Harvey Nash Group plc
Annual Report 2015

HARVEY NASH
The Power of Talent

About Harvey Nash

Harvey Nash is a global recruitment business. Our unique portfolio of services, from executive search, professional recruitment to offshore solutions, enables us to engage with clients at every stage of the business cycle. Our relationship-based model underpins the delivery of resilient financial results and supports returns to shareholders.

The Group partners with many of the world's leading organisations to source, recruit and manage the highly skilled talent they need to succeed i an increasingly competitive and technology-driven world.

With 8,000 professionals in 47 offices across the USA, Europe, Asia and Australasia, the Group has the reach and resources of a global organisatio while fostering a culture of innovation and autonomy that empowers its employees and associates to deliver client-centric solutions.

Overview

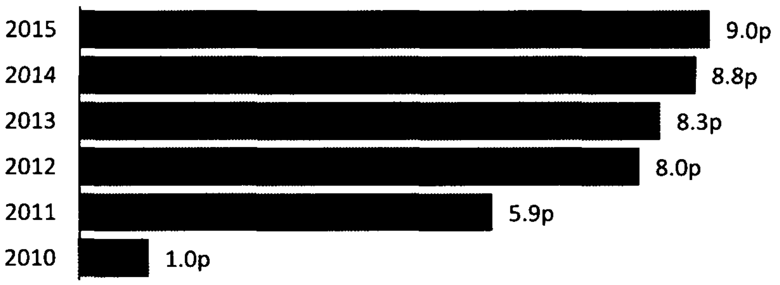
Strategic Report

Governance & Accounts

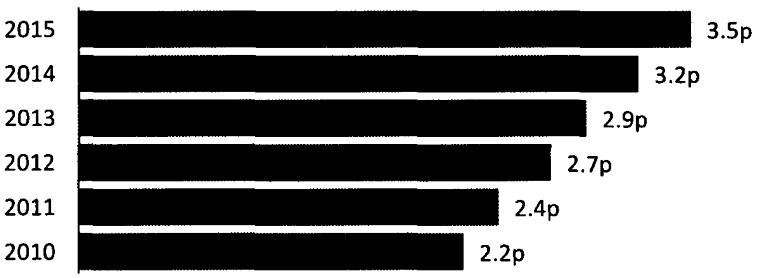
Highlights

Gross Profit

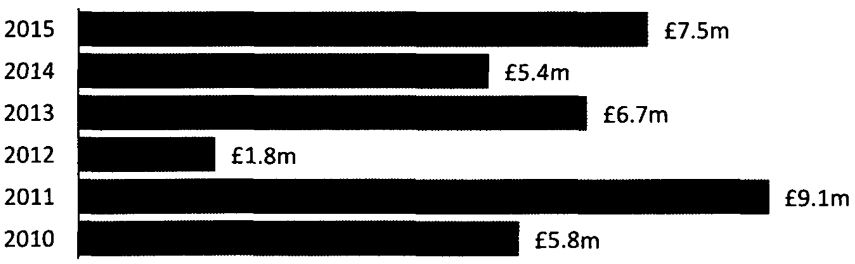
Adjusted Basic Earnings Per Share[1]



Dividend Per Share



Net Cash Generated From Operating Activities



Revenue[2]

▲4.0%

31 January 2015: £725.3m
31 January 2014: £697.3m

Gross Profit[2]

▲5.3%

31 January 2015: £93.3m
31 January 2014: £88.6m

Operating Profit[3]

▲4.8%

31 January 2015: £10.2m
31 January 2014: £9.7m

Dividends

▲10.0%

31 January 2015: 3.5p
31 January 2014: 3.2p

Operating Cash

▲37.6%

31 January 2015: £7.5m
31 January 2014: £5.4m

(1) Before non-recurring items
(2) On a constant currency basis
(3) On a constant currency basis and before non-recurring items

Mission

We deliver remarkable global talent for the benefit

Our services

A unique portfolio of services gives us our key competitive advantage.

Executive Search & Leadership Services

We work with organisations across the world to recruit board members and senior executives, on a permanent and interim basis.

We also support our clients' strategic people objectives, through board consultancy such as assessment and leadership services.

Professional Recruitment

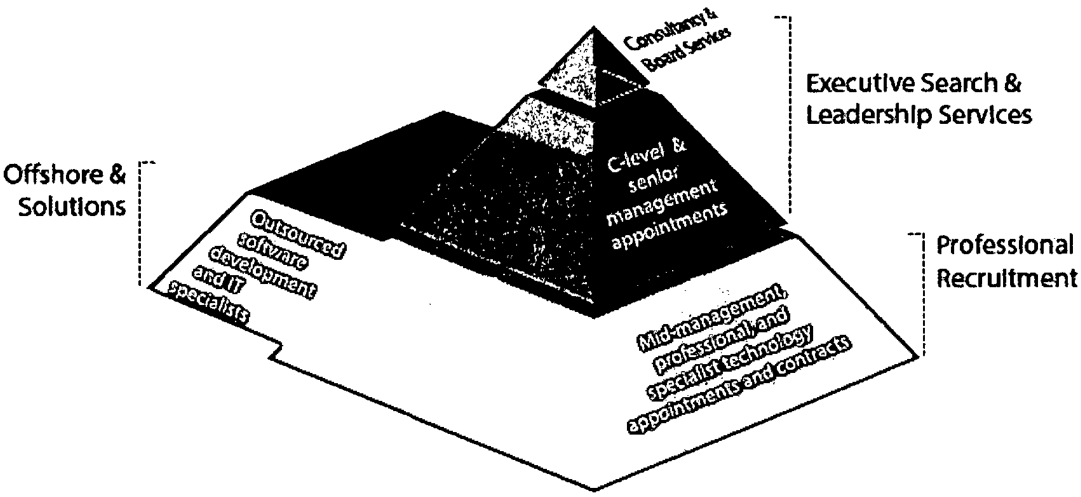
Our market leading technology recruitment business helps organisations across more than 30 countries recruit highly skilled experts on a permanent and contract basis.

In addition, we provide bespoke solutions to assist clients to recruit and manage their workforce risk, payroll services and hiring processes.

Offshore & Solutions

We help organisations to build scale, increase flexibility and reduce costs through our managed IT services & projects, software development services and BPO operations in Vietnam.

We also assume responsibility for mission critical elements of telecommunications R&D.



# of our clients. In every possible way.

Our strategic focus

We are growing our market share by building long-term client relationships and expanding our geographic spread.

Leveraging our portfolio

We will leverage our broad portfolio of services throughout our existing network, while broadening our geographical presence both organically and through bolt on acquisitions.

The portfolio of services is designed to fulfil clients' needs at each stage of the business cycle reinforcing our long-term relationships through constant engagement.

Building the brand

Investing in the Group's market leading brands through a programme of events and thought leadership ensures we continue to build trust in our brands, which is key to attracting and retaining clients, candidates and new employees.

Our business model is based on close client engagement supported by relationship building and added-value activities.

Offshore services

We continue to develop the Group's global recruitment support services centre established in Vietnam and co-located within the offshore software development business.

This capability supports the USA, European and Asian recruitment businesses by augmenting our sourcing and candidate research capability, increasing the productivity of our consultants and increasing speed to placement.

Managed Solutions

Managed solutions have become the gateway to new client relationships whether it's the management of existing client business operations or providing recruitment outsourcing and payroll services.

Increasingly, routine administrative elements of the recruitment process are being undertaken offshore, reducing cost and increasing efficiency.

Meet the Group Board

Julie Baddeley

Non-Executive Chairman

Albert Ellis

Chief Executive Officer

Richard Ashcroft

Group Finance Director

Simon Wassall

European Managing Director

Margot Katz

Group Director of Talent

Ian Davies

Non-Executive Director

Tom Crawford

Non-Executive Director

David Bezem

Non-Executive Director

Meet the Executive Council

The Executive Council is the senior operational management team for the business. Its members are full-time senior managers and is made up of Albert Ellis, Richard Ashcroft, Simon Wassall plus:

Robert J. Miano
President

Responsible for Harvey Nash operations in the USA.

Magnus Tegborg
MD

Responsible for the European Executive Search business and Chair of the Executive Consulting Board.

Nick Marsh
MD

Responsible for the Executive Search business in Asia.

Ronny Lommelen
MD

Responsible for Harvey Nash operations in Belgium.

Udo Nadolski
MD

Responsible for Harvey Nash in Germany and Nash Technologies.

Jan Leen 'tJong
MD

Responsible for Harvey Nash operations in the Netherlands.

Directors' profiles

Julie Baddeley
Non-Executive Chairman

Julie Baddeley, aged 64, is Non-Executive Chairman and was appointed to the Board in September 2011. She was appointed as Non-Executive Chairman and Chairman of the Nomination Committee at the Annual General Meeting in June 2013. Julie has held directorships at the BOC Group, Camelot Group plc, Spice plc, the Yorkshire Building Society and the Woolwich. Previously, Julie headed a global team as partner in charge of a substantial part of Accenture's change management practice. Julie is also a Non-Executive Director of Ebiquity plc, Chrysalis VCT plc and Chairman of Sustain Limited, a leading environmental consultancy.

Ian Davies
Senior Independent Non-Executive Director

Ian Davies, aged 60, is a Non-Executive Director and was appointed in September 2010. He was also appointed Senior Independent Director at the Annual General Meeting in June 2013. Ian is Chairman of the Audit Committee and also chaired the Remuneration Committee until September 2014. Ian is a former audit partner and has significant listed Board experience. He is currently deputy Chairman of BMT Group Limited, and Chairman of their Audit Committee and Employee Benefits Trust. Ian is also a Fellow of the Institute of Chartered Accountants in England and Wales, Chairman of the ICAEW Remuneration Committee and an elected member of the Board, Council and Nomination Committee.

David Bezem
Non-Executive Director

David Bezem, aged 54, is a Non-Executive Director and was appointed in June 2013. He took over as Chairman of the Remuneration Committee in September 2014. David is also a Non-Executive Director and Chairman of the Remuneration Committee of Focusrite plc. David has more than 25 years' experience providing corporate finance advice, focussing on the support services and media sectors. He was a Managing Director in Altium's corporate finance business and prior to that of Close Brothers Corporate Finance. David qualified as a Chartered Accountant with Arthur Andersen & Co.

Kevin Thomas
Non-Executive Director

Kevin Thomas, aged 61, is a Non-Executive Director and was appointed in May 2014. He also serves on the Board of Babcock International Group plc as Chief Executive of their Support Services Division. Before joining Babcock, he spent 12 years in facilities management, including seven years with Serco Group plc and 15 years in local government with Merton, Surrey and Southwark Councils. He is a Fellow of the Royal Institute of Chartered Surveyors and a Freeman of the City of London.

Albert Ellis
Chief Executive Officer

Albert Ellis, aged 51, 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 57, is Group Finance Director and Company Secretary. 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 52, 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.

Directors, Secretary and Advisers

Directors
Julie Baddeley
Ian Davies
David Bezem
Kevin Thomas
Albert Ellis
Richard Ashcroft
Simon Wassall

Secretary
Richard Ashcroft

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Registered Number
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Solicitors
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PO Box 4630
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Spencer Road
Lancing
West Sussex BN99 6QQ

Independent Auditors
Deloitte LLP
Chartered Accountants and Statutory Auditors
2 New Street Square
London EC4A 3BZ

Principal Bankers
Royal Bank of Scotland plc
PO Box 4RY
250 Regent Street
London W1A 4RY

CHAIRMAN'S STATEMENT

Financial Performance

The Group delivered a strong set of results achieving growth in all service lines on a constant currency basis. Reported revenue for the year was £696.6m (2014: £697.3m) and profit before tax and non-recurring items was £9.0m (2014: £9.0m).

Revenue and gross profit increased on a constant currency basis by 4.0% and 5.3% respectively in the year as a result of strong growth in contract recruitment in the UK and contract management services in Benelux in particular. The devaluation of the Euro and the relatively subdued demand for permanent recruitment impacted mainland Europe performance, whilst buoyant markets supported growth in permanent recruitment in the US and UK. Our successful outsourcing operations in Vietnam continued to grow organically in the year, and elsewhere in Asia our recruitment operations were strengthened by the acquisition of Beaumont KK, a boutique permanent recruitment business in Japan.

Operating profit before non-recurring items for the year was in-line with the prior year despite investment in new operations in the UK and Asia and a 10% investment in fee-earning headcount facilitated by strong cash flows. A non-recurring charge of £1.3m was incurred in the year (2013: £2.6m). As previously communicated, this mainly related to the strategic review of our European telecom outsourcing business (£0.6m) and the restructuring of our Norwegian operations (£0.5m). Additional charges of £0.2m were incurred in respect of the acquisition of Beaumont KK and the closure of the French operations.

Adjusted basic earnings per share, which excludes the effect of non-recurring items, rose by 3.0% to 9.02p (2014: 8.76p). Basic earnings per share, after non-recurring costs, rose by 38.2% to 7.24p (2014: 5.24p).

Dividend

The Board is recommending a 10% increase in the final dividend to 2.2 pence per share (2014: 2.0p). This gives a total dividend for the year of 3.5 pence per share (2014: 3.2p), also up 10%, and reflects the Group's progressive and sustainable dividend policy. Subject to approval at the Annual General Meeting on 2 July 2015, the final dividend will be paid on 10 July 2015 to shareholders on the register as at 19 June 2015.

Strategy

The Group's strategy is to continue to grow the business through a balanced portfolio of services, increasing revenues, profits and dividends. This portfolio delivers competitive advantages and results in a cash generative business model, which enables the Group to grow organically through investment in new services, geographic locations and increasing headcount, as well as through earnings enhancing bolt-on acquisitions.

The core of the Group's business model is its unique portfolio of services, which enables client engagement at each stage of the business cycle. This relationship model underpins the delivery of resilient financial results, demonstrated during the last downturn, and supports returns to shareholders.

A balance of permanent recruitment, contract recruitment, managed solutions and offshore services, combined with our market leading position in technology and executive recruitment, provides Harvey Nash with a competitive advantage and has ensured significant market share gains. Going forward, the Group will continue to invest in its offshore recruitment services in Vietnam, providing candidate placement services to the business in the USA, UK and parts of Europe.

During the year under review, the Group made the small but strategically valuable acquisition of Beaumont KK in Japan, thereby consolidating our presence in Japan and leaving us well positioned to achieve our strategic growth objectives in the broader Asia-Pacific region.

Governance and Board

Harvey Nash's robust corporate governance framework underpins its performance. I have previously set out my three clear priorities for the Board on which we remain firmly focused.

Our first priority is to debate the strategy for increasing shareholder value and to hold the executive team accountable for its delivery. Our second priority is to ensure we have the most talented team to execute our strategy and that we plan effectively for succession. Our third priority is to ensure that the right corporate values are in place, supported by the appropriate governance structures and their effective implementation.

Governance and Board (continued)

This year, as communicated in our remuneration policy, we have focused on further aligning executive remuneration structures to our objectives of delivering shareholder value and promoting the long-term success of the Company. We have done this through the implementation of a new performance share plan and the enhancement of annual bonus objectives to include individual objectives.

We have also further developed our approach to strategic planning in the year and challenged ourselves, as a Board, as to whether we have the right mechanisms in place to confirm to you as shareholders the longer-term viability of the business, which we feel we do.

Tom Crawford and Margot Katz both stepped down from the Board in July 2014 as previously communicated. Margot continues to work with us on a consultancy basis on the next phase of our talent strategies, which we consider vital to our continuing growth and success. Kevin Thomas, a main board Director of FTSE 100 listed business Babcock International joined us in May 2014. He has valuable experience of growing businesses of substantial scale both organically and through acquisition and has made a significant contribution to the development of our strategic planning in recent months.

Further details on the role and effectiveness of the Board are provided in my statement in the Corporate Governance section.

Outlook

The Group has reported growth in underlying revenues and profits across all its key service lines on a constant currency basis despite demand for permanent hiring being affected by the on-going uncertainty in the Eurozone. The softening of permanent recruitment demand experienced in the fourth quarter in Mainland Europe appears to have stabilised and the macro outlook is currently supportive in the USA, UK, Ireland, Vietnam and parts of mainland Europe, such as Germany and Sweden.

As we look ahead we expect similar trends in trading conditions prevailing across our major markets. Sterling remains strong in relation to the Euro and whilst this will continue to impact reported growth rates, we are nevertheless encouraged by the start of the current year. With the level of visibility we have after two reporting months, the Board believes the outturn for the year will be in line with its expectations.

Julie Baddeley
Chairman

Strategy

Our focus for growth

The Group's strategy is to continue to grow the business globally, generating increasing revenues, profits and dividends. Harvey Nash's unique portfolio of services has enabled the Company to grow and maintain profitability through all stages of the business cycle, supporting our clients internationally in respect of all their talent needs.

Three strategic pillars underpin the model.

1. Growth

- Expanding the client base by winning new contracts and mandates
- *Investing in headcount to add* scale in existing locations
- Cross-selling the Group's services into existing clients
- Organic investment in new growth markets and locations
- Making bolt-on acquisitions in new markets and service lines

2. Profitability

- Adding value and improving pricing and margins through expertise and specialist consultant knowledge
- Improving productivity through rigorous professional management
- Developing our Vietnam centre for routine administrative work and candidate identification
- Using new technologies and ways of working to reduce overhead and property costs
- Increasing the ratio of fee-earning consultants to administrative employees

3. Sustainability

- Professional values based delivery of quality services ensuring a high level of repeat business from all our clients
- Developing and retaining successful consultants
- Retaining existing clients through thought leadership and research
- Continued development of our professional services culture underpinned by a strong set of core values
- Maintaining a strong balance sheet

The core business is recruitment of talent: executive, specialist professional, project teams and offshore. These services all identify and source talented people, wherever in the world they may be located and connects the Group's clients with this talent pool.

The key strategy is to grow local and global market share: through building long-term client relationships, leveraging our unique portfolio of services throughout the existing network, while broadening our geographic presence both organically and through bolt-on acquisitions.

Growth in market share is achieved by increasing the number of clients and achieving higher levels of client retention than the industry norm. There are also many opportunities to add additional services in existing locations in the future, broadening existing client relationships and securing new wins.

Growth will also be achieved by expanding operations in both existing and new locations. Investment in headcount will be made where the Group's market leading brands provide a platform for growth in new hires such as the UK/Ireland and Europe, and also in new markets with faster economic growth such as in Asia.

Companies attracted by the benefits of having a supplier of broad software development talent, whether in-house or in the form of offshore projects, are a key focus. This is a natural service extension for a technology recruitment business delivering a complete range of talent services to the IT function.

We will also continue to develop the Group's global recruitment support services centre established in Vietnam and co-located with the offshore services division. This centre supports our operations in the USA, Europe and Asia by augmenting our in-house recruitment and research capability and expertise. This delivers improved consultant productivity, reduced average cost of placement and increased speed to market.

The Group's digital strategy brings the complete portfolio of services to market via new channels using numerous social media tools and platforms to leverage our competitive advantages. With a reputation for being at the forefront of digital initiatives, we will continue to use our pioneering in-house digital research team to take advantage of the opportunities presented by the disruptive nature of technological change.

Model

How the portfolio works to increase shareholder value

Resilience through the business cycle

A key differentiator of our portfolio of services is the resilience it provides over the business cycle. This broad portfolio retains and maximises resilience and flexibility as the mix of services addresses changing client needs at each stage of the economic and business cycle.

Demand for permanent recruitment grows as markets expand, whilst temporary, contract and offshore services enable clients to balance risk and achieve cost reductions. Managed solutions increasingly have become the gateway to new client relationships whether it's the management of client IT operations or providing recruitment outsourcing and payroll services. Increasingly, more routine elements of the recruitment or solutions process are undertaken offshore reducing cost and increasing efficiency.

Generating sustainable growth remains our key priority, enabling the Group to remain in the top quartile of its peer group as measured by total shareholder returns.

Cash generative in nature

The Group's trading model is cash generative in nature over the business cycle. Our strategy is to ensure a balance in favour of annuity revenues, such as contract and interim recruitment, managed solutions and offshore services, which absorb working capital when in growth mode. These services are complemented by permanent recruitment and leadership consulting, which is higher margin and cash generative.

The positive trading cash flows fund organic growth, bolt-on acquisitions and returns to shareholders in the form of increasing dividends. The Group's long-term target is for a proportion of services representing 67% annuity revenues and 33% permanent revenues, calculated on a gross margin basis.

Balancing organic growth and acquisition

The Group's long-term strategy is to achieve growth by both acquisition and organic investment. As the recruitment market has matured and the global macro-economic environment slowed, the target balance of growth has been set at 33% acquisition and 67% organic.

Portfolio of services

LEADERSHIP SERVICES

Executive Search

Interim Management

Leadership Consulting

- *Leadership & assessment*
- *Talent mapping*
- *Diversity*

PROFESSIONAL RECRUITMENT

Professional recruitment

- *Contract*
- *Permanent*

Managed services and solutions

Contract services

OFFSHORE SERVICES

Software development

Projects and support

Business process outsourcing

Shared services centre

- *Candidate sourcing*
- *Group Finance*
- *Group IT support*
- *Administrative support*

DELIVERING TALENT GLOBALLY

Leadership Services

Executive Search

We help multinational organisations, and niche companies, to attract, recruit and retain outstanding board members, top executives, senior management and future leaders through high-level executive search. We compete with the largest global executive search firms as well as local boutiques. In our core markets, the business has a broad-based capability in all key sectors and practices.

Interim Management

Through our market-leading interim management consultancy 'Impact Executives', we provide our clients with highly experienced executives for short-term assignments across a broad range of geographies, sectors and functions.

Leadership Consulting

Our leadership consulting businesses support owners, boards and executive management with a full range of strategic leadership services, including board evaluations, leadership development, management development, managerial audits, assessments and strategic HR consulting. This service offering makes us true advisers to our clients around talent and leadership issues and builds long-term relationships as well as high-level knowledge.

