term of the facility where appropriate Invoice discounting fees are recognised as incurred

(s) Non-recurring items
Non-recurring items are presented separately on the face of the Consolidated Income Statement due to their nature and size The separate reporting of such items helps to provide a better indication of the Group's underlying business performance

3. Financial risk management

Financing
The Group's principal financial instruments are invoice discounting, overdrafts, cash and short-term deposits The Group has other financial instruments such as trade receivables and, trade payables that arise directly from its operations Acquisitions are financed through a mixture of operating cash flow and equity Working capital finance for day-to-day requirements is provided through operating cash generation, invoice discount facilities and small short-term overdraft facilities 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 2013, the Group's strategy, which was unchanged from 2012, was to have adequate headroom and access to cash facilities to meet its requirements The Group concluded negotiations for an extension of the existing discounting facility held with RBS in February 2013

	2013	2012
Net debt £'000	-	-
Total equity £'000	**68,491**	63,528
Total capital £'000	**68,491**	63,528
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

In the year to 31 January 2013, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £69 5k (2012 £53k) lower mainly as a result of foreign exchange losses on translation of dollar-denominated assets and liabilities

In the year to 31 January 2013, if sterling had strengthened by 10% against the euro with all other variables held constant, operating profit for the year would have been £554k (2012 £496k) 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

	Rating *	**2013 £ '000 Credit Limit**	**2013 £ '000 Balance**	2012 £ '000 Credit Limit	2012 £ '000 Balance
Bank overdraft – secured	A-1	**2,000**	**503**	2,000	103
Bank overdraft – secured	A-1	**428**	**221**	-	-

* 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 (comprising undrawn borrowing facility, cash and invoice discounting) on the basis of expected cash flow All borrowings are short-term The Group's main discounting facility is renewable on a 12 month basis and was most recently renewed in February 2013

4. Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are

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 year's 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

Bad and doubtful debts
Amounts owed to the Group have been reviewed and provision has been made for possible non-collection of bad or doubtful debts This is done on a case by case basis across the Group taking into account differences between countries and service lines

Onerous leases
Where the Group has material obligations under property leases and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected sub-letting arrangements

5. Segment information

IFRS 8 requires disclosure of information about the Group's operating segments It requires a management approach under which segment information is presented on a similar basis as that used for internal reporting purposes The chief operating decision maker has been identified as the Group Board

In the prior year, this resulted in three reportable segments, UK & Ireland, Mainland Europe and USA and we have continued to use these segments as they continue to be relevant Offshoring revenues and attributable contribution are reported within the country where the client is located and the sale is made Immaterial revenues in relation to Vietnam and Asia was historically included in the UK segment

With the expansion in operations in China and Australia and the growth in Vietnam, expanded granularity is now provided below through an increase in the visibility of individual countries or regions comprising the original segments and adding a new segment Rest of World which includes the Pacific region of Asia and North America, has been combined as many of the business and reporting links cross over

Services provided by each reportable segment are permanent recruitment, contracting and outsourcing

The Group Board analyses segmental information as follows

Revenue

	2013	2012
	£ '000	£ '000
United Kingdom & Ireland	**210,447**	173,358
Mainland Europe	**333,982**	319,040
Benelux and France	218,257	201,273
Nordics	13,793	14,299
Central Europe	101,931	103,468
Rest of World	**50,269**	40,554
United States	45,555	37,961
Asia Pacific	4,714	2,593
Total	**594,697**	532,952

5. Segment information (continued)

Gross profit

	2013 £ '000	2012 £ '000
United Kingdom & Ireland	**31,154**	28,647
Mainland Europe	**38,033**	38,967
Benelux and France	10,219	8,672
Nordics	11,488	12,509
Central Europe	16,326	17,787
Rest of World	**13,771**	10,905
United States	10,980	9,869
Asia Pacific	2,791	1,036
Total	**82,958**	78,519

Operating profit (before non-recurring items)

	2013 £ '000	2012 £ '000
United Kingdom & Ireland	**2,708**	2,403
Mainland Europe	**5,847**	5,582
Benelux and France	2,583	1,867
Nordics	520	701
Central Europe	2,744	3,014
Rest of World	**885**	991
United States	965	846
Asia Pacific	(80)	145
Total	**9,440**	8,976

Within the non-recurring items of £0 8m, £0 6m are attributable to the United Kingdom & Ireland and £0 2m to Benelux and France segments