Professional Recruitment

Technology Recruitment

Our market-leading technology recruitment business provides clients with highly skilled technology specialists and software development experts for contract and permanent roles and the very best executive talent for management-level and senior appointments. By combining the power of the Harvey Nash brand with our industry and technical expertise, we hold a pre-eminent market position in technology recruitment.

Management and Specialist Recruitment

We help clients recruit finance, HR and engineering management, on a flexible or permanent basis.

Offshore Services

Projects and Software Services

We provide application development, third party software maintenance and outsourced software services to our clients across the world. Through our software development centre in Vietnam, we deliver a unique blend of high-value offshore and onshore services.

Managed Services/Business Process Outsourcing

We take responsibility for the full management of critical technology infrastructure functions, such as data centre operations, help desk services and network administration. We also take responsibility for BPO operations such as payroll, archive digitalisation, data/image processing and back office transactions.

Telecommunications R&D

Through our subsidiaries in Germany and offshore facility in Vietnam, we provide vendor-independent Wireless and Wireline Networks R&D, providing expertise covering all phases of the communications product lifecycle.

CEO REVIEW

The Group enjoyed another year of significant progress, particularly in expanding capacity across the world, adding critical mass in underutilised locations and opening up new markets. Where trading conditions were favourable, such as in the USA and UK, the Group increased revenues and profits whilst investing in future growth by adding to headcount.

Despite weak demand for permanent hiring in Mainland Europe, the Group increased profit contribution from Sweden and Belgium and improved financial performance in Germany in the second half. In markets where trading conditions were challenging, management focussed on restructuring the businesses affected. In Norway, the recruitment business was restructured following a sharp downturn in the domestic economy, and in Germany a strategic review of the outsourcing business is underway, re-aligning it towards growth markets and making investment available to develop innovative software products.

Currency headwinds and Sterling-based reported results mask a strong operational and financial performance particularly at local currency level in relation to the prior year. For example, the depreciation of the Euro and the Swedish Krona were two main factors in translating underlying growth in turnover of 3.9%* and therefore growth in market share into a reported decline in revenues in Europe of 1.9%. Currency depreciation was gradual over the period with the impact increasing toward the end of the year. Until exchange rates stabilise year-on-year this effect will continue to mask the underlying strength of the Group's performance.

In addition, the Group has been investing in Asia with the longer-term strategic goal of deriving new sources of revenues and profits to add to its European and USA footprint. With the exception of Vietnam, progress at the contribution level was slower than expected, as the Group had planned breaking into profit earlier than is now realistic. The main driver for this was the continued challenging Australian market caused by the decline in the resources sector and the slowdown in Hong Kong and China. Finally, the office in Tokyo benefited from the acquisition of Beaumont KK, an executive search team, resulting in synergies between the existing outsourcing service and the new recruitment team.

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

United Kingdom and Ireland

Revenue in the UK and Ireland increased by 2.7% to £229.8m (2014: £223.7m) and gross profit increased by 8.4% to £36.2m (2014: £33.4m). Operating profit was up 16.6% at £3.7m** compared to £3.2m the previous year.

	2015 Actual		**2015 Constant currency**		2014
Turnover (£m)	**229.8**	+ 2.7%	**231.7**	+ 3.6%	223.7
Gross profit (£m)	**36.2**	+ 8.4%	**36.5**	+ 9.5%	33.4
Operating profit** (£m)	**3.7**	+ 16.6%	**3.8**	+ 18.7%	3.2

This was a strong performance, as the business capitalised on market share gains and continued with investment to expand capacity during the recession.

Demand for contingent technology professionals continued to be the strongest area of the market. London, and the Finance and Banking sectors in particular, were buoyant. It has been widely reported that broader demand for executive and higher salary positions did not demonstrate similar growth and this has been the Group's experience too. However, Education, Health, Consumer and Board recruitment has been active. We have also seen clients recruit strategic hires with an emphasis on gender balance and diversity. Interim management reported a steady performance with an increasing pipeline of opportunities as the economy continued to improve.

Growth came from the recently established locations in the UK, Newcastle, Bristol and Warrington, with the larger hubs such as Birmingham and Manchester broadly flat against record results in the prior year. In Scotland, the referendum reduced demand for permanent hires, but the number of contractors out at the year-end was up by 87% compared to the previous year. In Ireland, continued strong demand from mainly US and European multinationals for IT contractors drove overall growth up 22%* in gross profit on the prior year. The recently established office in Cork also delivered good growth albeit from a low base, up 94%* on the prior year.

Gross profit from Offshore IT Services was once again the fastest growing service up 17% following a strong year of new business sales, underpinning the UK profitability and cementing key recruitment client relationships.

* On a constant currency basis.

** Before non-recurring items.

Mainland Europe

Revenue in mainland Europe was £413.2m (2014: £421.2m) and gross profit was £37.4m (2014: £40.2m). On a constant currency basis, revenue increased by 3.9% and gross profit remained level. Operating profit was materially aligned to the prior year at £5.5m (2014: £5.6m) but increased by 3.0% on a constant currency basis.

	2015 Actual		2015 Constant currency		2014
Turnover (£m)	**413.2**	- 1.9%	**437.6**	+ 3.9%	421.2
Gross profit (£m)	**37.4**	- 6.9%	**40.2**	-	40.2
Operating profit** (£m)	**5.5**	- 2.1%	**5.8**	+ 3.0%	5.6

Currency headwinds were the key feature of the Eurozone results. The decline in revenue was mainly due to the impact of the weakening Euro, a change in the mix in favour of higher margin contract recruitment and a decline in permanent revenues in the Eurozone with Holland, Belgium, Switzerland and Germany all reporting declines.

Results from the Benelux were robust with revenue overall increasing 7.5%* as clients continued to favour temporary recruitment over permanent recruitment. The business acquired in 2012, Talent IT in Antwerp, delivered a strong result in its final earn out year with gross profit up 25%*. Holland reported a small decline of 2% in gross profit* mainly related to lower permanent recruitment.

In the Nordics, gross profit declined overall as a result of the weak performance in Norway. The Group's business in Sweden performed well with overall gross profit up 16%* despite challenging trading conditions, with the interim management business reporting the strongest growth, up 43%*. Finland and Denmark, although small, both reported strong increases in gross profit. Norway's economy has been impacted by weakening domestic demand in the first half of the year and a significant decline in the price of oil in the second half such that gross profit was down by 37%*. The downsizing of the operation and property was not sufficient to return the Norwegian business to breakeven by the end of the year although we expect a smaller loss going into the 2016 financial year.

The results from Central & Eastern Europe, which include Germany, Switzerland and Poland, were also mixed. In Switzerland and Germany, recruitment gross profit declined by 4%* and 6%* respectively. However, in Germany a weak first half was offset by a much stronger second half mainly due to increasing demand for engineering and employed IT consultants. Executive recruitment in Poland was lower than the previous year, however technology recruitment was strong with a 94% increase in gross profit*.

United States

Revenue in the USA increased by 1.6% to £47.7m (2014: £46.9m) and gross profit increased by 3.7% to £11.8m (2014: £11.4m), whilst operating profit remained flat.

	2015 Actual		2015 Constant currency		2014
Turnover (£m)	**47.7**	+ 1.6%	**49.7**	+ 5.9%	46.9
Gross profit (£m)	**11.8**	+ 3.7%	**12.3**	+ 7.9%	11.4
Operating profit** (£m)	**0.9**	+ 1.5%	**0.9**	+ 7.9%	0.9

The US economy was the strongest economy across the Group during the year to January 2015. The business invested in headcount (+11%) as confidence in the recovery grew stronger. Permanent recruitment was robust as the pipeline of orders for permanent hires continued to improve with net fees up 10.9%* on the prior year, with the Seattle office generating the highest proportion. Executive search was up 15%* boosted by demand for senior executives to drive technology-based digital business strategies in larger companies reflecting the strength of the US jobs market.

A natural swing in demand occurred during the year from contract to permanent as clients switched their resourcing strategies to filling long-term permanent positions. This impacted contribution and led to a small decline in core, higher margin, contracting gross profit over the year. This decline was offset by strong growth in the new Enterprise Technical Delivery Service, which grew by 31%*. This service provides contract resources to large enterprises mainly through a vendor management programme using the Group's unique offshore sourcing strategy.

The acute skills shortage combined with investment in digital resulted in many clients, mainly in the media sector, resourcing projects with offshore skills based in Vietnam, resulting in an increase of 26% in gross profit* from this service.

* On a constant currency basis.

** Before non-recurring items.

Asia Pacific

Revenue in Asia Pacific increased by 8.8% to £6.0m (2014: £5.5m) and gross profit increased by 11.4% to £4.0m (2014: £3.6m). Operating loss was £0.3m (2014: £0.1m profit) due to investment in fee-earning headcount and new offices.

	2015 Actual		**2015 Constant currency**		2014
Turnover (£m)	**6.0**	+ 8.8%	**6.3**	+ 14.2%	5.5
Gross profit (£m)	**4.0**	+ 11.4%	**4.2**	+ 17.2%	3.6
Operating profit** (£m)	**(0.3)**	- 462.0%	**(0.3)**	- 433.9%	0.1

Although progress was slower than initially expected, results from the region were still encouraging with core revenues excluding business process outsourcing up 33% in reported currency. Continued investment in headcount organically in Hong Kong and Vietnam, and by acquisition in Tokyo resulted in a 16% increase overall. Whilst Australia remains challenging, Hong Kong and Vietnam continue to grow their pipelines and headcount. The Tokyo team have experienced a mixed six months with the integration process a distraction as they settle into the Group. However, we are confident the business will be back on track in the year ahead.

Future

During the 2015 financial year, the Group expanded fee-earning capacity by a significant 10% overall as the recovery gradually took hold. With stronger economic growth, low unemployment and rising business confidence in the US and the UK, stability in Europe and a return to growth in Asia, the jobs markets will continue to improve. In Mainland Europe, stability appears to be returning to the sector after the uncertainty in the latter part of 2014. A strategic review to explore options going forward is underway in relation to the German outsourcing business. In Asia, pipelines are indicating an improving trend into the second quarter of the 2016 financial year.

By continuing to invest in the Group's capacity, including its ability to source and recruit anywhere in the world from its offshore location in Vietnam, there is confidence that, subject to further volatility in the currency markets, the Group has every prospect of growing now and in the future.

* On a constant currency basis.

** Before non-recurring items.

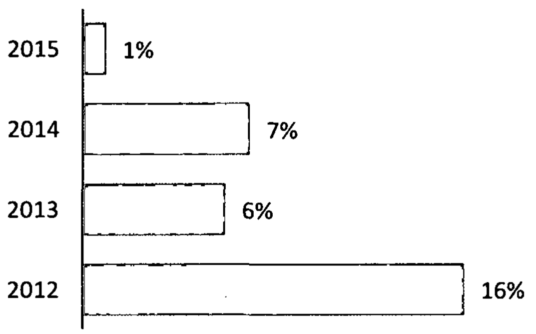
Key Performance Indicators

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

Net fee growth

Net fee growth is critical to increasing operating profit and the value of the Group.

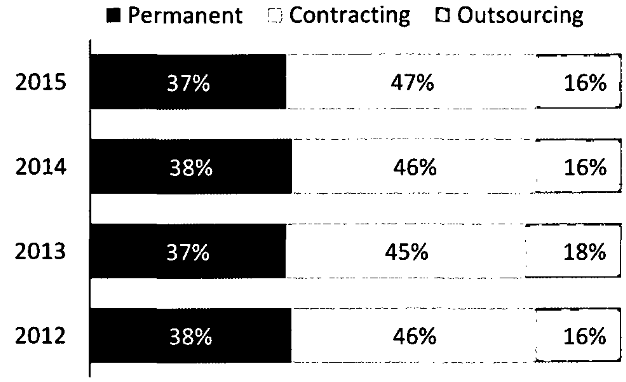
Currency headwinds masked a strong operational and financial performance by the Group, with underlying net fees increasing by 5.3% on a constant currency basis.



Gross profit ratio

A balanced portfolio of services engages clients at all stages of the economic cycle, resulting in financial resilience.

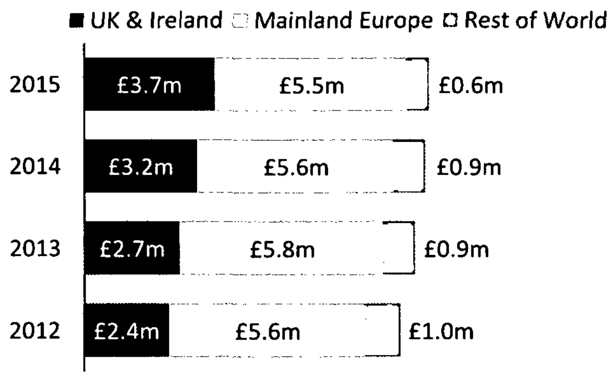
The Group maintained a steady balance between its three key sources of gross profit during the year.



Operating profit per region*

Our international footprint across Europe, the USA and Asia Pacific diversifies the Group's exposure to any one country or economic region.

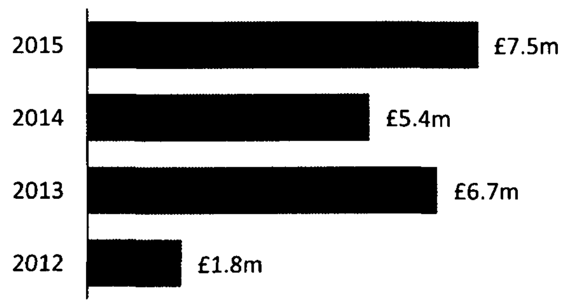
In the current year, the Group continued to gain market share in mature markets such as the UK and also expanded into new markets with the acquisition in Japan.



Net cash generated from operating activities

Strong cash generation is key to sustainable dividends and a net positive cash balance, indicative of a strong balance sheet.

Efficient working capital management, including a reduction in debtor days to 42.5 days (2014: 46.1 days), contributed to a 38% increase in net cash generated from operating activities in addition to the growth in net fees.



* Before non-recurring items

FD REVIEW

Revenue was in line with the previous year at £696.6m (2014: £697.3m) but 4.0% higher on a constant currency basis, while gross profit was 1.0% higher at £89.5m (2014: £88.6m) and 5.3% higher on a constant currency basis. Gross profit (on a constant currency basis) from permanent recruitment was 3.0% higher, from contracting was 6.3% higher and from offshore solutions was 7.8% higher. During the year, in the light of the improving outlook in key markets, a decision was taken to invest in fee-earner headcount, which increased by 9.8% to 600 (2014: 546).

The net finance charge of £0.7m remained in-line with the prior year, resulting in an overall increase in profit after tax for the year of 36.8% to £5.3m (2014: 3.9m).

Taxation

The overall effective rate of tax is a function of the mix of profits between the various countries in which the group operates with higher rates in the United States, Germany and Belgium in particular being offset by lower rates elsewhere.

The tax charge for the year was £2.4m (2014: £2.5m) giving an overall effective rate of tax before non-recurring items of 27.1% (2014: 28.2%). The deferred income tax asset increased by £0.2m, relating to UK tax losses. The deferred tax asset of £2.8m (2014: £2.6m) relates primarily to accrued Group interest charges payable by the US business (£1.0m), tax losses (£0.8m) and post-employment liabilities (£0.4m) and was partially offset by a deferred tax liability of £0.3m relating mainly to unremitted earnings (£0.1m) and accrued revenue (£0.2m).

Earnings per Share

Adjusted basic earnings per share, which excludes the effect of non-recurring costs, rose by 2.97% to 9.02p (2014: 8.76p). Basic earnings per share rose by 38.2% to 7.24p (2014: 5.24p).

Balance Sheet

Total net assets at the year-end were £64.6m (2014: £65.5m), a decrease of 1.3% due to currency movements being greater than retained profits.

Property, plant and equipment increased by £0.1m as capital additions exceeded depreciation. Fixed asset disposals of £0.6m were made, of which £0.5m were fully depreciated.

Intangible assets increased by £1.0m to £51.4m due to software capitalisation of £1.7m and the acquisition of Beaumont £0.7m offset by exchange adjustments (£1.4m) and brand amortisation (£0.1m).

Net trade receivables decreased to £80.0m (2014: £112.6m), as a result of a combination of efficient working capital management and the timing of invoicing. Prepayments and accrued income rose by £13.9m, due mainly to increases in accrued revenue in the Netherlands as a result of the timing of invoicing. Debtor days decreased to 42.5 days (2014: 46.1 days). Trade payables decreased by £7.8m to £59.1m, again due mainly to the timing of payments. Accruals for taxes and social security payable decreased by £4.1m due mainly to the earlier payment of VAT. Other accruals decreased by £3.5m due mainly to lower accruals for contractor costs in the Netherlands.

Contingent consideration also increased by £0.2m to £2.4m (2014: £2.2m), being deferred consideration payable of £0.5m for the acquisition of Beaumont and offset by foreign exchange movements. The closing balance includes £2.0m estimated as payable during the 2016 financial year, following the completion of the earn out period which commenced on acquisition of the Talent IT business. The overall decrease of £0.7m in provisions for liabilities and charges relates predominantly to the utilisation of the provision for German termination costs and costs in respect of the closure of the French office which will be completed in 2015, partially offset by costs relating to the restructuring of the Norwegian business.

The Group had a positive net cash position at 31 January 2015 of £2.1m (2014: £3.8m) and has no long-term debt.

Cash Flow

Free cash flow from operating activities before movements in working capital was once again strong at £10.2m (2014: £9.2m). Overall net cash at 31 January 2015 of £2.1m was £1.7m lower than the previous year owing mainly to a combination of higher working capital (£0.5m), share purchases for the Employee Benefit Trust (£1.6m), cash outflow on non-recurring items (£2.0m), the purchase of Beaumont for cash (£0.4m) and dividend payments (£2.4m). Cash outflow on capital expenditure in the year was £0.1m higher than the previous year, and income taxes paid were £0.7m higher.

Banking Facilities

The Group maintains substantial headroom in its banking facilities to fund working capital with £50m 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 Dollars of £5m is in the United States and the equivalent in Euros of £5m is in Belgium, plus a £2m overdraft facility in the United Kingdom.

Key risks

Risk	Description	Mitigation
Technological development and digital innovation	The risk of disruption to the recruitment sector through digital innovation is mainly considered to be the growing use of social media to source candidates.	The Group has invested time both at Board level and in the operational context to design suitable strategies to capture the benefits of the current disruption and mitigate potential erosion of the Group's market share. The Group has also invested significantly in developing its in-house expertise in utilising social media channels to accelerate sourcing and recruiting.
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 developed a broad portfolio of services appropriate to different stages of the economic cycle and a continued focus on annuity revenue streams providing enhanced visibility and improving client retention rates during downturns.
Foreign exchange	The global nature of Group operations naturally give rise to exposure to a basket of currency movements, both in actual cash gains / losses and translation differences.	The Group ensures natural hedging takes place as the majority of its costs are aligned with revenues in single currencies, and manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings. Cash gains or losses are limited through active management of working capital and appropriate accounting policies and financial controls. Variances on translation arise as part of the strategy of increasing international exposure and are not actively hedged.
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's client centric strategy places great emphasis on the client and the retention of the relationship. A diversified geographical footprint and sector focus also reduces the risk of key client losses affecting the overall Group due to adverse country or sector specific conditions.
Talent	The loss of senior management or key personnel could adversely affect the Group's results.	Sponsored by the Executive Council and implemented by the Group's Head of Talent a programme of on-going investment in talent management is focused at maintaining high retention rates of identified key consultants and leaders.
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 utilises high quality external professional advice to reduce risk in this area. Robust internal controls ensure high levels of compliance in relation to legal and contractual risks and obligations.
Data protection	The Group operates with a number of complex systems which maintain confidential data.	Data protection is a key priority. The Group has data protection and security policies in place and regularly reviews the effectiveness of these policies.

Corporate Responsibility

People

People are at the heart of our business and the Board takes a keen interest in how we engage with and develop our employees. We foster employee engagement through building:

- respect for the organisation and its leaders
- understanding of, and opportunities to influence, the Group's strategy and performance
- the chance to grow and develop within the organisation.

Progress is measured in an annual Employee Engagement Survey. In the 2014 survey, when asked whether they were satisfied with Harvey Nash as an employer, over 80% of respondents said they felt positively about the Group and 84% said that they would recommend the Group as a great place to work.

The Group's internal communications are designed to achieve awareness of the financial and economic factors that affect the performance of the Group. Employees are consulted regularly to make sure their views can be taken into account when decisions are made that affect their interests. Over 80% of respondents in the 2014 survey indicated that management had a clear view of where the organisation is going and how to get there.

Harvey Nash is a 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 that this, in turn, will be in the interests of our shareholders. We offer our employees the opportunity to participate in share incentive plans to help align their interests with shareholders and reward contribution to the Group's performance. Our commitment is reflected in our membership of the Recruitment and Employment Confederation, which requires us to observe the highest principles, of ethics, integrity, professional conduct and fair practice.

Harvey Nash not only ensures that employment decisions are consistent with equal opportunities legislation in each country, but also actively encourages diversity consciousness among its management, staff and clients. One of our key principles is that the Group's senior management includes nationals in the country in which they operate, so that they understand the market and are naturally integrated in the local business culture. Our hugely successful Inspire and Aspire programmes set out to encourage promotion of women to the highest levels in our UK and international markets.

The table below summarises the gender diversity of the Group at the end of the financial year. This has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

	Male		Female	
	No.	%	No.	%
Group Board of Directors	6	86%	1	14%
Group Managing Directors	10	67%	5	33%
Group Employees	436	46%	521	54%
Group Senior Managers	60	71%	25	29%
Directors of undertakings included in the consolidation	15	94%	1	6%

Full consideration is also given to the recruitment, promotion, training and working environment of all staff including those with disabilities. The Group respects human rights and regards those rights relating to non-discrimination, fair treatment and respect for privacy as having the greatest potential impact on its key stakeholder groups of customers, employees and suppliers. The Board ensures that its policies encourage respect for the individual. These policies are communicated to all employees through the Human Resources Policies Manual.

Environment

The Board recognises that the business must minimise its impact on the environment and follows recommendations from the Carbon Trust to reduce its carbon footprint. As a service business, our operations are inherently less damaging to the environment than some other business sectors. However to reduce our emissions as much as possible the Group's environmental policy statement commits us to:

- reducing the overall amount of waste being sent to landfill by separating out materials for recycling
- making use of mains water supply for personal consumption through on site water filtration and purification
- optimising the operation of building cooling and heating systems
- introducing low energy lighting wherever appropriate and feasible
- using software which automatically switches off computers to reduce consumption of power
- where possible using low emission travel alternatives such as public transport and video conferencing
- taking account of our carbon footprint in procurement of goods, services and material capital items.

The Group surveyed its environment impact in the form of greenhouse gases in the year. The estimated greenhouse gas emissions for the Group for the 2015 financial year were 2,077 tonnes of CO_2e (2014: 1,821 tonnes of CO_2e), or 0.9 tonnes of CO_2e per employee*. The main emissions source is purchased electricity (Scope 2), representing 62% of the total carbon footprint. Fuel combustion (Scope 1) represented 10% of the total carbon footprint.

We calculated the above greenhouse gas emissions estimate to cover all material sources of emissions for which the Group is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2004). Responsibility for emissions sources was determined using the operational control approach. All emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 are included.

The estimate covers all operations that are consolidated within the financial statements and the offices leased to conduct these operations. Revenue data (e.g. turnover) was collected from the Group's largest offices, which together employ approximately 80% of the Group's employees, and extrapolated to cover the whole Group. Data were also collected for the Group's transport activity and research & development sites. Activity data were then converted to greenhouse gas estimates using the UK Government's GHG Conversion Factors for Company Reporting 2014.

* tCO_2e per employee includes contractors headcount. This is in line with DEFRA guidelines to report on employees, both permanent and temporary

Charitable contributions

Many of our staff engage in activities which support charities and their local communities, which is encouraged by senior management and the Board.

Here are a few examples:

In the UK, Sherree Young, Head of Practice Oil & Gas, is a Non-Executive Director and trustee at Kids' City, a London-based charity providing childcare and out of school activities to children. Sherree also supports the Restoration of Appearance and Function Trust, by raising awareness of the charity's pioneering work and fundraising within the Oil & Gas sector, raising over £100,000 to date.

Twenty-five Harvey Nash staff have been involved in raising money for Byte Night, in aid of Action For Children, including achieving the world record for the furthest distance travelled on a static bike in twelve hours, as well as various 'sleep outs'. We also sponsored the NOAH Conference, helping alleviate deprivation in the UK.

In Ireland we support the Simon Community, helping people who are homeless or at risk of homelessness. This not only involved raising money, but also staff dedicated their own time for hands-on involvement in refurbishing and decorating a new property.

Charitable contributions (continued)

Our international offices and staff are active in supporting a wide number of causes. In Germany we continued to support Biss Magazine, a street magazine written in part and sold by the homeless and others in difficult social situations. In Sweden we carried out a variety of pro bono board appointment and assessment work for The Stockholm City Mission, Médecins Sans Frontières and Swedish Childhood Cancer Foundation. In the U.S. we support the ADA Developers Academy, helping women take their first step into software development, as well as a San Francisco based food bank. In the Netherlands staff participated for the fourth year in the Unicef run in Breukelen. Our Vietnamese team also actively participates in fundraising for local children's charities.

The Strategic Report was approved by the Board of Directors on 29 April 2015 and signed on its behalf by:

Albert Ellis
Chief Executive

HARVEY NASH GROUP PLC
GOVERNANCE & ACCOUNTS
2015

Corporate Governance

For the year ended 31 January 2015

Dear Shareholders

Harvey Nash holds the principles of good corporate governance at its core. As a Board, we recognise that we have been entrusted with the stewardship of the Company and its undertakings by our shareholders, and at all times carry out our responsibilities in a transparent manner with honesty, integrity and commitment. During the year the members of the Board have met regularly with a number of you through our shareholder consultation process and we are keen to continue to do so to ensure we are aligned in our vision for the long-term success of the company.

In the interests of full disclosure we have set out in these financial statements the sources of capital made available to the Group other than that provided by shareholders. As in previous years, we continue to use an invoice discounting facility provided by RBS of £50 million for the Group as a whole. We also have an overdraft facility of £2 million in the UK.

As a Board, we have reviewed the statements in this report to ensure that they comply with the spirit of the Code and in particular with the provision of C1.1 that they are fair, balanced and understandable. We have reviewed the Strategic Report as set out on pages 11 to 24 of the Annual Report to ensure that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy. We are satisfied that it is consistent with our understanding of business performance, financial position and the story told by the numbers. We have highlighted the risks that we perceive the business faces and how they have been and will continue to be mitigated. The Audit Committee also reviewed the statements as a whole to ascertain whether the statements were fair, balanced and understandable with particular consideration of the selection and application of suitable accounting policies, the reasonableness of accounting judgements and estimates and the appropriate application of accounting standards.

We are confident that we have achieved our aim of transparency and hope that you agree we have provided you with the information you need to assess the Group's position and performance, business model and strategy.

As previously communicated, the Audit Committee reviewed whether it was appropriate to conduct a tender of external audit services in May 2014. The Committee concluded that it was and undertook a comprehensive tender process. As a result, the Committee recommended to the Board that Deloitte LLP be appointed to replace PwC as External Auditor in November 2014. The Board approved this recommendation, and Deloitte LLP have been appointed to fill the casual vacancy arising from the resignation of PwC until the shareholder vote on the appointment of the External Auditor at the Annual General Meeting on 2 July 2015.

The Board completed its annual evaluation process in January 2015. A formal survey was conducted to allow the members of the Board to provide confidential feedback on its performance. The feedback obtained was discussed and actions set where required. No significant issues were raised and the Board concluded that it remains effective and that Directors have access to suitable resources to update and develop their knowledge and capability.

Throughout the year ended 31 January 2015 and to the date of this document, the Group has been in compliance with the Code provisions set out in the UK Corporate Governance Code (2012). The Code can be found on the FRC website (www.frc.org.uk) and further details of how we have complied with the Code can be found in the statement of internal control.

Julie Baddeley
Chairman

Application of the provisions of the Code

Board of Directors

During the financial year there were at least three Executive and four Non-Executive Directors. Tom Crawford was not considered by the Board to be independent due to his significant shareholding and length of service. A list of Director biographies and their roles is given on page 7. The Board members with executive responsibility were the Chief Executive Officer, Group Finance Director, and European Managing Director. The following changes to the Board's members occurred during the year:

- Tom Crawford retired from the Board as a Non-Executive Director on 3 July 2014
- Kevin Thomas was appointed to the Board as Non-Executive Director on 1 May 2014
- Margot Katz completed her three-year term as Group Director of Talent and did not stand for re-election at the Annual General Meeting on 3 July 2014.

Julie Baddeley and Richard Ashcroft will stand for re-election at the Annual General Meeting on 2 July 2015. The Board is satisfied that both Directors have sufficient skills and experience that qualify them for re-election.

The Board meets at least eight times a year 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 Board Committees
- annual approval of the 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
- approval of treasury policy and significant financing arrangements
- recommendation of the proposed level and payment of dividends.

Board and Committee attendance

	Number of meetings			
	Group Board	Nomination Committee	Remuneration Committee	Audit Committee
Total number of meetings	10	2	7	4
Non-Executive Directors				
Julie Baddeley	10/10	2/2	7/7	-
David Bezem	10/10	2/2	6/7	4/4
Tom Crawford [1] (retired 3 July 2014)	3/3	-	-	-
Ian Davies	10/10	2/2	7/7	4/4
Kevin Thomas (appointed 1 May 2014)	8/8	1/1	3/4	2/2
Executive Directors				
Albert Ellis	10/10	2/2	-	-
Richard Ashcroft	10/10	-	-	-
Simon Wassall	10/10	-	-	-
Margot Katz (retired 3 July 2014)	3/3	-	-	-

1. Tom Crawford, a founder of the business, held a significant shareholding throughout the period of his directorship and is therefore not considered to be independent. All other Non-Executive Directors are considered by the Board to be independent of the Group.

The division of responsibilities between the Chairman and Chief Executive is clearly established, set out in writing and agreed by the Board. There is a strong non-executive representation on the Board, including Ian Davies, the Senior Independent Director. The Non-Executive Directors meet regularly during the year without the executives and provide effective balance and challenge.

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.

Board and Committee attendance (continued)

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 Company Secretary. The appointment and removal of Directors 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 meet with the Company's major shareholders and other potential investors on a regular basis and report to the Board on those meetings.

On joining the Board, a new Director receives appropriate induction including meetings with other Directors and senior management, the opportunity to visit 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 parent company and continued professional development.

The Board discusses and reviews its performance and membership regularly and sets its objectives annually. As part of this process, the Board, including the Chairman, considers whether it has sufficient time to discharge its responsibilities effectively. The Directors' profiles and other commitments are set out on page 7.

The Board reviews its performance every year using a comprehensive questionnaire. This year the review was led by the Senior Independent Director, who coordinated a confidential questionnaire to gather feedback from all the Directors. The Board considers each year whether to appoint external advisors for the review and thus far has felt that the process is robust and the Senior Independent Director is well-placed to lead it internally.

The review explored several aspects of Board work:

- Objectives and Strategy
- Performance management
- Risk
- Relationships with stakeholders
- The board environment
- Governance

The summary results from the questionnaire were presented to the Board meeting in January 2015. No serious issues were raised, and the Board concluded that it remains effective.

The Board welcomed the continuing improvement in Board papers and the use of a secure portal for electronic distribution and storage of board papers and reference materials. The Senior Independent Director gave feedback to the Chairman separately.

In relation to non-reserved matters the Board is assisted by a number of committees with delegated authority. The defined terms of reference for each committee are available within the Investors section of the Group's website.

Audit Committee

The Audit Committee meets at least twice a year with the Group's senior financial management and the External Auditor 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 during the year were Ian Davies (Chairman), David Bezem and Kevin Thomas (from 1 May 2014). The Board considers that the members of the Committee both individually and as a whole have sufficient recent and relevant financial experience to discharge its function.

The Audit Committee Report on pages 55 to 57 includes details of the Audit Committee policy, practices and engagement with the External Auditor.

Remuneration Committee

The Remuneration Committee meets at least twice a year. The members of the Committee during the year were Julie Baddeley, David Bezem, Ian Davies and Kevin Thomas (from 1 May 2014). David Bezem succeeded Ian Davies as the Committee Chairman on 1 September 2014.

The Remuneration Committee determines and approves the policy, remuneration and long-term incentive arrangements of the Company's Executive Directors and the Chairman. The Chief Executive Officer may be invited to attend meetings of the Committee, but does not participate in discussions of his own remuneration arrangements.

The remuneration of the Non-Executive Directors, excluding the Chairman of the Board, is set by the Executive Directors. The remuneration of the Chairman of the Board is set by the Remuneration Committee in her absence.

The Remuneration Report on pages 33 to 54 includes details of remuneration policy, practices and the remuneration of the Directors.

Nomination Committee

The Group 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 during the year were Julie Baddeley (Chairman), Ian Davies, David Bezem and Albert Ellis.

The Committee's terms of reference include:

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

In making appointments the Nominations Committee takes account of the diversity of experience, gender, background and the composition of the Board.

The Nominations Committee oversaw the appointment of Kevin Thomas as a Non-Executive Director on 1 May 2014. The Committee did not appoint an external search consultancy nor did it use open advertising due to the extensive list of contacts of Harvey Nash's own executive search business and the Board's professional network. The Board assessed the skillset and experience that would best complement and enhance the existing Board capabilities and set this out at a meeting in October 2013. A shortlist of candidates who met the requirements was collated and the Committee agreed that Kevin Thomas was the best fit. Kevin was interviewed by all of the Directors and the Chairman obtained suitable references before the appointment was confirmed in February 2014.

The Committee considers succession plans for the members of the Group Board over the short and longer term, keeping in mind the balance of skills, experience and background required to ensure the Group's commitment to deliver sustainable shareholder value is met. The Committee considers the requirements of the Board and seeks to maintain a balance between innovation and experience when considering the required composition of the Board. In the current year the Committee specifically reviewed both emergency and managed succession plans for the Executive Directors. The Group remains committed to maximising career opportunities through significant investment in training and professional development at all levels of the Group. The Committee supports our internal development programmes to build the skill sets in our employees that are required in future Board Directors and leaders.

The terms and conditions for the appointment of Non-Executive Directors are available for review at 110 Bishopsgate, EC2N 4AY during normal business hours and 15 minutes before the AGM begins at 9.30am on 2 July 2015.

Relations with Shareholders

The Board maintains regular dialogue with its major 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 of Association require shareholder approval at the AGM.

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.

Internal Control (continued)

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 whistleblowing 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 reporting of variance analysis on a monthly basis
- the operation of an Audit Committee, supported by an internal audit function
- an established whistleblowing policy, the governance of which is overseen by the Audit Committee.

The internal audit function, which is not wholly independent of Group Finance, was reviewed by the Audit Committee during the year. While 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. Further details of the assessments and actions are provided in the Audit Committee Report.

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. No significant concerns were raised. The process is regularly reviewed and a full evaluation of the Group's risk management and internal control systems is performed at least annually. This process accords with the Internal Control: Revised Guidance for Directors on the Combined Code.

Going Concern

In assessing the going concern and longer-term viability of the business, the Board reviewed the budget for the year ending 31 January 2016 and long-term strategic plan. In considering the going concern of the Group, the Board also gives consideration to the key risks to the business as presented in the Strategic Report on page 21 and the liquidity of the Group as shown in note 15 to the consolidated financial statements and other sources of funding that would be available if necessary.

After consideration of these factors, 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.

Directors' Report

For the year ended 31 January 2015

The Directors present their Annual Report and the audited consolidated financial statements of the Group and the financial statements of the Company for the year ended 31 January 2015.

Principal Activities

The Group's principal activity during the year was the provision of professional recruitment and offshore solutions. The Group has a number of overseas subsidiaries and branches in Europe, USA, Vietnam, Australia, Hong Kong and Japan. The parent company is incorporated and domiciled in the United Kingdom. The registered office is 110 Bishopsgate, London EC2N 4AY.

Details of the Group's strategy and a discussion of trends affecting the Group's businesses are set out in the Strategic Report on pages 11 to 24.

Results and Dividends

The Group's profit before tax and non-recurring items for the year was £9.0m (2014: £9.0m). The Group's profit before tax was £7.7m (2014: £6.4m). The Directors recommend a final dividend of 2.2 pence per share amounting to £1.6m (2014: 2.0 pence per share amounting to £1.4m), to be paid on 10 July 2015 to shareholders on the register as at 19 June 2015. If approved at the AGM on 2 July 2015, this would take total dividend pay-outs for the financial year to 3.5 pence per share (2014: 3.2 pence per share). This marks the eighth successive annual increase. As in previous years, the Harvey Nash Group EBT once again waived its right to receive dividends. As at 31 January 2015 the EBT held 897,584 shares.

Share Capital

There was no movement in shares in issue during the financial year. The number of ordinary shares at 31 January 2015 was 73,450,393 (2014: 73,450,393) with a nominal value of £3,672,520 (2014: £3,672,520).

Research and Development

The Group commenced software development of a wireless solution for the automotive and rail sectors during the financial year. Research and development activities are also undertaken by the offshore solutions business. Cumulative direct costs incurred of £1.7m (2014: £nil) were capitalised as an intangible asset, in accordance with the Group's accounting policy set out within note 2 to the consolidated financial statements.

Political and Charitable Donations

The Group made no political or charitable donations during the year (2014: £nil).

As outlined in the Corporate Responsibility section, support for worthy charities and community projects by employees is actively promoted.

Directors and their Interests

The Directors who held office throughout the financial year and to the date of this report were:

- Julie Baddeley (Chairman)
- Ian Davies (Senior Independent Director)
- David Bezem
- Tom Crawford (retired 3 July 2014)
- Kevin Thomas (appointed 1 May 2014)
- Albert Ellis
- Richard Ashcroft
- Margot Katz (retired 3 July 2014)
- Simon Wassall

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. Julie Baddeley and Richard Ashcroft intend to offer themselves for re-election at the Annual General Meeting on 2 July 2015. All Non-Executive Directors are considered to be independent with the exception of Tom Crawford, a founder of the business, who served on the Board for over ten years prior to his retirement on 3 July 2014.

Directors and their Interests (continued)

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 detail in the Remuneration Report. There have been no changes in Directors' interests between the end of the financial year and the date of this report.

Directors' and Officers' Liability Insurance

The Company maintains liability insurance for the Directors and Officers of the Company and its subsidiaries.

Purchase of Own Shares

The Directors, on behalf of the Company, are empowered to authorise the purchase of up to 10% of the Company's issued share capital. During the financial year, the Group purchased 1,566,000 shares (1.9% of share capital) with a nominal value of £68,372 for a consideration of £1,566,000. The shares were purchased from the market through the Group's EBT for the purpose of issuing shares and options under the Group's incentive plans.

Substantial Shareholdings

On 21 April 2015, 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**
Hargreave Hale	9,247,000	12.59
Unicorn Asset Management	7,189,023	9.79
Standard Life Investments	6,399,506	8.71
Miton Asset Management	6,374,108	8.68
Mr D Treacher	4,967,926	6.76
Mr T Crawford	3,797,923	5.17
Barclays Stockbrokers	3,441,042	4.68
Chelverton Asset Management	2,842,000	3.87

External Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's External Auditor is unaware
- each Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the company's External Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A competitive tendering process was undertaken for the appointment of External Auditor during the financial year, referred to within the Audit Committee Report on pages 55 to 57. The Committee agreed to recommend the appointment of Deloitte LLP as External Auditor.

Accordingly, PwC LLP ceased to hold office as the External Auditor effective from 27 October 2014. A formal resolution will be put to shareholders to appoint Deloitte LLP to office the Annual General Meeting on 2 July 2015.

Approval

The Directors' Report was approved by the Board of Directors on 29 April 2015 and signed on its behalf by:

Albert Ellis
Chief Executive

Directors' Remuneration Report

Part 1: Annual Statement

Dear Shareholders

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 January 2015, Part 3 of which will be put forward for your consideration and approval at the Annual General Meeting on 2 July 2015. Part 2, the Directors' remuneration policy was approved at the Annual General Meeting on 3 July 2014 and is binding for three years. We were pleased with the level of shareholder support shown for the new remuneration policy, with 99.8% of votes cast in favour of adopting the new policy. My predecessor as chairman of the Remuneration Committee, Ian Davies, consulted widely with shareholders last year, all of whom responded both promptly and constructively. The policy is set out again following this letter for your convenience so you do not have to refer back to last year's Annual Report. The only changes to what was presented for your approval last year are in order to illustrate the effects of implementing the policy in the 2015 and 2016 financial years rather than 2014 and 2015 and to include two amendments that do not require your approval, as explained below.

The Group has made significant progress this year, with growth in gross profit in all service lines on a constant currency basis. Despite this, the devaluation of, in particular, the euro during the year impacted the Group's overall performance materially. The results for the year were also affected by weaker than anticipated permanent revenues, primarily in Europe which continued to face significant economic challenges.

The combined impact of these factors was profit before tax and non-recurring items of £9.0 million, which was flat year on year. Pleasingly, cash performance was strong, with net cash at the year end of £2.1 million despite considerable investment in our wireless technology business, own share purchases for the EBT, increased dividends and the acquisition of Beaumont KK in Japan. Debtor days at the year-end were also excellent at 42.5 days, the lowest for some years. In addition, there has been further investment in staff and new offices were opened in three locations in the UK. The Remuneration Committee has taken these and other factors into account when making decisions about remuneration as explained below.

Remuneration strategy and policy

Our remuneration policy, approved at the last Annual General Meeting, was introduced by the Committee following a review of the appropriateness and efficacy of our previous remuneration policies. It was developed mindful of the wider debate on executive remuneration and the published views of the various shareholder representative bodies. As stated above, the policy was also informed by the consultations carried out before it was put to shareholders, and a small number of adjustments were made as a consequence of that exercise.

In particular, on 6 June 2014, the Remuneration Committee communicated through the Group's website that, having reviewed its policy on sign-on payments, no such payments would be made above and beyond the normal buy-out policy to replace rewards forfeited or payments forgone. This revised, more restrictive policy is in-line with best practice and was communicated in advance of the binding vote at the Annual General Meeting last year. Consequently, we are advised that it is not necessary for shareholders to approve this revision. This is one of the two amendments referred to above for which the policy set out in Part 2 has been updated.

The Board remains committed to aligning overall compensation with the long-term interests of shareholders, balanced by a variable bonus component focussed on achieving stretching performance targets set annually. In the following sections of this letter, I explain the outcome of the annual bonus award for Executive Directors for the 2015 financial year and the approach adopted for the next financial year. I also report on the salary reviews for the next financial year and awards made under the Performance Share Plan.

Annual bonuses for the 2015 financial year

In accordance with the approved remuneration policy, the maximum possible total bonus payable to each of the Executive Directors in respect of the 2015 financial year was 100% of their respective base salaries. Up to 70% of this was based on profit before tax and non-recurring items ('the financial performance bonus') and up to 30% on personal targets ('the personal targets bonus').

For the financial performance bonus, the Remuneration Committee set on-target and maximum performance targets of £9.8 million and £10.2 million at which levels 60% and 100% respectively of the financial performance bonus would be awarded. On-target performance of £9.8 million reflected the Group's budget and the City's expectations for the 2015 financial year. The target for threshold performance was set at £9.0 million, being the actual profit before tax and non-recurring items in the

Annual bonuses for the 2015 financial year (continued)

preceding financial year, at which level 4% of the financial performance bonus was payable. In the event, for the reasons explained above, profit of a shade over £9.0 million was achieved in 2015, resulting in 4.2% of the financial performance bonus being payable.

It is worth noting that if exchange rates in the year had remained constant versus the previous financial year, the profit performance bonus would have been 30% rather than 4.2% of this element of the bonus. The Remuneration Committee made no adjustment to the bonuses earned to take account of the impact of currency movements in the year.