Depreciation and amortisation charge

	2013 £ '000	2012 £ '000
United Kingdom & Ireland	**433**	24
Mainland Europe	**1,571**	2,022
Benelux and France	129	27
Nordics	41	113
Central Europe	1,401	1,882
Rest of World	**363**	282
United States	80	71
Asia Pacific	283	211
Total	**2,367**	2,328

Within the Rest of Europe segment above there is an amortisation charge of £0 1m (2012 £0 1m)

6. Finance income and costs

	2013 £ '000	2012 £ '000
Interest expense		
Interest payable on bank borrowings	**(767)**	(466)
Finance costs	**(767)**	(466)
Bank interest	**9**	25
Finance costs – net	**(758)**	(441)

7. Operating profit

The following items have been included in arriving at operating profit

	2013 £ '000	2012 £ '000
Employee benefits (note 22)	**50,020**	47,064
Depreciation of property, plant and equipment	**2,221**	2,255
Depreciation of property, plant and equipment on finance leases	**79**	-
Amortisation	**67**	73
Auditors' remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated financial accounts	**21**	21
- fees payable to the company's auditor for the audit of the company's subsidiaries pursuant	**426**	395
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	**160**	44
- all other services	**21**	37
Operating lease rentals payable	**5,774**	6,881
Loss on disposal of fixed assets	**22**	30

8. Income tax expense

	2013 £ '000	2012 £ '000
Corporation tax on profits in the year – UK	**-**	32
Corporation tax on profits in the year – overseas	**2,256**	1,384
Adjustments in respect of prior years	**1,113**	67
Total current tax	**3,369**	1,483
Deferred tax	**(1,119)**	1,105
Total tax charge	**2,250**	2,588

The tax for the year is higher (2012 higher) than the standard UK corporation tax rate applied to the pre-tax profit The standard rate of corporation tax in the UK changed from 26% to 24% with effect from the 1 April 2012 Accordingly, the Group's profits for this accounting period are taxed at an effective standard rate of 24 3%

8. Income tax expense (continued)

The differences are explained below for 2013 and 2012 using the UK standard rate of Corporation tax

	2013 £ '000	2012 £ '000
Profit before tax	**7,869**	8,535
Tax at standard rate of UK Corporation tax (2013 24 3% and 2012 26%)	**1,912**	2,219
Effects of		
Expenses not deductible for tax purposes	**942**	803
Income not taxable	**(26)**	(127)
Expenses deductible locally	**(128)**	(129)
Accelerated capital allowances	**(168)**	(84)
Short-term timing differences	**62**	(186)
Utilisation of carried forward tax losses	**(266)**	(22)
Tax losses for which no deferred tax asset is recognised	**82**	100
Deferred tax adjustment in respect of prior years	**(1,112)**	16
Adjustments to tax in respect of prior year	**1,113**	66
Profits taxed at overseas rates	**(131)**	(72)
Losses recognised at overseas rates	**25**	(25)
Other	**(54)**	29
Total taxation	**2,250**	2,588
Current tax:		
Tax on profit in the year	**2,256**	1,416
Adjustments in respect of prior years	**1,113**	67
Total current tax	**3,369**	1,483
Deferred tax:		
Origination and reversal of timing differences	**(7)**	998
Adjustments in respect of prior years	**(1,112)**	107
Total deferred tax charge	**(1,119)**	1,105
Total tax charge	**2,250**	2,588

Deferred tax

	2013 £ '000	2012 £ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**2,006**	1,433
Deferred tax asset to be recovered within 12 months	**656**	550
	2,662	1,983
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(270)**	(154)
Deferred tax liability to be recovered within 12 months	**(199)**	(754)
	(469)	(908)
Net deferred tax asset	**2,193**	1,075

8. Income tax expense (continued)

This is analysed below

Asset	Accelerated tax depreciation £ '000	Share-based payments £ '000	Tax losses £ '000	Accrued interest charges* £'000	Post-employment liabilities £ '000	Loan waiver £'000	Total £ '000
1 February 2012	3	92	794	1,094	-	-	1,983
Charged / (credited) to income statement and equity	-	(77)	168	(66)	467	187	679
31 January 2013	3	15	962	1,028	467	187	2,662

* The deferred tax asset recognised for accrued interest charges relates to Group interest charges payable by the US business

Liability	Unremitted earnings £ '000	Accrued Revenue £ '000	Other £ '000	Total £ '000
1 February 2012	(154)	(635)	(119)	(908)
(Credited) to income statement and equity	(5)	406	38	439
31 January 2013	(159)	(229)	(81)	(469)