The personal targets bonus for the 2015 financial year was based on three main objectives which the Remuneration Committee determined to be in line with the Group's short and longer term objectives. Each of these accounted equally for a third of the maximum personal targets bonus. Albert Ellis and Simon Wassall shared the same objectives. These were as follows:

i. achievement during the year of a number of specified strategic objectives for the development of the business as set out in the Group's six year business plan adopted at the beginning of this financial year
ii. achievement of specified minimum targets for cash and debtor days at the year end
iii. retaining at least 95% of a specified list of senior staff.

The tests determined for Richard Ashcroft were:

i. achieving a number of targets for improvements in the process for the delivery of the annual report and financial statements
ii. cash and debtor day targets as above
iii. retaining 95% of the senior finance staff in the Group reporting to the Group Finance Director.

All these tests had the benefit of being objectively measurable and I am very pleased to report that they were all achieved. This has resulted in the three Executive Directors receiving 100% of the personal targets bonus.

In aggregate, therefore, the Executive Directors will each receive a bonus for the 2015 financial year of 32.9% of their base salary. This comprises 4.2% of the financial performance bonus and 100% of the personal targets bonus.

Annual bonuses and salary reviews for the 2016 financial year

The Remuneration Committee has set new bonus targets for the 2016 financial year. With respect to the financial performance bonus, representing 70% of the maximum possible total bonus, on-target performance, which would result in the payment of 60% of this element of the bonus, will require the Group to achieve a substantial increase in profit before tax and non-recurring items compared with the outcome for the 2015 financial year. It will also require achievement of profit in excess of the Group's budget for the 2016 financial year. Payment of the maximum financial performance bonus will require achievement of profit at a still higher level. These targets are stretching but not unrealistic in the Remuneration Committee's view and reflect the ambitions the Board as a whole has for the Group.

The tests for the personal targets bonus, representing 30% of the maximum possible total bonus, have been set for the three Executive Directors on a similar basis to 2015, which the Committee considers worked well. Each of the three Executive Directors has three tests, some shared, each accounting for a third of the personal targets bonus. These relate to the achievement of certain specified cash and debtor day targets, the retention of a significant proportion of the Group's key staff and executing successfully on specific, stated, strategic objectives during the year.

In accordance with changes to the Code of Corporate Governance introduced since the remuneration policy was approved by shareholders at the last Annual General Meeting, any bonuses awarded in respect of the 2016 and subsequent financial years to the Executive Directors will now be subject to malus and claw back provisions. This has been included in the updated policy report that follows this letter and is the second of the two amendments referred to at the beginning of this letter.

The Committee reviewed salaries for the Executive Directors for the 2016 financial year in the light of the wider exercise for the Group's senior staff and the approved remuneration policy. The policy limits annual increases in base salary for the Executive Directors to the higher of the increase in the RPI and 5%. The Committee decided that the base salaries for the Executive Directors should be increased by the change in RPI over the preceding twelve months prior to the beginning of the 2016 financial year. This was an increase of 1.6%. There were no other changes to their remuneration terms. The Committee also reviewed the remuneration of the Chairman and decided that this should also be increased in line with the increase in the RPI. The base fee of the Non-Executive Directors, which is determined by the Executive Directors, was also increased by 1.6%.

Long-term share schemes

Having consulted shareholders, a new long term share scheme in the form of a Performance Share Plan ('the PSP') was introduced following its approval at the last Annual General Meeting. Awards were granted to each of the three Executive Directors on 3 July 2014, in accordance with its terms and the remuneration policy. These awards were worth 100% of their respective base salaries based on the then prevailing share price of 108.5p.

Under the PSP, threshold performance is achieved if earnings per share increase by an average of 7.5% over a three year period. In view of the flat year on year reported profit before tax and non-recurring items of £9.0 million in the first year of operation, no charge has been accrued for the award made on that date in the 2015 accounts. The intention is that awards under the PSP should be made annually and the Committee will therefore make a second award to each of the Executive Directors immediately after the announcement of results for the 2015 financial year.

We also continue to operate the Harvey Nash 2005 Share Option Plan (the "CSOP") for key members of staff below Board level although no new awards were made in the 2015 financial year. As stated in the approved policy, the Committee has no intention of issuing new share options under the CSOP to Directors.

The share options issued to Executive Directors in June 2012 under the CSOP and due to vest in June 2015 did not meet the performance criterion in respect of the three financial years ending on 31 January 2015. The Company has the ability under the terms of the CSOP to extend the term by one additional year which will mean that the performance condition will be retested in respect of the four financial years ending on 31 January 2016. The Committee intends to exercise this discretion. The Executive Directors have one other tranche of options, issued in June 2013, which will vest in June 2016, subject to the achievement of the performance criterion. This also can be extended by one year under the terms of the CSOP if the Committee sees fit to do so.

Committee members and meetings

In accordance with best practice, set out below are the members of the Remuneration Committee during the 2015 financial year and, in summary, a note of the issues the Committee has considered on the Board's behalf.

The Remuneration Committee members comprised:

David Bezem (Chairman from 1 September 2014)
Ian Davies (Chairman until 1 September 2014)
Julie Baddeley
Kevin Thomas (from 1 May 2014)

The Committee met seven times in the year, the attendance of which is detailed within page 27 of the Corporate Governance section. The following is a summary of the main topics discussed:

18 February 2014

- Approval of the exercise of CSOP share options which had met the performance criterion. This did not include any share options owned by the Executive Directors.

27 February 2014

- Agreement in principle of the proposed performance targets for the PSP.
- Approval of an increase of 8% in base salary for Executive Directors, effective 1 March 2014. A cap for each of the three years of the new policy was also agreed, being the higher of 5% and the change in the RPI.
- Approval of an increase in the car allowance of £1,000 per annum for each executive director, effective 1 March 2014.
- Discussion regarding the most efficacious way of conducting the shareholder consultation in respect of the proposed new remuneration policy and PSP.

24 April 2014

- Discussion of shareholder feedback on the proposed new remuneration policy and PSP to be presented for approval at the Annual General Meeting on 3 July 2014.
- Approval of the annual bonus awards to be paid in respect of the year ended 31 January 2014.
- Approval of the annual bonus targets in respect of the year ended 31 January 2015, which are discussed on page 34 of this letter.

Committee members and meetings (continued)

24 April 2014

- Discussion of shareholder feedback on the proposed new remuneration policy and PSP to be presented for approval at the Annual General Meeting on 3 July 2014.
- Approval of the annual bonus awards to be paid in respect of the year ended 31 January 2014.
- Approval of the annual bonus targets in respect of the year ended 31 January 2015, which are discussed on page 34 of this letter.

3 July 2014

- Approval of the grant of awards to the three Executive Directors under the PSP, which was approved by shareholders at the Annual General Meeting earlier on the same day. The awards were worth 100% of each Director's base salary and the number of shares was calculated based on the previous day's closing share price of 108.5p. The aggregate of the awards made was 751,825 shares and was subject to achievement of the performance conditions of the PSP as set out on pages 39 and 40 within Part 2 of this Report.

14 July 2014

- Authorisation was given to an employee to exercise CSOP share options.

10 December 2014

- Review of the tests set for each of the Executive Directors in respect of the personal targets component of the annual bonus for the 2015 financial year, with reference to performance to date, in preparation for the close of the financial year.

29 January 2015

- The change in the UK Corporate Governance Code requiring malus and claw back provisions to apply in the future to all discretionary awards, including annual bonuses, was noted. It was agreed that advice would be taken from the Company's lawyers as to the most efficacious means of effecting this and whether shareholder approval was required.
- The annual bonus tests for the 2016 financial year were agreed, subject to confirmation of certain figures in the 2015 audit, in respect of both the financial performance bonus and the personal targets bonus for each of the Executive Directors.
- The Executive Directors' and Chairman's fees were increased by 1.6%, in accordance with the approved remuneration policy, to come into effect on 1 February 2015.

Directors Remuneration Report Regulations 2013 ('the Regulations')

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 Annual Report and to state whether, in their opinion, these sections have been properly prepared in accordance with the Companies Act 2006.

I hope you have found this letter to be a helpful summary of the Remuneration Committee's approach to remuneration in the 2015 financial year and for the next financial year. As I have mentioned above, the approved remuneration policy is reprinted in Part 2, which includes notes on the implementation of each of the facets of the policy, and the annual report on remuneration in respect of the 2015 financial year is set out in Part 3. These have been prepared in accordance with the Regulations and our understanding of current best practice for remuneration reporting.

David

David Bezem
Remuneration Committee Chairman

Part 2: Directors' remuneration policy

Current policy table

Executive Directors

The table below sets out the key elements of the policy for Executive Directors:

Base salary	Objective and link to strategy	› Helps to recruit, reward and retain. › *Reflects competitive market level, role, skills, experience and individual contribution.*
	Operation	Normally reviewed annually for the following year taking into account general economic and market conditions, the level of increases made across the company as a whole, the remuneration of executives in similar positions in comparable companies and individual performance. Further increases, if any, over the next two years would be capped at the higher of 5% or RPI, unless there is a significant change in role or responsibilities.
	Maximum opportunity	Not applicable.
	Performance measures	None, although performance of both the company and the individual are taken into account when determining an appropriate level of base salary each year.
	Implementation	On 1 February 2015, Executive Directors salaries were increased by 1.6%, being the change in RPI over the preceding twelve months.
	Other employees	The approach to setting base salary increases elsewhere in the Group takes into account economic factors, competitive market rates, roles, skills, experience and individual performance. The increase in wages and salaries for the Group as a whole is reported in note 23 to the consolidated financial statements.
Benefits and allowances	Objective and link to strategy	› Helps to recruit, reward and retain. › *Reflects competitive market level, role, skills, experience and individual contribution.*
	Operation	Include cash allowances and non-cash benefits such as healthcare, life insurance and car allowances. Allowances and benefits do not form part of pensionable earnings.
	Maximum opportunity	The provision and level of allowances and benefits are competitive and appropriate in the context of the local market.
	Performance measures	None
	Implementation	Benefits for the 2015 financial year are reported in the total remuneration table on page 47. There are no changes to these in the 2016 financial year.
	Other employees	Allowances and other benefits for employees reflect the local labour market in which they are based.

Annual bonus	Objective and link to strategy	› Motivate achievement of annual goals and objectives. › Provide focus on key financial metrics. › Reward individual contribution to the success of the company.
	Operation	70% of total potential bonus is based on financial performance of the Group. The Committee establishes threshold, target and maximum levels of performance for different levels of pay-out with sliding scales in between. The remaining 30% is based on performance against predetermined individual targets, set from year to year. Annual bonuses do not form part of pensionable earnings. Subject to performance criteria being met, the annual bonus will be paid in cash up to 60% of the maximum entitlement of the individual and the balance, up to 40%, will be satisfied in shares, which must be held for a minimum of three years from the date of award. Annual bonuses are discretionary and the Committee reserves the right to make adjustments to payments if it believes exceptional factors warrant doing so. Annual bonuses awarded in respect of the 2016 financial year and subsequent years will be subject to malus and clawback provisions.
	Maximum opportunity	For all Executive Directors the maximum opportunity is 100% of base salary. There is 60% pay-out for performance at target. Performance significantly in excess of target is required to achieve the maximum award.
	Performance measures	30% of performance criteria is based on individual objectives and 70% on profit before tax and non-recurring items for the financial year. The target for profit performance is set taking account of the annual budget and market consensus.
	Implementation	Profit before tax and non-recurring items for the 2015 financial year was £9.0 million, resulting in 2.9% of the maximum potential bonus being payable. The individual targets were all achieved resulting in 30.0% of the maximum potential bonus being payable. The total annual bonus for the 2015 financial year was therefore 32.9% of maximum total potential bonus. A description of the individual objectives set for the 2015 financial year is given within Part 1 of this Report. New financial performance and individual targets have been set for the 2016 financial year.
	Other employees	A range of cash-based annual incentives are offered in the form of bonuses, profit-shares or sales commissions plans. The Harvey Nash management team will award annual incentives after consideration of the most appropriate reward structure and targets for the employee and their role.

Long-term incentive	Objective and link to strategy	› Designed to help recruit, reward and retain. › Drive long-term earnings and share price growth and value creation. › Align interests of executives and shareholders. › Encourage long-term shareholding and commitment to the company. › *Link corporate performance to management's long-term reward in a flexible way.*
	Operation	**Harvey Nash Performance Share Plan ("PSP")** The 2015 financial year will be the second year of operation of the PSP. Share awards will vest following a 3-year performance period subject to the achievement of compound average earnings per share ("eps") growth targets. Sustaining eps growth is a key performance metric that will drive long-term shareholder value creation. Targets have been set by reference to the Company's six year strategic plan, and analysts' forecasts and reflect strong and sustained performance for maximum awards. Eps is based on adjusted earnings attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the year, excluding any ordinary shares purchased by the company and held in trust. Earnings will normally be stated before non-recurring items, subject to the discretion of the Committee. Eps growth is calculated using the point-to-point method. This method compares the adjusted eps in the company's accounts for the financial year ended prior to the grant date with the adjusted eps for the financial year ending three years later and calculates the implicit compound annual growth rate ("cagr") over the period. The Remuneration Committee retains the right, in exceptional circumstances, to reclaim any awards based on financial misstatement and/or the misconduct of an individual through means deemed appropriate to those specific circumstances. **Harvey Nash Share Incentive Plan** All employees of the Group (with at least three months service) have the opportunity to acquire shares in the Group via the Harvey Nash Share Incentive Plan (SIP). The shares are then held in trust on behalf of the employee. Partnership Shares may be withdrawn from trust at any time by the individual and retained or sold. › If shares are withdrawn within three years, tax will normally be due on their value at that time. › If withdrawn after three but before five years, there will be no tax on any gain in value since acquisition. › After five or more years, no tax at all will be payable on the shares.
	Maximum opportunity	**Harvey Nash Performance Share Plan ("PSP")** Awards will be made up to 100% of salary in the normal course of business. In exceptional circumstances, the scheme rules permit awards of up to 200%. **Harvey Nash Share Incentive Plan** Employees may purchase via deduction from salary up to a maximum value of £1,500 of shares in each tax year (or 10% of salary if less). This can be done via a single deduction or deductions each month during the tax year.
	Performance measures	**Harvey Nash Performance Share Plan ("PSP")** Shares vest based on earnings per share (eps) performance with 100% vesting at a cagr of 15% in eps and 20% of the maximum award vesting at a cagr of 7.5%. Vesting in between these levels will be on a straight-line basis and below 7.5% cagr no shares will vest. Shares vested under the Scheme must be retained for two years post vesting, and full dividends accrue during this period.
	Implementation	The first awards under the PSP, worth 100% of base salary, were granted on 3 July 2014, with a vesting date of 3 July 2017. Following the announcement of annual results for the 2015 financial year, the Committee intends to make a second award worth 100% of base salary.

Long-term incentive (continued)	Other employees	**Harvey Nash 2005 Company Share Option Scheme ("CSOP")** Other employees receive awards in share options under the CSOP. Awards vest based on 3-year cumulative eps growth over the vesting period in excess of RPI +3%. The basis of eps measurement is the same as the PSP plan for Directors. Individual awards are set by taking into account: › the face value of individual awards at the time of grant, assuming that performance targets are met in full. › market practice for comparable companies and market assessments of total remuneration from our independent advisers. Options are awarded based on merit and are only awarded for outstanding contributions to the Group. **Harvey Nash Share Incentive Plan** Employees may join the Share Incentive Plan after 3 months of service with the Group. **Harvey Nash Performance Share Plan ("PSP")** The Performance Share Plan is designed for Executive Directors but may be used for other top-tier management if appropriate.
Pension	Objective and link to strategy	› Help to recruit and retain. › Recognise long-term commitment to the company.
	Operation	Pension contributions are made directly into the Directors' personal pension plans.
	Maximum opportunity	15% of basic salary.
	Performance measures	There are no performance measures.
	Implementation	In the 2015 financial year, pension contributions of 15% of basic salary were made into Directors' pension schemes. In accordance with the policy, pension contributions will remain at 15% of base salary in the 2016 financial year. Where an executive exceeds the prevailing tax deductible pension allowance, the company will pay cash in lieu net of employers' National insurance contributions. Albert Ellis took advantage of this provision in the financial year.
	Other employees	**Harvey Nash Scottish Widows Pension Scheme** The Harvey Nash Scottish Widows Pension Scheme is a defined contribution pension plan open to all employees. From 1 January 2014, all employees who have been employed by the Company for at least three months will be auto-enrolled into the scheme. The employees may choose to opt out but will be automatically re-enrolled at three year intervals. Harvey Nash will make contributions to the pension scheme based on the length of enrolment of the employee varying from 50% of the employer National Insurance savings to 5% of basic salary.

Shareholding policy	Objective and link to strategy	› Drive long-term earnings and share price growth and value creation. › Align interests of executives and shareholders. › Encourage long-term shareholding and commitment to the company.
	Operation	Full-time Executive Directors should aim to hold at least one year's annual base salary in shares within a five year period of joining the Group.
	Maximum opportunity	Not applicable.
	Performance measures	Not applicable.
	Implementation	The Directors' shareholdings are set out on page 51 within Part 3 of this Report. All Executive Directors met this test for the 2015 financial year.
	Other employees	Not applicable.

Provisions of previous policy that will continue to apply	Objective and link to strategy	› Help to recruit, reward and retain. › Drive long-term earnings and share price growth and value creation. › Align interests of executives and shareholders. › Encourage long-term shareholding and commitment to the company. › Link corporate performance to management's long-term reward in a flexible way.
	Operation	**Harvey Nash 2005 Company Share Option Scheme "CSOP"** Previously, Directors were awarded options under the CSOP. This has been replaced by the PSP for Executive Directors and it is not planned to use the CSOP scheme in the foreseeable future for Directors.
	Maximum opportunity	Not applicable.
	Performance measures	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 criterion has become unfair or impractical in the circumstances, they may, at their discretion amend the performance criterion.
	Implementation	Share options issued to the Executive Directors in June 2012 and due to vest in June 2015 did not meet the performance criterion when tested in respect of the three financial years ending on 31 January 2015. In accordance with the terms of the CSOP, the Company has the ability to extend the performance period by one year which the Remuneration Committee has decided to do. The Executive Directors have one other tranche of share options outstanding, granted in June 2013, which are due to vest in June 2016, subject to the attainment of the performance criterion. Share options awarded under the CSOP to the Executive Directors are detailed on page 50 within Part 3 of this Report.
	Other employees	Other employees will continue to be awarded share options from the CSOP for exceptional performance.

Non-Executive Directors

The table below sets out the key elements of the policy for Non-Executive Directors:

Fees	Objective and link to strategy	› Helps to recruit, reward and retain. › Reflects competitive market level, role, skills, experience and individual contribution.
	Operation	Reviewed annually for the following year taking into account general economic and market conditions, the level of increases made across the company as a whole, and the remuneration of Non-Executive Directors in similar positions in comparable companies. Any increases are capped at the higher of 5% or RPI.
	Maximum opportunity	Not applicable.
	Performance measures	None
	Implementation	The Chairman was paid £100,000 during the 2015 financial year. All other Non-Executive Directors received a fee of £42,000. In line with the policy, from 1 February 2016 the Chairman's remuneration and the Non-Executive Directors' fees were increased by 1.6%, being the change in the RPI over the preceding twelve months. In addition, if a Non-Executive Director chaired a sub-committee or performed the role of Senior Independent Director, an additional payment of £5,000 per role was paid. There is no change to this in the 2016 financial year.
Shareholding	Objective and link to strategy	› To ensure independence of the Non-Executive Directors is maintained. › To safeguard the governance of the Group.
	Operation	Non-Executive Directors are permitted but not obliged to hold shares.
	Maximum opportunity	Not applicable.
	Performance measures	None
	Implementation	The Chairman holds 10,000 shares and Kevin Thomas purchased 10,000 shares in the 2015 financial year. Tom Crawford, a founder and Non-Executive Director until the close of last year's AGM, owned 4,536,467 shares during his period of directorship in the 2015 financial year.

Approach to recruitment remuneration

Kevin Thomas joined the Board on 1 May 2014. He is remunerated in line with the other Non-Executive Directors. No sign-on payment or share buy-outs were made. The table below summarises our key policies with respect to recruitment remuneration:

Element	Policy
Base salary and benefits	Harvey Nash operates in a highly competitive sector. The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Any new Executive Director's package would include the same elements, and be subject to the same constraints, as those of the existing Executive Directors.
Pension	15% of base salary. The Committee reserves the right to adjust contributions by a maximum of 10% if it feels it is warranted based on economic and competitive factors.
Annual Bonus	Up to 100% of base salary based on performance. Annual incentive plans are discretionary and the Committee reserves the right to make adjustments to payments if it believes exceptional factors warrant doing so.
Long-Term incentives	Any new Executive Director's package would be expected to include the same long-term incentive structure as those of existing Executive Directors.
Sign-on payments/ recruitment awards	Harvey Nash's policy is not to pay sign-on payments above and beyond the normal buy-out policy to replace rewards forfeited or payments foregone.
Share buy-outs/ replacement awards	Where it is necessary to "buy out" an individual's awards from a previous employer, the Committee will seek to match the expected value of the awards by granting awards that vest over a similar period, reducing the quantum if the new awards are subject to performance conditions that are less stretching than those on the awards given up.
Relocation policies	Harvey Nash will cover reasonable costs of relocation for Directors.

Service contracts and payment for loss of office

Director	Date of contract / letter of appointment	Unexpired term	Notice period by Company or Director
Executive			
Albert Ellis	01.02.2001	Continuous	12 months
Simon Wassall	17.10.2005	Continuous	12 months
Richard Ashcroft	14.11.2005	Continuous	12 months
Non-Executive			
Julie Baddeley	20.06.2013	Continuous	6 months
David Bezem	01.06.2013	Continuous	6 months
Ian Davies	26.09.2013	Continuous	6 months
Kevin Thomas	01.05.2014	Continuous	6 months

Tom Crawford retired as a Non-Executive Director on 3 July 2014. No termination payment was made in accordance with Harvey Nash's policy on termination payments for good leavers who serve their full notice period. Margot Katz retired from the Board on 3 July 2014, having completed her three year term as Group Director of Talent. Accordingly Margot was not required to serve notice.

Service contracts and payments for loss of office (continued)

The table below sets out, for each element of total remuneration, the Group's policy on payment for loss of office in respect of Directors who leave in accordance with the terms of their contract ("good leavers") and any discretion available to the Committee.

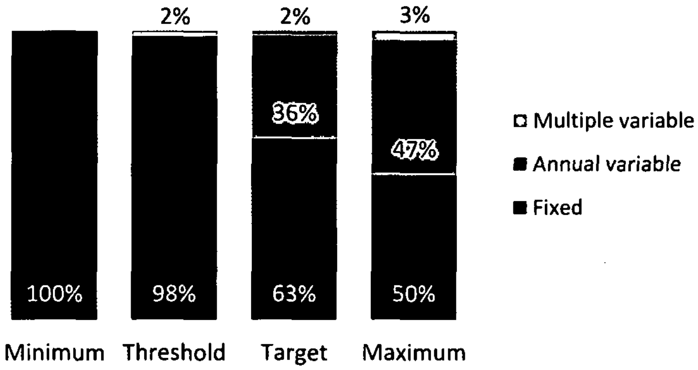
Element	Approach	Committee discretion
Base salary benefits and pension	Executive Directors are remunerated for the twelve months of their notice period in accordance with their normal contractual terms. Non-Executive Directors are remunerated for the six months of their notice period in accordance with their normal contractual terms.	The Committee may agree a payment in lieu of notice if they consider it to be in the interests of shareholders for the Director not to serve the full notice period.
Annual bonus	Annual bonus – for the purposes of any annual bonus entitlement, if the Executive Director is still employed on the bonus payment date (including if under notice, if such notice was given after the end of the performance year), a bonus will be paid as normal. No payment will be made if the employment is terminated before the end of the performance period or if the executive is not employed on the bonus payment date. Deferred share bonus - any awarded but unvested deferred share awards will be reduced on a time pro rata basis and paid on the vesting date.	The Committee has discretion to negotiate the annual bonus payable based on the individual performance of the Director and expected full year result. The Committee also has the discretion to substitute unvested deferred share awards for a commensurate cash alternative if felt appropriate.
Long-term incentive - PSP	Upon cessation of employment the Director's awards shall cease to be capable of call and the awards will lapse 30 days later.	The Committee has discretion to allow the call of unvested awards on an accelerated basis subject to a reduction in the number of shares that may be acquired. Alternatively, the Committee may allow the Director to maintain the awards until vesting and permit their call within six months of the vesting date, subject to a reduction in the number of shares that may be acquired.
Long-term incentive - CSOP	Any long-term incentive awards which are in at least the second year of the performance period will vest after the end of the performance period on a pro-rated basis. If the Executive Director leaves during the first year of the performance period, the award will lapse.	The award of long-term incentives in respect of options under the CSOP is entirely at the discretion of the Committee up to the levels defined in the LTIP policy for normal service.

Non-Executive and Executive appointments will be terminated immediately with no compensation for loss of office if they are terminated for cause ("bad leavers"). Bad leavers will be remunerated in the form of their base salary and benefits for services performed to the date of termination. All outstanding unvested shares will lapse; no cash or deferred share bonuses will be paid.

Illustrations of application of salary and bonus policy

Assumptions used in determining the level of pay-out under given scenarios are as follows for the 2016 financial year:

	Element	Minimum	Threshold	On-target	Maximum
Albert Ellis	Fixed	£407,748	£407,748	£407,748	£407,748
	Annual variable	-	-	£230,429	£384,048
	Multiple variable	-	£7,848	£11,733	£27,713
	Total	**£407,748**	**£415,596**	**£649,910**	**£819,509**
Simon Wassall	Fixed	£278,861	£278,861	£278,861	£278,861
	Annual variable	-	-	£154,716	£257,861
	Multiple variable	-	£5,326	£7,962	£18,691
	Total	**£278,861**	**£284,187**	**£441,539**	**£555,413**
Richard Ashcroft	Fixed	£207,524	£207,524	£207,524	£207,524
	Annual variable	-	-	£122,895	£192,024
	Multiple variable	-	£3,966	£5,929	£13,919
	Total	**£207,524**	**£211,490**	**£336,348**	**£413,467**



Notes

1. "Fixed" represents total remuneration which is not subject to performance measures. "Annual variable" represents amounts awarded under the Annual Bonus for financial year 2016. "Multiple variable" represents options issued under the CSOP which are due to vest on 31 January 2016 and are subject to a performance period spanning multiple periods. Within each of the scenarios above, being the Annual Bonus scenarios as set by the Remuneration Committee for the 2016 financial year, the corresponding vesting result is calculated for those options in issue. Tax rate and RPI are assumed to remain constant. The vesting result of these options is calculated using the closing share price on 31 January 2015 of 79.5p less the option value of 70.1p.
2. 70% of the annual bonus is based on financial targets. Nothing will be paid until the "threshold" is reached. The bonus increases on a straight line basis until "target" performance is achieved at which 60% of this component of the bonus is payable. 100% of this component of the bonus is payable if "maximum" performance is reached. 30% of the annual bonus is based on individual targets which vest at the discretion of the Committee based on its assessment of performance against the objectives set. Vesting of individual performance awards has been assumed to increase in-line with vesting of the financial performance award. All percentages are based on base salary.
3. The first awards were made under the PSP scheme in July 2014, however, as the awards have a three year performance period vesting will not occur until July 2017 and therefore no amounts in respect of the scheme have been included in the scenarios.

Consideration of employment conditions elsewhere in the Group in developing policy

In accordance with the Committee's terms of reference, available on the Group's website, the Committee's remit does not include remuneration matters below that of the Chief Executive and the other Executive Directors. However, before the remuneration packages for the Harvey Nash Executive Directors are set for the year ahead, the Committee considers general pay trends in the market and the level of pay increases across the Group as a whole. This helps to ensure that executive remuneration packages are reviewed in the context of the wider organisation and that they are aligned to the Group's strategy, competitiveness and performance of the business and other matters affecting employees.

The Group also conducts an employee engagement survey to find out how people feel about working for Harvey Nash, what they think about the work they do, the opportunities they have and the rewards they get (including a section on pay and benefits). The Group uses all of this feedback to inform decisions on people related activities, resources and investment, local management action plans and wider business unit and organisational strategies. It is the Group's intention to continue to engage with employees and employee representatives in this way in the future.

Consideration of shareholder views

The Group consults regularly with shareholders on all matters affecting its strategy and business operations. As part of that process, we also engage with shareholders on matters relating to executive remuneration.

The Committee continues to be aware of and respond to best practice guidelines of shareholders and their representative bodies.

Part 3: Annual Report on Remuneration

This section of the remuneration report contains details of how the Company's remuneration policy for Directors has been implemented during the financial year.

Single total figure of remuneration (audited)

Executive Directors

The remuneration of Executive Directors showing the breakdown between elements and comparative figures are shown below. Figures provided have been calculated in accordance with the Regulations.

Executive Director		Base salary / fees	Taxable benefits	Annual Bonus (1)	Deferred share award (1)	Pension contributions	Total
Full-time Directors							
Albert Ellis	2015	£375,667	£25,117	£123,749	-	£56,350	£580,883
	2014	£350,000	£24,357	£210,000	£35,893	£52,500	£672,750
Simon Wassall	2015	£252,233	£22,217	£83,089	-	£37,835	£395,374
	2014	£235,000	£21,657	£141,000	£24,100	£35,250	£457,007
Richard Ashcroft	2015	£187,833	£16,917	£61,875	-	£28,175	£294,800
	2014	£175,000	£16,157	£105,000	£17,947	£26,250	£340,354
Part-time Directors							
Margot Katz (2)	2015	£50,000	-	-	-	-	£50,000
	2014	£100,000	-	£28,000	-	-	£128,000

1. The outcome of the Annual Bonus for the 2015 financial year is detailed on page 49. The cash element of the Annual Bonus award is capped at a maximum of 60% of maximum bonus opportunity. Any remaining balance is settled in shares, which must be held for a minimum of three years from the date of the award. These are disclosed within the table above as the "Deferred share award". Shares were awarded to the Executive Directors under the PSP, which contains a three-year performance criterion as set out on page 39 in Part 2 of this Report. No CSOP share options were issued to the Executive Directors during the 2015 financial year. Details of the PSP shares awarded and CSOP options in issue are disclosed on page 50 within Part 3 of the Report.
2. Margot Katz stepped down from the Board as a part-time Executive Director on 3 July 2014. Margot acts as a Talent Consultant for a number of businesses including Harvey Nash. Incremental services provided by Margot to the Group during her period of directorship in the year were paid for on an ad hoc basis and totalled £41,449. The additional services provided included coaching days for the senior team and bespoke talent consulting services to key clients. All additional services and payments are subject to approval by the Remuneration Committee. Margot continues to be engaged by the Group to provide talent consulting services since she stepped down from the Group Board on 3 July 2014.
3. Shares were granted to the Executive Directors in the year under the PSP and will vest on 31 January 2017 if the performance criterion is met. No share options previously awarded under the CSOP vested during the year as the performance criterion was not met. Further detail of scheme interests awarded are set out on page 50.

Single total figure of remuneration (audited) (continued)

Non-Executive Directors

The remuneration of Non-Executive Directors showing the breakdown between elements and comparative figures are shown below. Figures provided have been calculated in accordance with the Regulations.

Non-Executive Director		Basic Fees	Additional Fees	Total Fees
Julie Baddeley [1]	2015	£100,000	-	£100,000
	2014	£79,462	£1,938	£81,400
Ian Kirkpatrick [2]	2015	-	-	-
	2014	£39,167	-	£39,167
Ian Davies [3]	2015	£42,000	£12,917	£54,917
	2014	£42,000	£11,729	£53,729
Tom Crawford [4]	2015	£17,957	-	£17,957
	2014	£42,000	-	£42,000
David Bezem [5]	2015	£42,000	£2,083	£44,083
	2014	£28,000	-	£28,000
Kevin Thomas [6]	2015	£31,500	-	£31,500
	2014	-	-	-

1. Julie Baddeley was appointed as Chairman on 20 June 2013.
2. Ian Kirkpatrick retired at the Annual General Meeting on the 20 June 2013.
3. Ian Davies was appointed Senior Independent Director on 20 June 2013 and Chair of the Remuneration Committee from the 26 September 2013 until 1 September 2014.
4. Tom Crawford retired as a Non-Executive Director on 3 July 2014.
5. David Bezem joined as a Non-Executive Director on 20 June 2013 and was appointed Chair of the Remuneration Committee on 1 September 2014.
6. Kevin Thomas joined as a Non-Executive Director on 1 May 2014.

Additional details in respect of single total figure table (audited)

The Company provided Executive Directors with the following benefits during the financial year:

Executive Director		Car or cash allowance [1]	Life, disability and health insurance
Albert Ellis	2015	£23,617	£1,500
	2014	£22,700	£1,657
Simon Wassall	2015	£20,917	£1,500
	2014	£20,000	£1,657
Richard Ashcroft	2015	£15,417	£1,500
	2014	£14,500	£1,657

1. An increase to the car allowance of £1,000, effective 1 March 2014, was approved by the Committee in the 2014 financial year.

Outcome of the Annual Bonus for the 2015 financial year (audited)

The performance targets, actual performance achievement and resulting bonus payments are summarised below:

Performance measures	Weighting	Targets	Actual	% of target satisfied	Albert Ellis		Simon Wassall		Richard Ashcroft	
					Maximum Opportunity	Bonus receivable	Maximum Opportunity	Bonus receivable	Maximum Opportunity	Bonus receivable
Profit before tax [1]	70%	4% - £9.0m 60% - £9.8m 100% - £10.2m	£9,002,882	4.2%	£262,967	£11,049	£176,563	£7,419	£131,483	£5,525
Individual objectives [2]	30%	One third per objective achieved	All achieved	100.0%	112,700	112,700	75,670	75,670	56,350	56,350

1. For the purposes of directors' bonuses, profit before tax is measured before non-recurring items. Non-recurring items in the 2015 financial year were £1.3m and related to the restructuring and strategic review of Nash Technologies (£0.6m), the restructuring of Norwegian operations (£0.5m), and the acquisition of Beaumont KK in Japan (£0.2m).
2. Individual objectives are set year to year by the Remuneration Committee, as set out in the Part 2 of the Report. The objectives set in respect of the 2015 financial year are described within Part 1 of the Report. The Committee views the disclosure of the detail of the actual performance targets as commercially sensitive. In the year all Executive Directors achieved each of their individual objectives set by the Remuneration Committee.

Total pension entitlements (audited)

Directors receive pension payments directly into their personal pension plans. The Group does not operate any defined benefit pension schemes for Executive Directors. In the 2015 financial year, pension contributions of 15% of basic salary were made into Directors' pension schemes, except as noted below. There was no increase to pension contributions as a percentage of base salary during the 2015 financial year. For reference, the following payments were made:

Executive Directors	Pension contributions 2015	Pension contributions 2014
Albert Ellis	£56,350 [1]	£52,500
Simon Wassall	£37,835	£35,250
Richard Ashcroft	£28,175	£26,250
Margot Katz	-	-

1. Where an executive exceeds the prevailing tax deductible pension allowance, the company will pay cash in lieu net of employers' National Insurance contributions. Albert Ellis took advantage of this provision in the financial year, with total cash of £5,746 paid.

Scheme interests awarded including those in the 2015 financial year (audited)

The table below sets out the details of the long-term incentive awards where vesting will be determined according to the achievement of performance measures that will be tested in future reporting periods. The performance measures for the schemes detailed below are outlined on pages 39 and 40, within Part 2 of this Report. No long-term incentives vested in the 2015 financial year.

Executive Director [1]	Initial performance period [2]	Date of Grant	Earliest exercise date [2]	Expiry date	Share price on grant date	Exercise price	Number at 1 February 2014	Granted in year [3]	Number at 31 January 2015
Harvey Nash 2005 Company Share Option Scheme ("CSOP")									
Albert Ellis	FY2013 - FY2015	01.06.12	01.06.15	01.06.22	51.5p	51.5p	169,903	-	169,903
	FY2014 - FY2016	20.06.13	20.06.16	20.06.23	70.1p	70.1p	124,822	-	124,822
Simon Wassall	FY2013 - FY2015	01.06.12	01.06.15	01.06.22	51.5p	51.5p	114,078	-	114,078
	FY2014 - FY2016	20.06.13	20.06.16	20.06.23	70.1p	70.1p	83,809	-	83,809
Richard Ashcroft	FY2013 - FY2015	01.06.12	01.06.15	01.06.22	51.5p	51.5p	84,951	-	84,951
	FY2014 - FY2016	20.06.13	20.06.16	20.06.23	70.1p	70.1p	62,411	-	62,411
Harvey Nash Performance Share Plan ("PSP")									
Albert Ellis	FY 2015 – FY2017	03.07.14	03.07.17	03.07.24	108.5p	-	-	346,236	346,236
Simon Wassall	FY 2015 – FY2017	03.07.14	03.07.17	03.07.24	108.5p	-	-	232,472	232,472
Richard Ashcroft	FY 2015 – FY2017	03.07.14	03.07.17	03.07.24	108.5p	-	-	173,117	173,117

1. Margot Katz held no scheme interests during the period of her directorship in the financial year.
2. The Committee may extend the three year performance period in respect of options granted under the CSOP by one year at its discretion. The Committee has exercised this discretion with respect to the options granted in June 2012 such that the performance period is extended to four years ending 31 January 2016 and the earliest date of exercise is extended to 1 June 2016.
3. Share awards were made under the PSP based on 100% of base salary during the 2015 financial year, representing the maximum award possible in the normal course of business. The prevailing share price at the date of award was 108.5p. The performance measure and resulting award vesting are set out on Page 39 within Part 2 of the Report.

Payments to past Directors

No payments were made to past Directors in the year.

Payments for loss of office

No payments were made for loss of office in the year.

Statement of Directors' shareholding and share interests (audited)

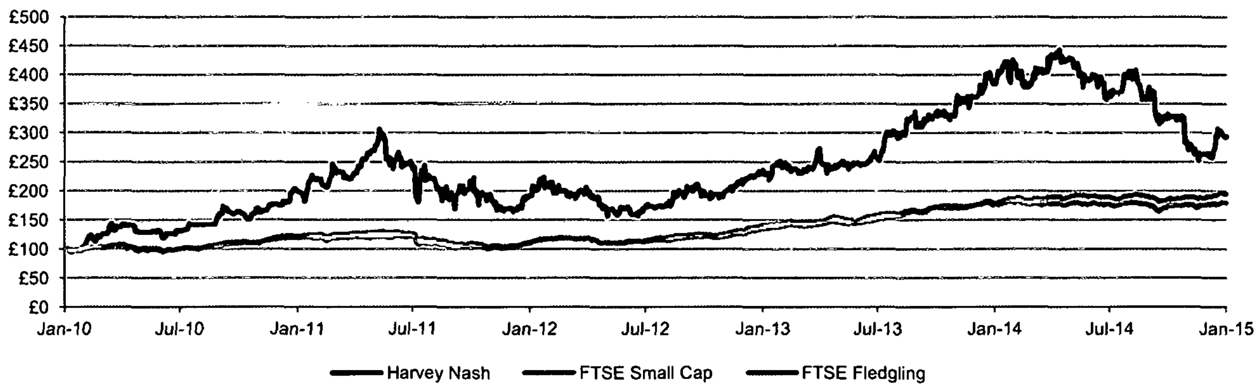
Directors' share interests and where applicable achievement of shareholding requirements are set out below:

Director	Shareholding				Interests		Total interests held at year end
	Shares required to be held (% salary)	Number of shares required to hold [1]	Number of beneficially owned shares	Shareholding requirement met?	Interests with performance conditions		
					Options	Shares	
Executive Directors							
Albert Ellis	100%	377,798	805,613	Yes	294,725	346,236	1,446,574
Simon Wassall	100%	253,664	276,217	Yes	197,887	232,472	706,576
Richard Ashcroft	100%	188,899	237,058	Yes	147,362	173,117	557,537
Non-Executive Directors							
Julie Baddeley	n/a	n/a	10,000	n/a	-	-	10,000
Kevin Thomas	n/a	n/a	10,000	n/a	-	-	10,000

1. As stated in the Policy Report within Part 2, the Executive Directors are expected to aim to hold at least one year's annual base salary in shares within a five year period of joining the Group. The average share price during the 2015 financial year of 99.4p has been applied for the purposes of this illustration.
2. Margot Katz beneficially held 6,369 shares and Tom Crawford beneficially held 4,536,467 shares throughout the period of their directorships this year. No other share interests were held.

Share performance graph

The graph below shows the value of £100 invested in the shares of Harvey Nash Group plc compared to the FTSE Small Cap and FTSE Fledgling indices over the five-year period to 31 January 2015. The graph shows the Total Shareholder Return generated by both the movement in capital value and the reinvestment of dividend income. The Group has been a constituent of the FTSE Fledgling index throughout the period. The Group has also been a constituent of the FTSE SmallCap index on occasions throughout the period. The Remuneration Committee considers that these indices are appropriate benchmarks for these reasons.



Chief Executive Remuneration over the past six years

The table below sets out the Chief Executive's remuneration package over the past six years.

Year	Name	Single figure of total remuneration	Bonus pay-out (as % maximum opportunity)	Long-term incentive as a % of maximum opportunity [1]
2015	Albert Ellis	£580,883	32.9%	n/a
2014	Albert Ellis	£672,750	70.0%	n/a
2013	Albert Ellis	£725,332	88.6%	n/a
2012	Albert Ellis	£724,204	100.0%	n/a
2011	Albert Ellis	£472,321	55.0%	nil
2010	Albert Ellis	£501,471	91.0%	n/a

1. 250,000 options were issued in 2008 under the CSOP and were subject to a three-year performance condition. The options failed to vest at the end of the 2011 financial year as the performance criterion was not met. 169,903 options were issued in 2012 under the CSOP. The performance period for these options was extended for one additional year by the Remuneration Committee in accordance with the rules of the CSOP. Therefore the performance criterion will be tested at the end of the 2016 financial year. The one year extension to the initial performance period is referred to on page 35, within Part 1 of the Report.

Percentage change in the Chief Executive's remuneration

The table below compares the percentage increase in the Chief Executive's pay (including salary and fees, taxable benefits and annual bonus) with the wider employee population.

	Salary			Taxable benefits			Bonus		
	2015	2014	% change	2015	2014	% change	2015	2014	% change
Chief Executive (£'000)	376	350	7%	25	24	4%	124	246	(50)%
Total Employee basic pay (£'000)	42,787	42,081	2%	981	1,027	(4%)	12,629	12,480	1%
Number of employees	862	819	5%	862	819	5%	862	819	5%
Average Employee pay (£'000)	50	51	(2%)	1	1	nil	15	15	nil

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the financial year and previous financial year compared with other disbursements from profit.

Significant distributions	Disbursements from profit in FY2015		Disbursements from profit in FY2014		Percentage change on prior year
	£'000	% total disbursements [1]	£'000	% total disbursements [1]	%
Dividends paid	2,428	0.4%	2,225	0.4%	0.1%
Executive pay	1,321	0.2%	1,629	0.3%	(0.1)%
Non-Executive pay	250	0.0%	228	0.0%	0.0%
Employee pay	55,749	8.1%	49,746	7.1%	0.9%

1. "Total disbursements" is the aggregate of cost of sales, operating expenses, finance costs and dividends paid in the year.