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, depreciation in excess of accelerated capital allowance and deductible temporary differences of £2,068,929 (2012 £1,925,711) have not been recognised Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2013 UK Budget Statement Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is expected to be included in the Finance Act 2013 Further reductions to the main rate are proposed to reduce the rate to 20% from 1 April 2015 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements, although the tax rate applied to calculate deferred tax is an average of 23% and the future rate of 21% to reflect expected utilisation

9. Earnings per share

	2013	2012
Profit attributable to shareholders £'000	**5,481**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Basic earnings per share	**7.49p**	7 97p

	2013	2012
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,092**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Basic earnings per share (excluding non-recurring items)	**8.33p**	7 97p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust, which are treated as cancelled

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares The Group 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

9. Earnings per share (continued)

	2013	2012
Profit attributable to shareholders £'000	**5,481**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Effect of dilutive securities	**529,643**	1,016,933
Adjusted weighted average number of shares	**73,666,928**	73,965,431
Diluted earnings per share	**7.44p**	7 86p

	2013	2012
Profit attributable to shareholders (Pre-exceptional items) £'000	**6,092**	5,815
Weighted average number of shares	**73,137,285**	72,948,499
Effect of dilutive securities	**529,643**	1,016,933
Adjusted weighted average number of shares	**73,666,928**	73,965,431
Diluted earnings per share (excluding non-recurring items)	**8.27p**	7 86p

10 Property, plant and equipment

	Leasehold improvements	Office equipment	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost						
At 1 February 2012	2,292	852	1,773	13,089	30	18,036
Exchange adjustments	(50)	23	141	221	11	347
Additions at cost	1,230	129	82	1,215	-	2,656
Additions rechargeable to clients [1]	-	-	-	181	-	181
Acquisitions [2]	803	37	88	-	223	1,151
Disposals [3]	(1,719)	(669)	(640)	(5,520)	-	(8,548)
At 31 January 2013	2,556	372	1,445	9,186	264	13,823
Accumulated depreciation						
At 1 February 2012	1,830	708	1,556	10,369	28	14,491
Exchange adjustments	32	(9)	(87)	219	(7)	149
Charge for the year	181	75	328	1,658	58	2,300
Disposals [3]	(901)	(668)	(638)	(5,283)	-	(7,490)
At 31 January 2013	1,142	107	1,159	6,963	79	9,450
Net book amount At 1 February 2012	**462**	**144**	**217**	**2,720**	**2**	**3,545**
Net book amount At 31 January 2013	1,414	265	285	2,223	186	4,373

[1] Additions rechargeable to clients relate to Nash Technologies in Germany

[2] Assets acquired in the year relate to the acquisition of Talent-IT BVBA Assets under finance leases, classified as motor vehicles, of £0 2m were acquired as part of the acquisition (2012 £nil), see note 30 for further details The Group held no assets under hire purchase contracts in the current or prior year

[3] Included within disposals is a lease acquired as part of the Talent-IT acquisition of £803k which was resold immediately at purchase price

10. Property, plant and equipment (continued)

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2011	2,155	758	1,570	11,911	36	16,430
Exchange adjustments	(81)	(7)	112	(183)	(6)	(165)
Additions at cost	224	102	117	832	-	1,275
Additions rechargeable to Clients[(1)]	-	-	-	721	-	721
Disposals	(6)	(1)	(26)	(192)	-	(225)
At 31 January 2012	2,292	852	1,773	13,089	30	18,036
Accumulated depreciation						
At 1 February 2011	1,657	679	1,364	8,760	20	12,480
Exchange adjustments	68	2	(104)	(21)	6	(49)
Charge for the year	111	28	300	1,814	2	2,255
Disposals	(6)	(1)	(4)	(184)	-	(195)
At 31 January 2012	1,830	708	1,556	10,369	28	14,491
Net book amount At 1 February 2011	**498**	**79**	**206**	**3,151**	**16**	**3,950**
Net book amount At 31 January 2012	**462**	**144**	**217**	**2,720**	**2**	**3,545**

11. Intangible assets

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2012	1,772	46,551	48,323
Exchange adjustments	133	989	1,122
Additions	-	3,213	3,213
At 31 January 2013	1,905	50,753	52,658
Accumulated amortisation			
At 1 February 2012	271	-	271
Charge for the year	67	-	67
At 31 January 2013	338	-	338
Net book amount at 1 February 2012	**1,501**	**46,551**	**48,052**
Net book amount at 31 January 2013	**1,567**	**50,753**	**52,320**