Statement of implementation of remuneration policy in the following financial year

Executive Directors

Salary

The base salaries for the 2016 financial year are set out below:

Executive Director	2015	2016	% change
Albert Ellis	£375,667	£384,048	2.2%
Simon Wassall	£252,233	£257,681	2.2%
Richard Ashcroft	£187,833	£192,024	2.2%
Margot Katz	£50,000	n/a	n/a

The increase to base salaries of 1.6%, effective 1 February 2015, was agreed by the Committee and is in accordance with the cap outlined on page 37, within the Part 2 of the Report. The overall increase of 2.2% on a financial year basis reflects the impact of a previous increase of 8.0% agreed by the Committee, which was effective from 1 March 2014. Accordingly, the total base salaries of the Executive Directors in financial year 2015 includes one month at a lower base salary than for the remainder of the financial year.

Annual Bonus

A summary of the bonus opportunity for the 2016 financial year and the division of the opportunity between performance measures is set out below.

Bonus opportunity			Performance measure weighting (% award) [2]	
Threshold (% of salary)	Target [1] (% of salary)	Maximum (% of salary)	Underlying profit before tax	Individual objectives
nil	60%	100%	70%	30%

1. The percentage of maximum opportunity awarded for on-target performance is 60% for all Executive Directors.
2. A description of the performance measures is provided on page 38 within Part 2 of the Report and discussed further on pages 33 and 34 within Part 1 of the Report.

Performance Share Plan ("PSP")

Details of the maximum long-term incentive awards for Executive Directors along with the performance measures and targets for the awards to be made in the 2016 financial year are set out below:

Type of award	Maximum opportunity (% of salary)	Performance measures	Performance target	Vesting level
PSP	100%	Compound annual growth rate of EPS over a three year performance period.	CAGR of EPS – Threshold is 7.5% and Maximum 15%	Straight line vesting between 20% at a CAGR EPS of 7.5% and 100% at 15%.

Statement of implementation of remuneration policy in the following financial year (continued)

Pension

Details of pension contributions at 15% of base salary for the 2016 financial year are set out below:

Executive Director	Pension contribution
Albert Ellis [1]	£57,607
Simon Wassall	£38,652
Richard Ashcroft	£28,804

1. Where an executive exceeds the prevailing tax deductible pension allowance, the company will pay cash in lieu net of employers' National Insurance contributions. Albert Ellis is expected to take advantage of this provision, with total cash of £17,607 expected to be paid in lieu of pension contributions for the 2016 financial year.

Non-Executive Directors

The following table sets out the fees for the Non-Executive Directors for the 2016 financial year. An increase of 1.6% was approved as set out on page 42 within Part 2 of the Report.

	2014	From 1 February 2015	% change
Approved by the Executive Directors:			
Base fee	£42,000	£42,672	1.6%
Committee Chair / SID	£5,000	£5,000	-
Approved by the Remuneration Committee:			
Chairman	£100,000	£101,600	1.6%

Statement of voting at general meeting

The table below sets out actual voting in respect of the approval of the Directors' Remuneration Policy and the Directors' Remuneration Report for the previous financial year 2014. Harvey Nash has always been committed to appropriate and clear remuneration structures and in the Directors' opinion the proportion of shareholders that voted in favour of the Report and Policy last year demonstrates this.

Resolution to approve:	Date of AGM	Votes for	%	Votes Against	%	Votes withheld
Directors' Remuneration Report 2014	3 July 2014	29,697,196	99.71%	85,140	0.29%	15,250
Directors' Remuneration Policy 2014	3 July 2014	27,473,436	99.77%	62,650	0.23%	2,261,500

Audit Committee Report

For the year ended 31 January 2015

Dear Shareholder,

In addition to our core audit responsibilities, the Committee had a busy year conducting the external audit tender process. I spoke with a number of key stakeholders and regulators about the market forces for greater competition within the UK audit market.

I invited a number of firms to express a written interest in providing the external audit service, including several firms outside the Big Four. After review of all written submissions, the Committee invited three firms to tender on a fee-blind basis, as our focus was entirely on audit quality. The firm chosen by the panel of Audit Committee members and two Executive Directors was Deloitte LLP, and the Board accepted this recommendation, allowing Deloitte LLP to be appointed to the casual vacancy arising on the resignation of PwC. I should like to record our appreciation for many years of service by PwC.

We have worked quickly with the new firm to develop the audit plan for the current year. They have invested a significant amount of time in this first year audit, and their performance will be fully reviewed later in 2015.

Committee meetings

Our terms of reference require that we meet at least twice a year with the Group's senior financial management and the External Auditor 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. Our terms of reference can be found within the Investors section of the Group's website.

The members of the Committee during the year were myself as Chair, David Bezem and Kevin Thomas (appointed 1 May 2014).

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.

The Audit Committee met four times during the year to 31 January 2015, with full attendance at each meeting. The Chairman of the Board, the Group Finance Director and senior financial management were also often invited and regularly attended.

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
- Continued to make ourselves available to hear any concerns from staff, in line with the Group's whistleblowing policy
- Monitored the independence and objectivity of the External Auditor
- Conducted a formal external audit tender and made a recommendation to the Board on the appointment, terms of engagement and remuneration of the External Auditor
- Reported to the Board any matters requiring its attention
- Reviewed the effectiveness of the external audit process
- Reviewed the key accounting judgements and estimates related to the financial statements.

Annual Report review

We have considered whether the Annual Report for the year ended 31 January 2015 is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy. We focused on the significant issues related to the financial statements, including the presentation of the key accounting judgements and estimates, which are considered overleaf. We also challenged the consistency of accounting policies with those presented in the financial statements and considered whether the words in the Strategic Report reflected the performance of the Group fairly. In forming its conclusion, the Committee also considered the overall governance process in place for the preparation and review of the Annual Report and financial statements. These include:

Annual Report review (continued)

- Management of the overall governance process is performed by the Group's senior financial management, who have appropriate skill, experience and qualifications in preparing and delivering such reporting
- The completion of a detailed disclosure template by each component of the Group, the design of which is governed by the Group's senior financial management
- Comprehensive reviews performed at different levels of management to ensure consistency and balance
- The setting of a review timetable well in advance and that permits sufficient time for such review, including any resulting challenge and resolution of matters
- Preliminary reviews of the draft Annual Report by the Group Board.

Overall, we considered that as a whole the Annual Report is fair, balanced and understandable.

Significant issues related to the financial statements

The Audit Committee pays particular attention to significant issues in relation to the financial statements and how they are addressed. The significant issues are important by virtue of their impact on the Group's results and the remuneration of senior management.

The following significant issues, including critical accounting judgements and estimates, were considered by the Committee. These issues are further described within note 4 to the consolidated financial statements.

Impairment of goodwill

The Committee considered the carrying value of goodwill by reviewing an impairment test report prepared by management. The report outlined the value in use calculated for each of the Group's cash generating units. It was noted that the assumptions applied were consistent with the long term strategic plan approved by the Board. The Committee also challenged the audit work undertaken to assess those assumptions.

The Committee was satisfied that the assumptions applied were appropriate, sufficiently disclosed within the notes to the financial statements and the carrying value of goodwill supportable.

Revenue recognition

Judgement applied in respect of recognition of revenue is significant in two key areas; cut-off and presentation of temporary recruitment fees and cumulative revenue generated by fixed price contract work. The revenue generated by the latter is recognised on a percentage completion basis.

The Committee discussed and reviewed these areas with both management and Deloitte, before concluding that the Group's revenue for the year has been appropriately recognised.

Bad and doubtful debts

Recoverability of trade receivables and accrued income is a key areas of focus given the material nature of these balances and the working capital needs of the Group. The debt profile of the Group covers a high volume of balances from a considerable number of customers. Management must therefore apply judgement in determining the amount of provision required for possible non-collection of bad or doubtful debts. This is performed on a case-by-case basis across the Group taking into account differences between countries and service lines.

The Committee assessed the appropriateness of the provisioning by considering the level and aging of debtors and accrued income, the consistency of provisioning assumptions year-on-year and past experience of bad debt exposure. The Committee concluded that the level of provisioning and carrying value of trade receivables and accrued income is appropriate.

Capitalisation of internally generated intangible assets

The Group commenced software development of a wireless solution for the automotive and rail sectors during the financial year. Cumulative direct costs incurred by the project were capitalised as an intangible asset. Management prepared an accounting position paper on commencement of the development project, which was presented to the Committee for their review. The paper detailed the guidance and tests required to be met by the relevant International Financial Reporting Standard. Whilst the Committee agreed such costs incurred satisfied the criteria of the Standard, they noted that the useful economic life of the intangible asset should be reviewed regularly to ensure its appropriateness.

External audit

Tender policy

The Committee continued to discuss the topic of external audit tender policy this year. The previous tender process was performed in 2006, with PwC being reappointed in office. Acknowledging latest best practice, the Board accepted our recommendation to tender the external audit during the year.

We applied a rigorous approach to the tender process, focussed on audit quality and service. Three leading audit firms were shortlisted for final interview, Deloitte, KPMG and PwC. A detailed tender briefing was circulated to candidate firms who were invited to present their audit approach to the Committee. Fee quotations were not disclosed to Committee members, other than to me as Audit Committee Chairman, permitting the panel to appraise candidate firms solely on the basis of audit quality and service.

External audit (continued)

Tender policy (continued)

We agreed to recommend to the Board the appointment of Deloitte as the Group's External Auditor, effective for the year ended 31 January 2015. The Board supported our recommendation to fill the casual vacancy. A formal resolution will be put to shareholders for approval at the Annual General Meeting on 2 July 2015.

The Committee shall continue to periodically review the frequency of the external audit tender process.

Monitoring

We assessed the effectiveness and quality of the external audit provided by Deloitte, following their first year of tenure. The Committee sought feedback from management across the Group and challenged Deloitte on its risk assessment during the audit planning process and subsequent reporting thereof. The Committee members also made themselves available to hold private discussions with Deloitte regarding the quality of the external audit process. Based on this evidence, we are satisfied with the efficiency and effectiveness of the external audit process.

The Committee is also required to monitor the independence and objectivity of Deloitte as External Auditor. Representation of such was sought from all firms invited to the tender process. Representation was reconfirmed by Deloitte and the External Audit Partner at the commencement of the planning process. We shall continue to monitor the independence and objectivity of Deloitte, which extends to the provision of non-audit services.

Provision of non-audit services

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

In addition we have set a limit on the value of non-audit services which may be provided by the External Auditor, being 30% of the audit fee, without prior consideration and written authorisation by the Audit Committee. An analysis of the fees paid to Deloitte and to the previous External Auditor PwC can be found in note 7 to the consolidated financial statements.

Internal audit

The Committee is responsible for the oversight and monitoring of the Group's internal audit function. This includes setting the scope of the annual internal audit plan, review of internal audit reports, consideration of findings and identification of issues for further investigation and reassessment of risk. We also review the resources and effectiveness of the function.

We approved the internal audit plan for the year. The scope of the plan was focussed on key risk areas identified by the Committee, both financial and commercial.

The findings of four internal audit reviews were reported to us this year, covering our operations in Nash Technologies, Belgium, Talent IT and Vietnam. No significant weaknesses were identified. Nonetheless, areas of continuous improvement were highlighted by two reviews where we requested further investigation and monitoring of improvement to be reported back to us.

Internal controls and risk management

The Board is responsible for the Group's systems of internal control including financial controls. These have been designed to manage rather than eliminate the risk of failure to meet business objectives. The systems of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board has an on-going process to identify, evaluate and manage the significant risks faced by the Group, details of which can be found on page 21. This was in place throughout the financial year and up to the date of approval of the Annual Report and financial statements. This process is regularly reviewed by the Board in accordance with the FRC Internal Control Revised Guidance for Directors. The Board reviews annually the effectiveness of the risk management and internal control systems. No significant failings or weaknesses were identified.

Whistleblowing

The Audit Committee provides a facility for employees to raise issues, which may be disclosed confidentially if requested. An independent person is assigned to promptly investigate any matters raised, with findings reported to the appropriate management team and escalated to the Audit Committee and the Group's internal audit function as appropriate. Any necessary corrective action or follow-up review is undertaken on a timely basis.

The Audit Committee review the whistleblowing policy and arrangements in place annually.

Audit Committee effectiveness

The Committee considered our effectiveness in discharging our duties throughout the financial year. We assessed the work we undertook during the financial year, within the context of our terms of reference and latest best practice. In conjunction with the Board effectiveness review referred to on page 28, we concluded that our performance against these criteria remained effective.

Ian Davies

Ian Davies
Audit Committee Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report

For the year ended 31 January 2015

The Directors are responsible for preparing the Annual 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing the parent company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the company's ability to continue as a going concern.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the board of directors on 29 April 2015 and is signed on its behalf by:

Richard Ashcroft
Group Finance Director

Independent Auditors' Report on the Financial Statements

Opinion on financial statements of Harvey Nash Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the related notes 1 to 31 to the Consolidated Financial Statements and the related notes 1 to 12 to the Parent Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 30 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

We have determined which risks are significant based on the planning procedures that have been performed. This includes an understanding of the specific account balances, the nature of the business and our understanding of the overseas components and their activities.

For each of the following risks we have conducted procedures to assess the design of the relevant controls in place to mitigate a material misstatement. In addition we also test the implementation of these controls.

<table>
<tr><th>Risk</th><th>How the scope of our audit responded to the risk</th></tr>
<tr><td colspan="2">Debtor and accrued income recoverability</td></tr>
<tr><td>As per note 13 to the consolidated financial statements trade receivables were £80.4m (2014: £112.9m) and the provision applied to this was £0.4m (2014: £0.3m). The provisioning policy in relation to debtors is detailed in note 2 to the financial statements. Accrued income and prepayments at the year-end date was £36.6m (2014: £22.7m).

The recoverability of trade debtors, accrued income and the level of provisions for bad debts are considered to be a significant risk due to the size of these balances and the importance of cash collection as part of the working capital management of the business. Whilst historically the Group has not recorded a material level of bad debt write-off judgement is required to estimate the level of bad debt provision based on the individual circumstances of customers.

Management disclose the recoverability of debtor balances and the application of the bad debt policy as a critical accounting judgement in note 4.</td><td>We have:
• challenged management regarding the level and ageing of debtors and accrued income, by assessing recoverability with reference to cash received in respect of debtors and cash received and billings raised against accrued income;
• In selected locations, we have issued and received debtors confirmations from the third party debtors selected for testing;
• challenged the application of the provisioning approach with reference to the post year-end developments for aged debt throughout the Group;
• considered the Group's experience of bad debt exposure with reference to the individual counterparty risk, the level of provision held by other recruitment businesses and the general economic environment in each jurisdiction; and
• critically assessed the recoverability of overdue unprovided debt and aged accrued income with reference to historical levels of bad debt expense and the credit profile of counterparties.</td></tr>
</table>

Risk	How the scope of our audit responded to the risk
Goodwill impairment	
As per note 11 the total value of goodwill held by the Group is £48.7m (2014: £49.1m). This goodwill has arisen based on historical acquisitions. The assessment of the carrying value of goodwill, as described in note 11, involves considerable judgement due to the challenges in accurately forecasting future cash flows given the market environment for global recruitment businesses. Key assumptions in management's analysis include identification of cash generating units, short and long-term growth rates and the discount rate applied to the future cash flows. Management disclose this as a critical accounting judgement in note 4 to the financial statements.	We tested management's assumptions used in their impairment assessment of the Group's goodwill in the Consolidated Balance Sheet. Our procedures included: • assessing the identification of appropriate cash generating units; • assessing the short-term cash flow projections against recent performance, historical forecasting accuracy and comparing the forecasts to external recruitment industry sources of data; • comparing the long-term forecasts against long-term economic growth rates from external data for each relevant jurisdiction; • comparing the discount rate applied against a recruitment industry comparator group as well as involving our internal valuation specialists to assess the key components of the discount rate calculation; • considering the reasonableness of, and recalculating, the sensitivity assessment applied by management; • performing further sensitivity analysis of our own on the cash generating units with the lowest headroom in the impairment model; and • checking the arithmetical accuracy of the impairment model in the calculation of the recoverable amount.
Capitalisation of fixed assets	
During the period the Nash Technologies business has started to develop software projects and has capitalised costs associated with these projects as intangible assets. There is significant judgement in respect of the development expenditure that is capitalised having been deemed by management to meet the strict capitalisation criteria set out in IAS 38 Intangibles Assets. In addition, judgement is applied when considering whether the carrying value of the capitalised amounts is supportable based on future income projections. The value of these costs are £1.7m as at 31 January 2015 (2014: £nil), and details can be found in note 11 of the financial statements. Management disclose this as a key source of estimation uncertainty in note 4 to the financial statements.	We have: • gained an understanding of the projects that have been developed and are in development; • selected a sample of development costs that have been capitalised, assessed the nature of these costs, traced the costs to supporting invoice or contract and assessed the appropriateness of capitalisation against the requirements of IAS 38; and • considered the carrying value against the future plans for the products and software being developed – specifically by assessing the discounted cash flow forecasts driven from the project business plans.

Risk	How the scope of our audit responded to the risk
Revenue recognition	
The key risks identified in respect of revenue recognition are: • the presentation of temporary contractual arrangements when Harvey Nash acts as a principal and revenue and directly associated costs are recognised and presented on a gross basis as opposed to a net basis. This judgement significantly impacts the income statement presentation of revenue and associated costs; • the valuation and cut-off of accrued revenue in respect of contractor arrangements. Contractor revenue is the main revenue stream of the Group and significant judgement is required in the estimation of accrued revenue recognised in respect of missing and submitted but not approved timesheets at the period end; and • the revenue derived from outsourced software development. The revenue for these bespoke projects is recognised on the percentage completion basis. There is significant judgement in estimating the level of completion in relation to these projects and therefore the revenue that should be recognised. Note 2 to the financial statements discloses the revenue recognition criteria and policies that are applied to individual revenue streams. In addition revenue recognition is identified as a key source of accounting judgement within note 4.	We have evaluated a sample of contracts throughout the Group and assessed the judgement as to whether Harvey Nash maintains the majority of the risks and rewards associated with the underlying agreement. Based on this assessment we have determined whether the revenue should be presented gross or net. In relation to the valuation of contractor accrued income at the period end we have assessed the appropriateness of the proportion of revenue recognised from missing and submitted but not approved timesheets by: • understanding and challenging management's rationale for the proportion of revenue accrued by tracing sample items to evidence of submission and customer approval post period end; and • mechanically recalculating the accrued income estimate made by management. In relation to the revenue derived from outsourced development software we have obtained individual contracts and assessed the stage of completion. We have assessed this by: • discussing the progress of individual projects with the Project Managers responsible for their completion; • obtaining evidence of the forecast costs to complete and reviewing this against historical performance; • reviewing the sales projections prepared by management in relation to each project; and • auditing the costs that have been incurred in the development of each project.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 56.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £490,000, which equates to 5% of profit before tax and non-recurring items. The non-recurring items are one-off restructuring costs relating to the strategic restructuring of the Group's European operations. It is also below 1% of both revenue and equity. In the prior year, the previous auditors determined materiality to be £450,000 which represented approximately 5% of profit before tax and non-recurring items.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £45,000 (2014: the previous auditors reported on all amounts above £45,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment there were various different levels of procedures applied to entities depending if they were subject to a full scope audit, an audit of specific financial statement line items or statutory audits only. We determined which components are subject to which scope based upon the financial significance and the specific account balances within each component. We performed full scope audit procedures in the UK, Belgium and the Netherlands with limited scope audit procedures performed in the USA, Vietnam and Germany. Our audit work at each location that was either full or limited scope for Group reporting was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £98,000 to £345,000.

The components that were subject to a full scope or limited scope audit procedures represented 89% of the Group's revenue and 93% of the Group's profit before tax.