Cost			
At 1 February 2011	1,841	47,074	48,915
Exchange adjustments	(69)	(523)	(592)
At 31 January 2012	1,772	46,551	48,323
Accumulated amortisation			
At 1 February 2011	198	-	198
Charge for the year	73	-	73
At 31 January 2012	271		271
Net book amount at 1 February 2011	**1,643**	**47,074**	**48,717**
Net book amount at 31 January 2012	**1,501**	**46,551**	**48,052**

11. Intangible assets (continued)

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

Goodwill	2013 £ '000	2012 £ '000
Harvey Nash BV	**2,750**	2,668
Harvey Nash US	**11,111**	11,159
Techpartners Group	**10,807**	10,807
Harvey Nash IT Consulting NV	**5,965**	5,801
Impact Executives Limited	**3,702**	3,702
Alumni AB	**6,357**	5,981
Harvey Nash (Vietnam) Ltd	**1,275**	1,281
Harvey Nash (Ireland) Ltd	**3,892**	3,771
Fila & Myszel Associates Sp	**101**	98
Bjerke & Luther AS	**1,368**	1,283
Talent-IT BVBA	**3,425**	-
	50,753	46,551
Intangible assets		
Alumni AB Brand	**1,045**	1,005
Bjerke & Luther AS Brand	**522**	496
Total	**52,320**	48,052

During the year the goodwill in respect of each of the cash generating units was tested for impairment in accordance with IAS 36 All were assessed to have a value in use in excess of their respective carrying values, and hence no adjustments to goodwill were considered necessary

The key assumptions in the value in use calculations were

The model assumes a 7 year business cycle and then a terminal value The first 3 years of the forecasts were based on post-tax cash flows derived from the management approved 3 year plan adjusted for the variance of previous budgets to performance The growth rate applied to these cash flows varied between 5 6% and 19 3% The higher end of the growth rates are applied to cash flows relating to the offshoring businesses that are rapidly expanding For the following 4 years, the growth rates are based on the average growth rates included in the adjusted management forecast (11 1%) The terminal growth rate is based on the long-term growth rate for each country and was on average 2 8% Management believe the forecasts are achievable

The discount rate used was based on the industry weighted average cost of capital for each country and was on average 8 9% (2012 10 0%)

There is significant headroom in the testing for impairment for all the acquired subsidiaries apart from Alumni AB which has £2,261,000 A sensitivity analysis has been performed in assessing recoverable amounts of goodwill This has been based on changes in key assumptions considered by management to be possible including a 10% decrease in the assumed growth rates and a 10% increase in the assumed weighted average cost of capital The analysis reveals that no impairment would arise under each scenario

12. Trade and other receivables

	2013 £ '000	2012 £ '000
Amounts falling due within one year:		
Trade receivables	**87,038**	78,451
Less Provision for bad and doubtful debts	**(445)**	(289)
	86,593	78,162
Other receivables	**2,314**	1,543
Prepayments and accrued income	**19,670**	17,652
	108,577	97,357

12. Trade and other receivables (continued)

As of 31 January 2013, trade receivables of £86 6m (2012 £78 2m) were fully recoverable

Trade receivables that are less than three months past due are not considered impaired As of 31 January 2013, trade receivables of £23 3m (2012 £23 4m) were over 30 days old 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	2013 £ '000	2012 £ '000
1 – 2 months	**15,117**	16,808
2 – 3 months	**6,774**	4,768
Over 3 months	**1,453**	1,825
	23,344	23,401

As of 31 January 2013, trade receivables of £0 4m (2012 £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 more than 3 months overdue The creation and release of provisions 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

	2013 £ '000	2012 £ '000
At 1 February	**289**	559
Provision for receivables impairment	**270**	261
Receivables written off during the year as uncollectible	**(102)**	(365)
Unused amounts reversed	**(12)**	(166)
At 31 January	**445**	289

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 creation and release of provision for impaired receivables have been included in 'total administrative expenses' in the income statement

The carrying amounts of the Group's receivables are denominated in the following currencies

	2013 £ '000	2012 £ '000
Sterling	**29,541**	27,576
Euros	**64,446**	56,395
US dollar	**6,706**	6,614
Other currencies	**7,884**	6,772
	108,577	97,357

13. Trade and other payables

	2013 £ '000	2012 £ '000
Trade payables	**47,446**	48,175
Other tax and social security payable	**10,834**	8,976
Accruals and deferred income	**39,944**	31,972
Other payables	**2,550**	1,990
	100,774	91,113