The Group audit team established a programme of planned visits designed so that a senior member of the Group audit team visited all components that are full scope or subject to specific financial statement line procedures in the current period. Each component audit team is included in our detailed team briefing and the Group audit team participate in the component auditor risk assessment, reviews the documentation of the findings from their work and attends the component audit close meetings.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 and 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Helen George, ACA
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 April 2015

Consolidated Income Statement

for the year ended 31 January 2015

	Notes	2015 £ '000	2014 £ '000
Revenue	5	**696,627**	697,321
Cost of sales		**(607,170)**	(608,751)
Gross profit	5	**89,457**	88,570
Administrative expenses		**(81,057)**	(81,443)
Operating profit before non-recurring items	5,7	**9,739**	9,706
Non-recurring items	30	**(1,339)**	(2,579)
Operating profit	5,7	**8,400**	7,127
Finance income	6	**-**	21
Finance costs	6	**(736)**	(721)
Profit before tax		**7,664**	6,427
Income tax expense	8	**(2,400)**	(2,543)
Profit for the year		**5,264**	3,884
Attributable to:			
Owners of the parent		**5,264**	3,846
Non-controlling interest		**-**	38
		5,264	3,884
Earnings per share for profit attributable to owners of the parent			
- Basic earnings per share	9	**7.24p**	5.24p
- *Diluted earnings per share*	9	**7.20p**	5.22p
- Adjusted basic earnings per share*	9	**9.02p**	8.76p
- Adjusted diluted earnings per share*	9	**8.98p**	8.72p

All results presented are derived from continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2015

	2015 £ '000	2014 £ '000
Profit for the year	**5,264**	3,884
Foreign currency translation differences**	**(2,577)**	(1,339)
Other comprehensive income for the year	**(2,577)**	(1,339)
Total comprehensive income for the year	**2,687**	2,545
Total comprehensive income attributable to:		
Owners of the parent	**2,687**	2,507
Non-controlling interest	**-**	38
	2,687	2,545

* excluding non-recurring items ** which may be recycled into the consolidated income statement if specific conditions are met

Consolidated Balance Sheet

as at 31 January 2015

	Notes	2015 £ '000	2014 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**3,894**	3,830
Intangible assets	11	**51,402**	50,386
Investments	26	**235**	217
Deferred tax assets	8	**2,757**	2,552
		58,288	56,985
Current assets			
Cash and cash equivalents	12	**18,996**	15,881
Trade and other receivables	13	**118,689**	136,083
		137,685	151,964
Total assets		**195,973**	208,949
LIABILITIES			
Non-current liabilities			
Contingent consideration	26	**(460)**	(2,150)
Deferred tax liabilities	8	**(314)**	(355)
		(774)	(2,505)
Current liabilities			
Trade and other payables	14	**(108,765)**	(126,796)
Current income tax liabilities		**(2,569)**	(988)
Borrowings	27	**(16,885)**	(12,050)
Contingent consideration	26	**(1,968)**	-
Provision for liabilities and charges	29	**(414)**	(1,142)
		(130,601)	(140,976)
Total liabilities		**(131,375)**	(143,481)
Net assets		**64,598**	65,468
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	17	**3,673**	3,673
Share premium	18	**8,425**	8,425
Fair value and other reserves	19	**15,079**	15,079
Own shares held	20	**(1,032)**	(172)
Cumulative translation reserve		**2,191**	4,768
Retained earnings	21	**36,262**	33,695
Total shareholders' funds and total equity		**64,598**	65,468

The consolidated financial statements on pages 65 to 95 were approved by the Board on 29 April 2015 and signed on its behalf by:

Julie Baddeley
Chairman

Richard Ashcroft
Group Finance Director

(Parent Company Number: 03320790)

Consolidated Statement of Changes in Equity

for the year ended 31 January 2015

	Share capital	Share premium	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total	Non-controlling interest in equity	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at									
1 February 2013	3,673	8,425	15,079	(50)	6,107	33,477	66,711	252	66,963
Profit for the year	-	-	-	-	-	3,846	3,846	38	3,884
Currency translation adjustments	-	-	-	-	(1,339)	-	(1,339)	-	(1,339)
Total comprehensive income and expense for the year	-	-	-	-	(1,339)	3,846	2,507	38	2,545
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(180)	(180)
Acquisition of non-controlling interest**	-	-	-	-	-	(1,173)	(1,173)	(110)	(1,283)
Employee share option and bonus plan*	-	-	-	828	-	(230)	598	-	598
Own Shares purchased*	-	-	-	(950)	-	-	(950)	-	(950)
Dividends paid (Note 28)	-	-	-	-	-	(2,225)	(2,225)	-	(2,225)
31 January 2014	3,673	8,425	15,079	(172)	4,768	33,695	65,468	-	65,468
1 February 2014	3,673	8,425	15,079	(172)	4,768	33,695	65,468	-	65,468
Profit for the year	-	-	-	-	-	5,264	5,264	-	5,264
Currency translation adjustments	-	-	-	-	(2,577)	-	(2,577)	-	(2,577)
Total comprehensive income and expense for the year	-	-	-	-	(2,577)	5,264	2,687	-	2,687
Employee share option and bonus plan*	-	-	-	706	-	(269)	437	-	437
Own Shares purchased* (Note 20)	-	-	-	(1,566)	-	-	(1,566)	-	(1,566)
Dividends paid (Note 28)	-	-	-	-	-	(2,428)	(2,428)	-	(2,428)
31 January 2015	**3,673**	**8,425**	**15,079**	**(1,032)**	**2,191**	**36,262**	**64,598**	**-**	**64,598**

* 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 Bjerke and Luther AS.

Consolidated Cash Flow Statement

for the year ended 31 January 2015

	Notes	2015 £ '000	2014 £ '000
Profit before tax (before non-recurring items)		**9,003**	9,006
Adjustments for:			
- depreciation	7, 10	**1,596**	1,911
- amortisation	7, 11	**75**	75
- loss on disposal of property, plant and equipment	7	**82**	86
- finance income	6	**-**	(21)
- finance costs	6	**736**	721
- share based employee settlement and share option charge	22	**17**	30
- non-recurring items	30	**(1,339)**	(2,579)
Operating cash flows before changes in working capital		**10,170**	9,229
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- Decrease/ (increase) in trade and other receivables		**12,489**	(24,755)
- (Decrease) / increase in trade and other payables		**(11,913)**	22,053
- (Decrease) / increase in provisions	29	**(698)**	829
Cash flows from operating activities		**10,048**	7,356
Income tax paid		**(2,591)**	(1,936)
Net cash generated from operating activities		**7,457**	5,420
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(1,811)**	(1,742)
Capitalised software development costs	11	**(1,749)**	-
Cash acquired with acquisitions	31	**263**	-
Purchase of subsidiary undertakings	26, 31	**(360)**	(1,294)
Interest received	6	**-**	21
Net cash used in investing activities		**(3,657)**	(3,015)
Cash flows from financing activities			
Proceeds from employee share options exercise		**393**	508
Purchase of own shares	20	**(1,566)**	(950)
Dividends paid to group shareholders	28	**(2,428)**	(2,225)
Dividends paid to non-controlling interests	28	**-**	(180)
Interest paid		**(736)**	(721)
Increase in borrowings	15	**4,696**	2,206
Net cash generated / (used) in financing activities		**359**	(1,362)
Increase in cash and cash equivalents	15	**4,159**	1,043
Cash and cash equivalents at the beginning of the year	15	**15,881**	14,346
Exchange (losses) / gains on cash and cash equivalents	15	**(1,044)**	492
Cash and cash equivalents at the end of the year	15	**18,996**	15,881

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 United Kingdom, Europe, United States, Hong Kong, Japan, Australia and Vietnam.

The Company is a public listed company incorporated in the United Kingdom. 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 97 to 101 show the financial statements of the Company prepared under UK Generally Accepted Accounting Practice (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 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (Revised 2011) 'Separate Financial Statements'
- Amendment to IAS 32 'Financial Instruments: Presentation'
- Amendment to IAS 36 'Impairment of Assets'
- Amendment to IAS 39 'Financial Instruments'
- IFRIC 21 'Levies'
- Annual Improvements to IFRSs: 2011

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:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Amendment to IFRS 11 on Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 Clarifying Acceptable Methods of Depreciation and Amortisation
- Amendment to IAS 27 'Separate Financial Statements' on Use of Equity Method
- Annual Improvements to IFRSs: 2012
- Annual Improvements to IFRSs: 2013

The Group intends to adopt the above in the relevant future accounting periods in which they become mandatory, subject to endorsement by the EU where relevant.

The Directors do not expect that the adoption of the standards above will have a material impact on the financial statements of the Group in future periods, except that IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond this information, it is not yet practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

2. Accounting policies (continued)

(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 30.

(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 or on start date, subject to the contractual agreement. 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 as accrued income. Revenue invoiced but not earned at the balance sheet date is recorded as a liability as 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:

2. Accounting policies (continued)

(f) Property, plant and equipment (continued)

Leasehold improvements	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 the Group. The cost of the asset is capitalised within current assets and charged to cost of sales over the contract length.

(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) 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 income statement.

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.

Development costs are capitalised as an intangible asset in accordance with the requirements of IAS 38 'Intangible Assets'. An intangible asset is recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Group. Only costs directly incurred in relation to a development project are capitalised. This includes the cost of internal

2. Accounting policies (continued)

(f) Intangible assets (continued)

labour, which is captured via appropriately approved timesheets. Amortisation of the intangible asset commences at the point the underlying product is commissioned for use. An impairment review is performed at each balance sheet date until the product is commissioned. Amortisation is charged on a straight-line basis, over the estimated lifespan of the product. The estimated lifespan is reviewed regularly for appropriateness.

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 property, plant and equipment 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 in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of sale and value in use. 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.

(k) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet 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' ("FVTPL") 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.

2. Accounting policies (continued)

(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 tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

(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 pensions which contain an element of defined benefit, which are fully insured and for which therefore there are no unrecorded liabilities. These schemes are accounted for as defined contribution schemes.

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.

2. Accounting policies (continued)

(p) Employee benefits (continued)

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. Discounting is applied only when the effect is material.

(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) Working capital facilities
The Group has access to working capital finance facilities provided by its bankers in the form of a confidential trade receivables finance facility which is secured by a floating charge over the Group's assets. The borrowings under this are included within current liabilities and described as Borrowings on the Group's consolidated balance sheet and the facility is secured specifically against the Group's trade receivables. Trade receivables are included within trade receivables in the Group's consolidated balance sheet.

(t) Non-recurring items
Material non-recurring items are presented separately on the face of the Consolidated Income Statement due to their nature and/or 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 the Group 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 2015, the Group's strategy, which was unchanged from 2014, was to have adequate headroom and access to cash facilities to meet its requirements.

3. Financial risk management (continued)

Capital risk management (continued)

	2015	2014
Net debt £'000	-	-
Total equity £'000	64,598	65,468
Total capital £'000	64,598	65,468
Gearing ratio %	-	-

Interest rate risk management
The Group's policy is to minimise interest charges through cash pooling and active cash management. The Group does not actively hedge interest rate risk.

Foreign exchange risk management
The Group's policy is to minimise foreign currency risk. The Group 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. The Group does not actively hedge foreign exchange risk.

The Group's operating profit exposure to foreign currency translation is primarily in respect of the US dollar and the euro.

In the year to 31 January 2015, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £11,000 (2014: £59,000) lower.

In the year to 31 January 2015, if sterling had strengthened by 10% against the euro with all other variables held constant, operating profit for the year would have been £619,000 (2014: £540,400) lower.

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. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to a single customer.

The table below shows the counterparty risk with the Bank at the balance sheet date.

	Rating *	**2015** **£ '000** **Credit Limit**	**2015** **£ '000** **Balance**	2014 £ '000 Credit Limit	2014 £ '000 Balance
Bank overdraft – secured	A-1	**2,000**	-	2,000	362

* 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 a rolling facility and was most recently renewed in February 2013.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 management 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. The carrying amount of goodwill at 31 January 2015 was £48.7m (2014: £49.1m). The key assumptions in the value in use calculations are set out in note 11.

Revenue recognition
Judgement applied in respect of recognition of revenue is significant in two key areas; cut-off and presentation of temporary recruitment fees and cumulative revenue generated by fixed price contract work. The revenue generated by the latter is recognised on a percentage completion basis.

Bad and doubtful debts
Recoverability of trade receivables and accrued income is a key area of focus given the material nature of these balances and the working capital needs of the Group. The debt profile of the Group covers a high volume of balances from a considerable number of customers. Management must therefore apply judgement in determining the amount of provision required to be made for possible non-collection of bad or doubtful debts. This is performed on a case-by-case basis across the Group taking into account differences between countries and service lines.

Capitalisation of internally generated intangible assets
The Group commenced software development of a wireless solution for the automotive and rail sectors during the year. Cumulative direct costs of £1.7m incurred by the project were capitalised as an intangible asset. Management must apply judgement in determining appropriateness of direct costs incurred, particularly own labour costs, when capitalising these as an intangible asset.

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

The Group Board analyses segmental information as follows:

Revenue

	2015	2014
	£ '000	£ '000
United Kingdom & Ireland	**229,816**	223,741
Mainland Europe	**413,160**	421,161
Benelux and France	**315,374**	310,475
Nordics	**15,614**	15,293
Central Europe	**82,172**	95,393
Rest of World	**53,651**	52,419
United States	**47,687**	46,938
Asia Pacific	**5,964**	5,481
Total	**696,627**	697,321

There was no one customer that generated in excess of 10% of the consolidated revenue of the Group in this or the previous financial year.

5. Segment information (continued)

Gross profit

	2015 £ '000	2014 £ '000
United Kingdom & Ireland	**36,172**	33,360
Mainland Europe	**37,445**	40,204
Benelux and France	**13,066**	13,186
Nordics	**11,522**	11,869
Central Europe	**12,857**	15,149
Rest of World	**15,840**	15,006
United States	**11,817**	11,394
Asia Pacific	**4,023**	3,612
Total	**89,457**	88,570

Operating profit (before non-recurring items)

	2015 £ '000	2014 £ '000
United Kingdom & Ireland	**3,685**	3,161
Mainland Europe	**5,493**	5,609
Benelux and France	**4,343**	4,052
Nordics	**351**	314
Central Europe	**799**	1,243
Rest of World	**561**	936
United States	**865**	852
Asia Pacific	**(304)**	84
Total	**9,739**	9,706

Profit before tax

	2015 £ '000	2014 £ '000
Operating profit:		
United Kingdom & Ireland	**3,501**	3,161
Mainland Europe	**4,338**	3,030
Benelux and France	**4,302**	3,723
Nordics	**(138)**	314
Central Europe	**174**	(1,007)
Rest of World	**561**	936
United States	**865**	852
Asia Pacific	**(304)**	84
Total operating profit	**8,400**	7,127
Finance income	**-**	21
Finance costs	**(736)**	(721)
Profit before tax	**7,664**	6,427

Non-recurring items are disclosed within note 30.

5. Segment Information (continued)

Depreciation and amortisation charge

Depreciation Charge	**2015**	2014
	£ '000	£ '000
United Kingdom & Ireland	**482**	440
Mainland Europe	**564**	936
Benelux and France	**153**	159
Nordics	**49**	43
Central Europe	**362**	734
Rest of World	**550**	535
United States	**53**	73
Asia Pacific	**497**	462
Total	**1,596**	1,911

The net book value of property, plant and equipment is disclosed within note 10.

Amortisation
Amortisation of £0.1m (2014: £0.1m) was charged to the Mainland Europe segment.

6. Finance income and costs

	2015	2014
	£ '000	£ '000
Interest expense		
Interest payable on bank borrowings	**(736)**	(721)
Finance costs	**(736)**	(721)
Bank interest receivable	**-**	21
Net finance costs	**(736)**	(700)

7. Operating profit

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

	2015	2014
	£ '000	£ '000
Staff costs (note 23)	**57,337**	56,125
Depreciation of property, plant and equipment	**1,543**	1,834
Depreciation of property, plant and equipment on finance leases	**53**	77
Amortisation (note 11)	**75**	75
Auditor's remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated financial statements	**21**	21
- fees payable to the company's auditor for the audit of the company's subsidiaries	**354**	408
- fees payable to the company's auditor and associates for other services		
- services relating to taxation compliance	**6**	24
- all other services	**-**	21
Operating lease rentals payable	**5,479**	5,323
Loss on foreign exchange	**70**	15
Loss on disposal of property, plant and equipment	**82**	86

Details of the company's policy on the use of the External Auditor for non-audit services, the reasons why the External Auditor was used rather than another supplier and how the External Auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 57. No services were provided pursuant to contingent fee arrangements.

8. Income tax expense

	2015	2014
	£ '000	£ '000
Corporation tax on profits in the year – UK	**172**	-
Corporation tax on profits in the year – overseas	**2,519**	2,538
Adjustments in respect of prior years	**(45)**	-
Total current tax	**2,646**	2,538
Deferred tax	**(246)**	5
Total tax charge	**2,400**	2,543

The tax for the year is higher (2014: higher) than the standard UK corporation tax rate applied to pre-tax profit. The standard rate of corporation tax in the UK changed from 23% to 21% with effect from the 1 April 2014. Accordingly, the Group's profits for this accounting period are taxed at an effective standard rate of 21.33% before non-recurring items.

8. Income tax expense (continued)

The differences are explained below for 2015 and 2014 using the UK standard rate of Corporation tax.

	2015	2014
	£ '000	£ '000
Profit before tax	**7,664**	6,427
Tax at standard rate of UK Corporation tax (2015: 21.3% and 2014: 23.2%)	**1,635**	1,489
Effects of:		
Expenses not deductible for tax purposes	**411**	372
Income not taxable	**(78)**	(58)
Expenses deductible locally	**(99)**	2
Utilisation of brought forward tax losses not previously recognised	**-**	(237)
Tax losses for which no deferred tax asset is recognised	**714**	871
Tax losses now recognised for deferred tax	**(196)**	(24)
Adjustments to tax in respect of prior year	**(71)**	-
Profits taxed at overseas rates	**31**	156
Other	**53**	(28)
Total taxation	**2,400**	2,543

Current tax:		
Tax on profit in the year	2,691	2,538
Adjustments in respect of prior years	(45)	-
Total current tax	**2,646**	2,538
Deferred tax:		
Origination and reversal of timing differences	(50)	29
Adjustments in respect of prior years	(196)	(24)
Total deferred tax charge	(246)	5
Total tax charge	**2,400**	**2,543**

Deferred tax

	2015	2014
	£ '000	£ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**2,054**	2,045
Deferred tax asset to be recovered within 12 months	**703**	507
	2,757	2,552
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(159)**	(176)
Deferred tax liability to be recovered within 12 months	**(155)**	(179)
	(314)	(355)
Net deferred tax asset	**2,443**	2,197

8. Income tax expense (continued)

The deferred tax position is analysed below:

Asset	Accelerated tax depreciation	Share-based payments	Tax losses	Accrued interest charges*	Post-employment liabilities	Loan waiver	Total
	£ '000	£ '000	£ '000	£'000	£ '000	£'000	£ '000
1 February 2014	3	21	868	1,006	467	187	2,552
Charged / (credited) to income statement and equity	(3)	(11)	275	-	(56)	-	205
31 January 2015	**-**	**10**	**1,143**	**1,006**	**411**	**187**	**2,757**

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

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they are realised. The rates enacted or substantively enacted by the United Kingdom Government for the relevant periods of reversal are 23% and 21% as at 31 January 2015. The reduction in the UK rate to 20% will be effective from 1 April 2015.

Liability	Unremitted earnings	Accrued revenue	Other	Total
	£ '000	£ '000	£ '000	£ '000
1 February 2014	(159)	(155)	(41)	(355)
Credited to income statement and equity	-	-	41	41
31 January 2015	**(159)**	**(155)**	**-**	**(314)**

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 £5,884,000 (2014: £5,189,00) have not been recognised. Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised.

9. Earnings per share

	2015	2014
Profit attributable to shareholders £'000	**5,264**	3,846
Weighted average number of shares	**72,754,076**	73,351,850
Basic earnings per share	**7.24p**	5.24p

	2015	2014
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,563**	6,425
Weighted average number of shares	**72,754,076**	73,351,850
Basic earnings per share (excluding non-recurring items)	**9.02p**	8.76p

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)

	2015	2014
Profit attributable to shareholders £'000	**5,264**	3,846
Weighted average number of shares	**72,754,076**	73,351,850
Effect of dilutive securities	**350,728**	335,539
Adjusted weighted average number of shares	**73,104,804**	73,687,389
Diluted earnings per share	**7.20p**	5.22p

	2015	2014
Profit attributable to shareholders (excluding non-recurring items) £'000	**6,563**	6,425
Weighted average number of shares	**72,754,076**	73,351,850
Effect of dilutive securities	**350,728**	335,539
Adjusted weighted average number of shares	**73,104,804**	73,687,389
Diluted earnings per share (excluding non-recurring items)	**8.98p**	8.72p

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 2014	2,238	431	1,480	9,377	221	13,747
Exchange adjustments	23	(58)	(14)	(221)	(4)	(274)
Additions at cost	108	144	57	1,502	-	1,811
Acquisitions	4	-	2	1	-	7
Disposals	(155)	(14)	(3)	(230)	(181)	(583)
At 31 January 2015	**2,218**	**503**	**1,522**	**10,429**	**36**	**14,708**
Accumulated depreciation						
At 1 February 2014	898	126	1,228	7,545	120	9,917
Exchange adjustments	29	63	-	(290)	-	(198)
Charge for the year	246	72	102	1,143	33	1,596
Disposals	(146)	(14)	(2)	(192)	(147)	(501)
At 31 January 2015	**1,027**	**247**	**1,328**	**8,206**	**6**	**10,814**
Net book amount At 1 February 2014	1,340	305	252	1,832	101	3,830
Net book amount At 31 January 2015	**1,191**	**256**	**194**	**2,223**	**30**	**3,894**

10. Property, plant and equipment (continued)

	Leasehold improvements	Office equipment	Furniture, fixtures and equipment	Computer equipment	Motor Vehicles	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost						
At 1 February 2013	2,556	372	1,445	9,186	264	13,823
Exchange adjustments	(59)	(41)	4	(398)	(17)	(511)
Additions at cost	302	144	104	1,192	-	1,742
Disposals	(561)	(44)	(73)	(603)	(26)	(1,307)
At 31 January 2014	**2,238**	**431**	**1,480**	**9,377**	**221**	**13,747**
Accumulated depreciation						
At 1 February 2013	1,142	107	1,159	6,963	79	9,450
Exchange adjustments	(17)	4	(107)	(199)	(12)	(331)
Charge for the year	259	56	249	1,270	77	1,911
Disposals	(486)	(41)	(73)	(489)	(24)	(1,113)
At 31 January 2014	**898**	**126**	**1,228**	**7,545**	**120**	**9,917**
Net book amount At 1 February 2013	1,414	265	286	2,223	185	4,373
Net book amount At 31 January 2014	**1,340**	**305**	**252**	**1,832**	**101**	**3,830**

Assets under finance leases, classified as motor vehicles amount to £0.1m (2014: £0.1m). The Group held no assets under hire purchase contracts in the current or prior year.

On 18 March 2013, the Group exchanged its call centre operations to MOCAP in return for a 15% shareholding in MOCAP. The net book value of fixed tangible assets transferred was £0.1m.

The closing net book balance at 31 January 2015 for the UK and Ireland was £2.0m (2014: £1.7m), for Mainland Europe it was £0.8m (£1.0m) and for Rest of World it was 1.1m (2014: £1.1m).

11. Intangible assets

	Capitalised development costs £ '000	Brands £ '000	Goodwill £ '000	Total £ '000
Cost				
At 1 February 2014	-	1,736	49,063	50,799
Additions	1,749	-	730	2,479
Exchange adjustments	(85)	(228)	(1,082)	(1,395)
At 31 January 2015	**1,664**	**1,508**	**48,711**	**51,883**
Accumulated amortisation				
At 1 February 2014	-	413	-	413
Charge for the year	-	75	-	75
Exchange adjustments	-	(7)	-	(7)
At 31 January 2015	-	**481**	-	**481**
Net book amount at 1 February 2014	-	1,323	49,063	50,386
Net book amount at 31 January 2015	**1,664**	**1,027**	**48,711**	**51,402**

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2013	1,905	50,753	52,658
Exchange adjustments	(169)	(1,690)	(1,859)
At 31 January 2014	1,736	49,063	50,799
Accumulated amortisation			
At 1 February 2013	338	-	338
Charge for the year	75	-	75
At 31 January 2014	413	-	413
Net book amount at 1 February 2013	1,567	50,753	52,320
Net book amount at 31 January 2014	1,323	49,063	50,386

During the year goodwill of £0.7m was recognised on the acquisition of Beaumont KK and is disclosed in further detail within note 31.

The Group also commenced software development of a wireless solution for the automotive and rail sectors during the year. Cumulative direct costs of £1.7m (2014: £nil) incurred by the project have been capitalised. Amortisation will commence at the point the underlying software product is commissioned for use. An impairment review is performed at each balance sheet date until the product is commissioned.

11. Intangible assets (continued)

The carrying amounts of the intangible assets by cash generating unit (CGU) are as follows:

Goodwill	2015 £ '000	2014 £ '000
Harvey Nash BV	**2,431**	2,642
Harvey Nash US	**11,718**	10,725
Techpartners Group	**10,807**	10,807
Harvey Nash IT Consulting NV	**5,317**	5,745
Impact Executives Limited	**3,702**	3,702
Alumni AB	**5,160**	5,959
Harvey Nash (Vietnam) Ltd	**1,346**	1,230
Harvey Nash (Ireland) Ltd	**3,416**	3,730
Fila & Myszel Associates Sp.	**89**	96
Bjerke & Luther AS	**1,017**	1,145
Talent-IT BVBA	**3,006**	3,282
Beaumont KK	**702**	-
	48,711	49,063
Brands		
Alumni AB Brand	**700**	916
Bjerke & Luther AS Brand	**327**	407
	1,027	1,323
Capitalised development costs		
Software development	1,664	-
Total	**51,402**	50,386

During the year the goodwill in respect of each CGU 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 assumptions applied in the impairment review are consistent with those applied within the Group's long term plan, approved by management and the Group Board. The assumptions are based on latest industry forecasts and the expectations of management given their past experience. The key assumptions in the value in use calculations were:

The first five years of the forecasts were based on pre-tax cash flows derived from the management and Group Board approved long term plan. The growth rate applied to these cash flows varied between (37.4)% and 137.3%. The (37.4)% decline in profit is forecast for Harvey Nash (Vietnam) in 2016, with the CGU returning to growth in 2017. The peak growth rate of 137.3% relates to the 2016 performance of Bjerke and Luther AS, where the operating loss incurred in the year is forecast to reduce in 2016.

The growth rates of the larger CGU's are listed below.

Cash Generating Unit	Average growth rate in first five years		Long-term growth rate	
	2015	2014	**2015**	2014
Techpartners Group	**6.2%**	6.5%	**2.4%**	2.3%
Harvey Nash US	**11.0%**	9.7%	**2.6%**	3.1%
Alumni	**7.8%**	11.4%	**2.4%**	2.4%
Harvey Nash IT Consulting NV	**1.7%**	4.0%	**1.2%**	1.6%

The terminal growth rate is based on the long-term growth rate for each country and was on average 2.5%. Management believe the forecasts are achievable.

The pre-tax discount rate used was based on the industry weighted average cost of capital for each country and was on average 10.1% (2014: 9.4%).

11. Intangible assets (continued)

There is significant headroom in the testing for impairment for all the CGUs. A sensitivity analysis has been performed in assessing recoverable amounts of the CGUs. 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. Cash and cash equivalents

	2015 £ '000	2014 £ '000
Cash at bank and in hand	**18,996**	15,881

13. Trade and other receivables

	2015 £ '000	2014 £ '000
Amounts falling due within one year:		
Trade receivables	**80,412**	112,887
Less: Provision for bad and doubtful debts	**(380)**	(300)
	80,032	112,587
Other receivables	**2,024**	754
Prepayments and accrued income	**36,633**	22,742
	118,689	136,083

As of 31 January 2015, trade receivables of £80.0m (2014: £112.6m) were fully recoverable. Debtor days were 42.5 days (2014: 46.1 days).

Trade receivables that are less than three months past due are not considered impaired. As of 31 January 2015, trade receivables of £22.2m (2014: £32.2m) 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	2015 £ '000	2014 £ '000
1 – 2 months	**13,116**	21,407
2 – 3 months	**5,397**	8,304
Over 3 months	**3,680**	2,481
	22,193	32,192

As of 31 January 2015, trade receivables of £0.4m (2014: £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.

13. Trade and other receivables (continued)

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

	2015	2014
	£ '000	£ '000
At 1 February	**300**	445
Provision for receivables impairment	**240**	179
Receivables written off during the year as uncollectible	**(44)**	(3)
Unused amounts reversed	**(116)**	(321)
At 31 January	**380**	300

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

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

	2015	2014
	£ '000	£ '000
Sterling	**35,137**	37,075
Euros	**65,730**	83,652
US dollar	**9,702**	7,675
Other currencies	**8,120**	7,681
	118,689	136,083

There is no material difference between the fair value and the carrying value of the Group's receivables.

14. Trade and other payables

	2015	2014
	£ '000	£ '000
Trade payables	**59,074**	66,889
Other tax and social security payable	**6,990**	11,134
Accruals and deferred income	**41,843**	45,384
Other payables	**858**	3,389
	108,765	126,796

There is no material difference between the fair value and the carrying value of the Group's payables.

15. Analysis of changes in net funds

	1 February 2014	Cash flow	Foreign exchange movements	**31 January 2015**
	£'000	£'000	£'000	**£'000**
Cash and cash equivalents (note 12)	15,881	4,159	(1,044)	**18,996**
Borrowings (note 27)	(12,050)	(4,696)	(139)	**(16,885)**
Net Funds	3,831	(537)	(1,183)	**2,111**

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

16. Operating lease commitments

The Group has total future minimum lease payments under operating leases for each of the following periods:

	2015	**2015**	2014	2014
	Property	**Vehicles, plant and equipment**	Property	Vehicles, plant and equipment
	£ '000	**£ '000**	£ '000	£ '000
Minimum lease payments under non-cancellable operating leases:				
Within one year	**4,628**	**613**	4,850	545
Later than one year and less than five years	**8,336**	**676**	6,398	567
After five years	**3,060**	**-**	1,834	-
	16,024	**1,289**	13,082	1,112

17. Called-up share capital

	2015	2014
	£ '000	£ '000
Authorised		
110,000,000 (2014: 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2014: 73,450,393)	**3,673**	3,673

18. Share premium account

	2015	2014
	£ '000	£ '000
At 1 February and 31 January	**8,425**	8,425

19. Fair value and other reserves

Fair value and other reserves of £15.1m (2014: £15.1m) 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.

20. Own shares held

	2015
	£ '000
At 1 February 2014	**172**
Acquired in the year	**1,566**
Disposed of on exercise of options	**(706)**
At 31 January 2015	**1,032**

The own shares held reserve represents the cost of shares in Harvey Nash Group plc purchased in the market and held by the Harvey Nash Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 22). The number of shares held by the Employment Benefit Trust at 31 January 2015 was 897,584 shares (2014: 175,239 shares).

21. Retained earnings

	2015 £ '000	2014 £ '000
At 1 February	**33,695**	33,477
Profit for the year	**5,264**	3,846
Employee share options and bonus plan	**(286)**	(200)
Share based payments charge	**17**	(30)
Acquisition of non-controlling interest	**-**	(1,173)
Dividends paid	**(2,428)**	(2,225)
At 31 January	**36,262**	33,695

22. Share based payments

Under the Harvey Nash 2005 Company Share Option Plan (CSOP), 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 CSOP 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 CSOP 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 2015 is shown below:

	2015 Number ('000)	2015 Weighted average exercise price (£)	2014 Number ('000)	2014 Weighted average exercise price (£)
Outstanding at 1 February	**1,425**	**£0.61**	3,346	£0.64
Granted	**-**	**-**	271	£0.70
Forfeit	**-**	**-**	(1,427)	£0.66
Exercised	**(615)**	**£0.71**	(765)	£0.66
Outstanding at 31 January	**810**	**£0.60**	1,425	£0.61
Exercisable at 31 January	**170**	**£0.60**	785	£0.63

The expiry date of options outstanding at the year-end and held by the Directors is detailed within the Remuneration Report on page 50. The weighted average share price at the date of exercise for share options exercised during the period was £0.71. The options outstanding at 31 January 2015 had a weighted average exercise price of £0.60, and a weighted average remaining contractual life of 6 years.

The total charge for the year relating to employee share based payment plans was £17,000 (2014: £30,000), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £17,000 (2014: £30,000). The inputs into the Black-Scholes model are as follows:

	2015	2014
Weighted average share price	6.03p	6.17p
Weighted average exercise price	6.06p	6.17p
Expected volatility	44.0%	44.0%
Expected life	3 years	3 years
Risk-free rate	4.3%	4.3%
Expected dividend yields	1.3%	1.3%

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

23. Employees and directors

Staff costs for the Group during the year (including directors)	**2015 £ '000**	2014 £ '000
Wages and salaries	**48,942**	47,780
Social security costs	**6,474**	6,508
Other pension costs (note 24)	**1,904**	1,807
Share option charge and share based employee settlement	**17**	30
	57,337	56,125

2015 **Average number of people employed (including executive directors)**	**UK**	**Rest of World**	**Total**
Directors	**3**	**-**	**3**
Sales	**249**	**331**	**580**
Administrative	**95**	**187**	**282**
	347	**518**	**865**

2014 **Average number of people employed (including executive directors)**	**UK (restated)**	**Rest of World (restated)**	**Total**
Directors	**4**	**-**	**4**
Sales	**231**	**311**	**542**
Administrative	**91**	**177**	**268**
	326	**488**	**814**

Employees working within the offshore recruitment support centre have been reclassified from UK to Rest of World given the increased utilisation of the support centre across the Group's global businesses. Accordingly, 96 employees have been reclassified between UK operations and the Rest of World operations.

Key management compensation	**2015 £ '000**	2014 £ '000
Short-term employee benefits	**4,221**	4,077
Post-employment benefits	**365**	355
	4,586	4,432

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 Executive Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 33 to 54. Total fees paid to the Non-Executive Directors were £248,457 (2014: £244,296)

24. 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 (2014: £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 months' 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 ended 31 January 2015 was £656,000 (2014: £506,000). The Group operates separate schemes in all the overseas locations. The Group's total contribution to schemes in overseas locations for the year ended 31 January 2015 was £1,248,000 (2014: £1,301,000).

25. 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
Broadbay Networks Inc	Group Guarantee	-

The relationship between Harvey Nash Group plc and its principal subsidiaries is disclosed in note 26.

26. Investments

	2015 £ '000	2014 £ '000
Investment in MOCAP	**235**	217

The Group holds 15% of the share capital in MOCAP. The investment was valued at £235,000 as at 31 January 2015 (2014: £217,000), the movement of which was attributable to the impact of foreign exchange.

Principal subsidiaries and branches
The details of the principal subsidiary companies and branches owned directly or indirectly by the Company as at 31 January 2015 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 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
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	100%	Recruitment consultancy
Bjerke & Luther AS	Norway	100%	Recruitment consultancy
Talent–IT BVBA	Belgium	100%	Recruitment consultancy
Beaumont KK	Japan	100%	Recruitment consultancy

In addition to the companies shown above, the Group also holds investments in a number of other subsidiary undertakings which in the Directors' opinion do not significantly affect the figures in the consolidated financial statements. In accordance with Section 410(2)(a) of the Companies Act 2006, a full list of subsidiaries was annexed to the 2014 annual return and submitted to Companies House. A full list of subsidiaries will be submitted to Companies House during 2015.

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

The Group acquired 100% of the share capital in Beaumont KK on 21 August 2014. The initial consideration paid was £0.4m, with a further amount payable contingent on the performance of the business over the period from the date of acquisition until 30 June 2017. Contingent consideration of £0.5m has been recognised as at 31 January 2015 in respect of this. Further detail of the acquisition is provided within note 31.

Contingent consideration of £2.0m has also been recognised as at 31 January 2015 (2014: £2.1m) in respect of the estimated consideration due on completion of the earn-out period which commenced on acquisition of Talent IT. The three-year earn-out period ends in March 2015.

27. 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 within note 3.

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 2015.

The Group held no derivative financial instruments at 31 January 2015 (2014: none) requiring to be fair valued.

Borrowing facilities

The Group had the following committed facilities available in respect of a UK overdraft with a maximum facility of £2.0m at 31 January 2015 (2014: £2.0m).

In February 2013, the Group increased its invoice discounting facility to £50.0 million for the Group as a whole. The facility was allocated across the Group's operations as follows: £25.0m in the UK, the euro equivalent of £15.0m shared between Ireland and the Netherlands, £5.0m in Belgium and the USD equivalent of £5.0m in the US.

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 2015 and 31 January 2014.

Undrawn borrowing facilities		**Fixed rate '000**	**Floating rate '000**	**2015 Total '000**	2014 Total '000
Overdraft	£	-	**2,000**	**2,000**	1,638
Invoice discounting facilities - UK	£	-	**12,948**	**12,948**	15,786
Invoice discounting facilities - Belgium	€	-	**6,655**	**6,655**	6,082
Invoice discounting facilities - Netherlands	€	-	**19,964**	**19,964**	18,245
Invoice discounting facilities - US	$	-	**251**	**251**	4,166

Undrawn borrowing facilities	**Fixed rate £'000**	**Floating rate £'000**	**2015 Total £'000**	2014 Total £'000
Overdraft	-	**2,000**	**2,000**	1,638
Invoice discounting facilities - UK	-	**12,848**	**12,948**	15,786
Invoice discounting facilities - Belgium	-	**5,000**	**5,000**	5,000
Invoice discounting facilities - Netherlands	-	**15,000**	**15,000**	15,000
Invoice discounting facilities - US	-	**267**	**267**	2,526
Total	-	**35,115**	**35,115**	39,950

27. Financial instruments (continued)

Drawn borrowing facilities		Fixed rate '000	Floating rate '000	2015 Total '000	2014 Total '000
Overdraft	£	-	-	-	362
Invoice discounting facilities - UK	£	-	12,052	12,052	9,214
Invoice discounting facilities - Belgium	€	-	-	-	-
Invoice discounting facilities - Netherlands	€	-	-	-	-
Invoice discounting facilities - US	$	-	7,259	7,259	4,083

Drawn borrowing facilities	Fixed rate £'000	Floating rate £'000	2015 Total £'000	2014 Total £'000
Overdraft	-	-	-	362
Invoice discounting facilities - UK	-	12,052	12,052	9,214
Invoice discounting facilities - Belgium	-	-	-	-
Invoice discounting facilities - Netherlands	-	-	-	-
Invoice discounting facilities - US	-	4,833	4,833	2,474
Total	-	16,885	16,885	12,050

28. Dividends

The dividends paid in the year were £2.4m (2014: £2.2m).

The proposed final dividend of £1.6m (2.171p per share) is subject to approval by shareholders at the Annual General Meeting on 2 July 2015 (2014: 1.974p per share amounting to £1.4m) and has not been included as a liability at 31 January 2015.

	2015 £ '000
Final dividend for year end 31 January 2014 of 1.974p per share	1,441
Interim dividend for year ended 31 January 2015 of 1.360p per share	987
	2,428
Proposed final dividend for year ended 31 January 2015 of 2.171p per share	1,575

	2014 £ '000
Final dividend for year ended 31 January 2013 of 1.795p per share	1,317
Interim dividend for year ended 31 January 2014 of 1.238p per share	908
	2,225

29. Provisions

	2015 £ '000
At 1 February 2014	**1,142**
Foreign exchange movements	**(30)**
Charge in the year	**266**
Utilised in the year	**(964)**
At 31 January 2015	**414**

Provisions relate to termination costs for employees in Germany, the closure of French operations and the restructure of our Norwegian operations.

All provisions fall due within one year.

30. Non-recurring items

Non-recurring items of £1.3m were incurred in the year, of which £0.6m related to the strategic review of Nash Technologies and relocation of laboratory assets. £0.5m related to the restructuring of Norwegian operations leaving the business well placed to capitalise on future opportunities. £0.2m was incurred in the UK in respect of acquisition cost of Beaumont KK. The current year tax credit as a result of these items was £40,000.

Non-recurring costs of £2.6m were incurred in the prior year, of which £2.3m related to termination costs associated with the restructuring of the Nash Technologies business. Costs of £0.3m were incurred in respect of the closure of the French office.

31. Business combinations

On 21 August 2014, the Group acquired 100% of the share capital of Beaumont KK, a recruitment business in Tokyo, Japan, for an initial cash consideration of JPY 61,163,000 (£0.4m). The contingent consideration arrangements require the Group to pay the former owners of Beaumont KK based on a multiple of profit before tax, over threshold performance, for the three years ending August 2017 up to a maximum of JPY 81,077,000 (£0.5m).

The acquired business contributed revenues of £17,000 and an operating loss of £28,000 to the Group for the period from acquisition to 31 January 2015. If the acquisition had occurred on 1 February 2014, consolidated revenue and consolidated profit for the year ended 31 January 2015 would have been £696,610,000 and £5,226,000 respectively.

The provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount.

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 recognised were as follows:

	£ '000
Cash consideration	360
Contingent consideration	478
Fair value of net identifiable assets acquired	(108)
Cost of Goodwill recognised at date of acquisition (note 11)	730
Foreign exchange movements (note 11)	(28)
Cost of Goodwill at 31 January 2015 (note 11)	702

Acquisition-related costs amounted to £0.2m.

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

	£ '000
Tangible fixed assets	7
Cash	263
Receivables	218
Payables	(291)
Bank loans	(89)
Net identifiable assets acquired	108

The outflow of cash to acquire the business, net of cash acquired, was:

	£ '000
Cash consideration	360
Cash and cash equivalents in subsidiary acquired	(263)
Cash outflow on acquisition	97

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

Company balance sheet

as at 31 January 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments	3	**53,163**	52,308
Current assets			
Debtors	4	**13,772**	12,178
		13,772	12,178
Creditors due within one year	5	**(2,637)**	(1,181)
Net current assets		**11,135**	10,997
Total assets less current liabilities		**64,298**	63,305
Creditors due after more than one year			
Deferred consideration	6	**(460)**	-
Amounts owed to subsidiary undertakings	6	**(9,330)**	(11,338)
Net assets		**54,508**	51,967
Capital and reserves			
Called up share capital	7,8	**3,673**	3,673
Share premium account	8	**8,425**	8,425
Capital contribution	8	**20,000**	20,000
Other reserves	8	**13,875**	13,858
Profit and loss account	8	**8,535**	6,011
Equity shareholders' funds	9	**54,508**	51,967

The financial statements on pages 97 to 101 were approved by the Board on 29 April 2015 and signed on its behalf by:

Julie Baddeley
Chairman

Richard Ashcroft
Group Finance Director

Company Number: 03320790

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 financial statements 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

	£ '000
Shares in group undertakings	
At 1 February 2014	**52,308**
Acquisition of Beaumont KK	**838**
Share options	**17**
At 31 January 2015	**53,163**

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 FY15-FY17. Management believe the forecasts are reasonably achievable. Where the future cash flows could not support the carrying value an impairment would be recognised.

3. Investments (continued)

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 2015 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 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
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	100%	Recruitment consultancy
Bjerke & Luther AS	Norway	100%	Recruitment consultancy
Talent–IT BVBA	Belgium	100%	Recruitment consultancy
Beaumont KK	Japan	100%	Recruitment consultancy

4. Debtors

	2015 £'000	2014 £'000
Amounts owed by subsidiary undertakings	**13,772**	12,178

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

	2015 £'000	2014 £'000
Amounts owed to subsidiary undertakings	**359**	273
Bank overdraft	**2,268**	908
Other	**10**	-
Total	**2,637**	1,181

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

	2015 £'000	2014 £'000
Deferred consideration	**460**	-
Amounts owed to subsidiary undertakings	**9,330**	**11,338**
Total	**9,790**	**11,338**

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

7. Share Capital

	2015 £'000	2014 £'000
Authorised		
110,000,000 (2014: 110,000,000) ordinary shares of 5p each	**5,500**	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2014: 73,450,393)	**3,673**	3,673

8. Reserves

	Share capital £ '000	Share premium £ '000	Capital Contribution £ '000	Other reserves £ '000	Profit and loss account £ '000	Total equity £ '000
Balance at						
1 February 2014	3,673	8,425	20,000	13,858	6,011	51,967
Employee share options charge	-	-	-	17	-	17
Dividends received					3,831	3,831
Dividends paid	-	-	-	-	(2,428)	(2,428)
Profit for the year (note 10)	-	-	-	-	43	43
Exchange	-	-	-	-	1,078	1,078
31 January 2015	**3,673**	**8,425**	**20,000**	**13,875**	**8,535**	**54,508**

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

	2015 £'000	2014 £'000
Profit for the year (note 10)	**43**	132
Dividends received	**3,831**	-
Dividends paid	**(2,428)**	(2,225)
Exchange gain/ (loss)	**1,078**	(138)
Shares to be issued	-	-
Share option charge (note 3)	**17**	30
Net increase in shareholders' funds	**2,541**	(2,201)
Opening shareholders' funds	**51,967**	54,168
Closing equity shareholders' funds	**54,508**	51,967

Dividends are explained further in note 28 to the consolidated financial statements.

10. Profit Attributed to the Parent Company

The profit for the year ended 31 January 2015 in the financial statements of Harvey Nash Group plc, the Company, was £43,000 (2014: £132,000). 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 (2014: nil), other than directors. Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2014: 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
Broadbay Networks Inc	Group Guarantee	-

(a) Exercise of Bjerke and Luther Option

On the 29 April 2013, the Company exercised its option to acquire the remaining 49.9% shareholding of Bjerke & Luther AS in Norway.

(b) Acquisition of remaining shareholding in Fila and Myszel Associates Sp.

The Company acquired the remaining 25% shareholding in the Polish subsidiary in Fila and Myszel on 5 December 2013.

13. Share-based payments

Details of the share-based payments are disclosed in the Consolidated Financial Statements (Note 22).

14. Dividends

Details of the dividend payments are disclosed in the Consolidated Financial Statements (Note 28)

15. Post balance sheet events

There have been no significant events since the reporting date.

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