14. Current tax liabilities

	2013 £ '000	2012 £ '000
Current tax liabilities	**583**	178

15. Analysis of changes in net funds

	1 February 2013 £'000	Cash flow	Foreign exchange movements	31 January 2013 £'000
Net Funds	5,184	**(679)**	**455**	**4,960**

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

16. Operating lease commitments

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

	2013 Property £ '000	2013 Vehicles, plant and equipment £ '000	2012 Property £ '000	2012 Vehicles, plant and equipment £ '000
Commitments under non-cancellable operating leases				
Within one year	**5,474**	**573**	5,188	587
Later than one year and less than five years	**8,623**	**631**	7,385	767
After five years (1)	**2,694**	**-**	770	-
	16,791	**1,204**	13,343	1,354

(1) £2 4 million of the increase in lease commitments over five years relates to the relocation of the Group head office

17. Called up share capital

	2013 £ '000	2012 £ '000
Authorised		
110,000,000 (2012 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2012 73,450,393)	**3,673**	3,673

The Harvey Nash Employment Benefit Trust held 82,045 shares (2012 701,211 shares)

18. 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

A reconciliation of option movements over the year to 31 January 2013 is shown below

		2013		2012
	Number ('000)	**Weighted average exercise price (£)**	Number ('000)	Weighted average exercise price (£)
Outstanding at 1 February 2012	**4,085**	**£0.58**	4,459	0 56
Granted	**369**	**£0.52**	-	-
Forfeit	**(340)**	**£0.54**	-	-
Exercised	**(768)**	**£0.29**	(374)	0 41
Outstanding at 31 January 2013	**3,346**	**£0.64**	4,085	0 58
Exercisable at 31 January 2013	**2,978**	**£0 66**	4,085	0 58

Details of the expiry date of options outstanding at the year-end is given in the Remuneration Report on page 21
The total charge for the year relating to employee share based payment plans was £0 01m (2012 £0nil), all of which related to equity-settled share based payment transactions After deferred tax the total charge was £0 01m (2012 £nil)

19. Share premium account

	2013	2012
	£ '000	£ '000
At 1 February 2012	**8,425**	8,425
At 31 January 2013	**8,425**	8,425

20. Retained earnings

	2013	2012
	£ '000	£ '000
At 1 February 2012	**30,203**	26,203
Profit for the year	**5,481**	5,815
Employee share options and bonus plan	**(232)**	13
Share based payments deferred tax charge to equity	**(13)**	-
Merger of non-controlling interest	**64**	-
Dividends paid	**(2,026)**	(1,828)
At 31 January 2013	**33,477**	30,203

21 Fair value and other reserves

Fair value and 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

22 Employees and directors

Staff costs for the Group during the year (including directors)	**2013 £ '000**	2012 £ '000
Wages and salaries	**42,720**	40,384
Social security costs	**5,769**	5,304
Other pension costs (note 23)	**1,518**	1,376
Share option charge and share based employee settlement	**13**	-
	50,020	47,064

2013 Average number of people employed in sales and administration (including executive directors)	UK	Rest of World	**Total**
Directors	4	-	**4**
Sales	237	255	**492**
Administrative	148	99	**247**
	389	**354**	**743**

2012 Average number of people employed in sales and administration (including executive directors)	UK	Rest of World	**Total**
Directors	4	-	**4**
Sales	187	240	**427**
Administrative	114	87	**201**
	305	327	**632**

Key management compensation	**2013 £ '000**	2012 £ '000
Short-term employee benefits	**3,996**	4,170
Post-employment benefits	**296**	294
	4,292	4,464

Key management is defined as key employees at divisional director level in the Group as well as Executive Board members Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 17 to 22

23 Pensions

Harvey Nash has in place three pension schemes in the UK, the Harvey Nash plc Directors' Retirement and Death Benefits Scheme, a Group Personal Pension Plan provided by 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 (2012 £nil)

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by 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 2013 was £582,409 (2012 £428,762) The Group operates separate schemes in all the overseas locations The Group's total contribution to schemes in overseas locations for the year to 31 January 2013 was £935,860 (2012 £947,248)

24. Related party transactions

Banking cross guarantees

Group guarantees have been entered into by the Companies listed below and relate to any payment due under the Banking agreement 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 Limited	Group Guarantee	Debenture
Impact Executives Holdings Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-

The relationship between Harvey Nash Group Plc and its principal subsidiaries is disclosed in note 25 Revised related parties disclosures, subsequent to the revision of the Group discounting agreement in February 2013 are disclosed in note 32

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 2013 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
TechDiscovery Inc	US	100%	Software development
Harvey Nash (Ireland) Ltd	Ireland	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
Harvey Nash (Vietnam) Ltd	Vietnam	100%	Software development
Harvey Nash Consulting (Scotland) Limited	Scotland	100%	Recruitment consultancy
Fila & Myszel Associates Sp	Poland	75%	Recruitment consultancy
Bjerke & Luther AS	Norway	50 1%	Recruitment consultancy
Talent–IT BVBA	Belgium	100%	Recruitment consultancy

25. Investments (continued)

All subsidiary companies are consolidated During the year, the Group acquired the remaining 43 4% shareholding in TechDiscovery Inc

The results for Fila & Myszel Associates Sp are not considered material to the Group so no non-controlling interest has been recognised

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

26. Financial instruments

The Group's financial instruments comprise cash, bank overdraft, invoice discounting and various items such as trade receivables and trade payables 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 2013

The Group held no derivative financial instruments at 31 January 2013 (2012 none) requiring to be fair valued

Borrowing facilities

The Group had the following committed facilities available at 31 January in respect of a UK overdraft with a maximum facility of £2 0m at 31 January 2013 (2012 £2 0m) and a Euro overdraft facility in Belgium of €0 5m

The Group also has invoice discounting facilities for working capital in the UK of £20 0m, the Netherlands of €18 0m and the US of $6 0m at the 31 January 2013 In February 2013, the group increased its invoice discounting facility to £50 0 million for the group as a whole

The overdraft facilities are repayable on demand and the invoice discounting facilities are available on a rolling 12 month basis

All conditions precedent to the overdraft and invoice discounting were met at 31 January 2013 and 31 January 2012

Undrawn borrowing facilities		**Fixed rate '000**	**Floating rate '000**	**2013 Total '000**	2012 Total '000
Overdraft	£	-	**1,497**	**1,497**	1,897
Overdraft	€	-	**242**	**242**	-
Invoice discounting facilities - UK	£	-	**12,938**	**12,938**	12,357
Invoice discounting facilities - Netherlands	€	-	**18,000**	**18,000**	12,576
Invoice discounting facilities - US	$	-	**3,463**	**3,463**	4,231

Undrawn borrowing facilities	**Fixed rate £'000**	**Floating rate £'000**	**2013 Total £'000**	2012 Total £'000
Overdraft	-	**1,497**	**1,497**	1,897
Overdraft	-	**207**	**207**	-
Invoice discounting facilities - UK	-	**12,938**	**12,938**	12,357
Invoice discounting facilities - Netherlands	-	**15,411**	**15,411**	10,432
Invoice discounting facilities - US	-	**2,184**	**2,184**	2,681
Total	-	**32,237**	**32,237**	27,367

26. Financial instruments (continued)

Borrowings (continued)

Drawn borrowing facilities		**Fixed rate '000**	**Floating rate '000**	**2013 Total '000**	2012 Total '000
Overdraft	£	-	503	503	103
Overdraft	€	-	258	258	-
Invoice discounting facilities - UK	£	-	7,062	7,062	7,643
Invoice discounting facilities - Netherlands	€	-	-	-	5,424
Invoice discounting facilities - US	$	-	2,537	2,537	1,769

Drawn borrowing facilities	**Fixed rate £'000**	**Floating rate £'000**	**2013 Total £'000**	2012 Total £'000
Overdraft	-	503	503	103
Overdraft	-	221	221	-
Invoice discounting facilities - UK	-	7,062	7,062	7,643
Invoice discounting facilities - Netherlands	-	-	-	4,499
Invoice discounting facilities - US	-	1,600	1,600	1,121
Total	-	9,386	9,386	13,366

27 Share based payments

	2013 £ '000	2012 £ '000
Share based payments	13	-
	13	-

28. Dividends

The dividends paid in the year end January 2013 were £2 0m (2012 £1 8m)

The proposed final dividend of £1 3m (1 795p per share) is subject to approval by shareholders at the Annual General Meeting on 20 June 2013 (2012 1 635p per share amounting to £1 2m) and has not been included as a liability at 31 January 2013

	2013 £ '000
Final dividend for year end January 2012 of 1 635p per share	1,200
Interim dividend for year end January 2013 of 1 125p per share	826
	2,026
Proposed final dividend for year end January 2013 of 1 795p per share	1,317

	2012 £ '000
Final dividend for year end January 2011 of 1 48p per share	1,080
Interim dividend for year end January 2012 of 1 025p per share	748
	1,828

29. Provisions

Provisions relate to a dilapidations provision on a lease which expired in June 2012 and an onerous property lease which expires in September 2013 The remaining provision relates to an onerous lease which expires in September 2014

	2013
	£ '000
At 1 February 2012	**375**
Charge in the year	**32**
Utilised in the year	**(94)**
At 31 January 2013	**313**

£313k will fall due within one year and £0k will be payable after more than one year

30. Business combinations

On 31 May 2012, the Group acquired 100% of the share capital of Talent-IT BVBA, a Belgium based IT project and recruitment company, for an initial cash consideration of £1 4m

The acquired business contributed revenues of £10 9m and operating profit of £0 7m to the Group for the period from acquisition to 31 January 2013 If the acquisition had occurred on 1 February 2012, consolidated revenue and consolidated profit for the year ended 31 January 2013 would have been £599 4m and £9 0m respectively

The provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount, apart from the value of freehold property which has been re-valued in the acquisition balance sheet

The excess of consideration above net asset values has been attributed in full to goodwill as no other intangible assets have been identified

Details of the net assets acquired and the goodwill were as follows at the date of acquisition

	£'000
Cash consideration	1,399
Contingent consideration	2,238
Fair value of net identifiable assets acquired	(424)
Goodwill	**3,213**

Acquisition-related costs (included in non-recurring items in the income statement for the period ended 31 January 2013) amount to £0 16m

The contingent consideration arrangements require the Group to pay the former owners of Talent-IT BVBA 50% of the average profit before tax of Talent-IT BVBA for the 3 years to March 2015 less certain deductions, up to a maximum undiscounted amount of €3 0m A second instalment of consideration of £337,376 was made in September 2012 Total consideration paid to date is £1,736,485

The potential discounted amount of all future payments that the group could be required to make under this arrangement is between £0 3m and £2 2m The fair value of the contingent consideration arrangement of £2 2m was estimated by applying the income approach The fair value estimates are based on a discount rate of 2 75% and assumed a probability-adjusted annual profit before tax in Talent-IT BVBA of €1 5m

The assets and liabilities arising from the acquisition were as follows at the date of acquisition

	£'000
Tangible Fixed Assets	1,151
Cash	254
Receivables	2,724
Payables	(2,976)
Bank loans	(729)
Net identifiable assets acquired	**424**

30. Business combinations (continued)

Outflow of cash to acquire business, net of cash acquired

	£'000
Cash Consideration	1,399
Cash and Cash equivalents in subsidiary acquired	(254)
Cash outflow on acquisition	**1,145**

31. Non-recurring items

During the year the Group relocated it's head office to Heron Tower, the non-recurring costs incurred in respect of the relocation were £649,839 and predominantly related to the payment of rent and associated charges for the old and new premises concurrently Other non-recurring items included legal fees incurred on the acquisition of Talent IT of £126,654 and a charge of £37,000 for the buy back of an option in Belgium which also related to the acquisition

32 Subsequent events

(a) Renewal of Discounting Facility

In February 2013, the group increased it's invoice discounting facility to £50 0 million for the group as a whole This impacted the Group guarantees issued under the banking arrangement Under the revised agreement the following companies have given security to Harvey Nash Group plc, the Company

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Harvey Nash Consulting (Scotland) Limited	Group Guarantee	Floating charge
Harvey Nash Inc	Group Guarantee	Debenture
Harvey Nash IT Consulting N V	Group Guarantee	Debenture
Harvey Nash B V	Group Guarantee	Debenture

The relationships as at 31 January 2013 between Harvey Nash Group Plc and its principal subsidiaries is disclosed in note 24

(b) Exercise of Bjerke and Luther Option

On the 29th April 2013, the Group exercised its option to acquire the remaining 49 9% shareholding of Bjerke & Luther AS in Norway

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 2013 which comprise the Company Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Harvey Nash Group Plc Annual Report 2013 to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31st January 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the group financial statements of Harvey Nash Group plc for the year ended 31 January 2013

Nigel Reynolds
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2013

Company balance sheet
as at 31 January 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	3	**52,278**	52,264
Non-current assets			
Debtors	4	**12,661**	12,501
		12,661	12,501
Creditors due within one year	5	(3,767)	(1,937)
Net current assets		**8,894**	10,564
Total assets less current liabilities		**61,172**	62,828
Creditors due after more than one year	6	(7,004)	(6,823)
Net assets		**54,168**	56,005
Capital and reserves			
Share capital	7	**3,673**	3,673
Share premium account	8	**8,425**	8,425
Capital contribution	8	**20,000**	20,000
Other reserves	8	**13,828**	13,814
Profit and loss account	8	**8,242**	10,092
Equity shareholders' funds	9	**54,168**	56,004

The financial statements on pages 56 to 60 were approved by the Board on 29 April 2013 and signed on its behalf by

Company Number 03320790

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 2006 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 S408 Companies Act 2006, no profit and loss account is presented in respect of the parent company

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

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996), since it is included in the consolidated financial statements of Harvey Nash Group plc, which are publicly available

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	**2013 £ '000**
Shares in group undertakings	
At 1 February 2012	**52,264**
Share option issue	**14**
At 31 January 2013	**52,278**
At 31 January 2012	**52,264**

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

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 2013-2014 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 2013 were as follows

3. Investments (continued)

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
TechDiscovery Inc	US	100%	Software development
Harvey Nash (Ireland) Ltd	Ireland	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
Harvey Nash (Vietnam) Ltd	Vietnam	100%	Software development
Harvey Nash Consulting (Scotland) Limited	Scotland	100%	Recruitment consultancy
Fila & Myszel Associates Sp	Poland	75%	Recruitment consultancy
Bjerke & Luther AS	Norway	50 1%	Recruitment consultancy
Talent–IT BVBA	Belgium	100%	Recruitment consultancy

4. Debtors

	2013 £'000	2012 £'000
Amounts owed by subsidiary undertakings	**12,661**	12,501

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

	2013 £'000	2012 £'000
Bank overdraft	**3,767**	1,937

6 Creditors: Amounts Falling Due After More Than One Year

	2013 £'000	2012 £'000
Amounts owed to subsidiary undertakings	**6,985**	6,804
Deferred consideration	**19**	19
	7,004	6,823

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

7. Share Capital

	2013 £'000	2012 £'000
Authorised		
110,000,000 (2012 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2012 73,450,393)	**3,673**	3,673

8. Reserves

	Share capital	Share premium	Capital Contribution	Other reserves	Profit and loss account	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at						
As at 1 February 2012	3,673	8,425	20,000	13,814	10,092	56,004
Employee share option	-	-	-	14	-	14
Dividends paid	-	-	-	-	(2,026)	(2,026)
Dividends received	-	-	-	-	-	-
Profit for the year	-	-	-	-	230	230
Exchange movements	-	-	-	-	(54)	(54)
31 January 2013	3,673	8,425	20,000	13,828	8,242	54,168

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

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

9 Reconciliation of movement in shareholders' funds

	2013 £'000	2012 £'000
Profit for the year	**230**	178
Dividends received	-	1,653
Dividends paid	**(2,026)**	(1,828)
Exchange gain/ (loss)	**(54)**	175
Shares to be issued	-	-
Employee share option charge	**14**	-
Net increase in shareholders' funds	**(1,836)**	178
Opening shareholders' funds	**56,004**	55,826
Closing equity shareholders' funds	**54,168**	56,004

10. Profit Attributed to the Parent Company

The profit for the year ended 31 January 2013 in the financial statements of Harvey Nash Group plc, the Company, was £0 2m (2012 £1 8m) As allowed by s408 Companies Act 2006, 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 (2012 nil), other than directors
Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2012 nil)
See the Remuneration Report in Harvey Nash Group plc accounts for full details of the Directors remuneration from the Group

12. Related party transactions

Group guarantees have been entered into by the Companies listed below and relate to any payment due under the Banking agreement 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 Limited	Group Guarantee	Debenture
Impact Executives Holdings Limited	Group Guarantee	Debenture
Broadbay Networks Inc	Group Guarantee	-

13. Subsequent events

(a) Renewal of Discounting Facility

In February 2013, the Company increased it's invoice discounting facility to £50 0 million for the group as a whole This impacted the Group guarantees issued under the banking arrangement Under the revised agreement the following companies have given security to Harvey Nash Group plc, the Company

Name of company	Security	Security
Harvey Nash plc	Group Guarantee	Debenture
Mortimer Spinks Limited	Group Guarantee	Debenture
Impact Executives Limited	Group Guarantee	Debenture
Harvey Nash Consulting (Scotland) Limited	Group Guarantee	Floating charge
Harvey Nash Inc	Group Guarantee	Debenture
Harvey Nash IT Consulting N V	Group Guarantee	Debenture
Harvey Nash B V	Group Guarantee	Debenture

The relationships as at 31 January 2013 between Harvey Nash Group Plc and its principal subsidiaries is disclosed in note 12

(b) Exercise of Bjerke and Luther Option

On the 29th April 2013, the Group exercised its option to acquire the remaining 49 9% shareholding of Bjerke & Luther AS in Norway