



Harvey Nash Group plc
Annual Report 2010

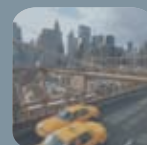
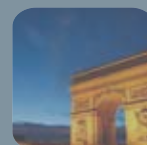
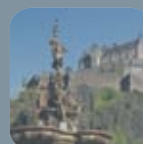


About Harvey Nash

Harvey Nash, a global Professional Recruitment and Outsourcing consultancy, is committed to delivering the very best talent and business solutions to a broad base of international clients.

With over 4,000 professionals worldwide, the Group is a trusted adviser to many of the world's leading businesses, governments and public organisations. We operate from 35 offices covering the USA, Europe and Asia.

Our talented people pursue the highest levels of integrity and quality in providing Harvey Nash's unique portfolio of services.



Overview

- 2 About Harvey Nash
- 3 Highlights
- 4 Our Services
- 5 Meet the Executive Council
- 6 Our Global Offices

Business review

- 8 Chairman's Statement
- 10 Operational Review
- 12 Financial Review
- 16 Client Watch
- 24 Directors, Secretary and Advisers

Accounts

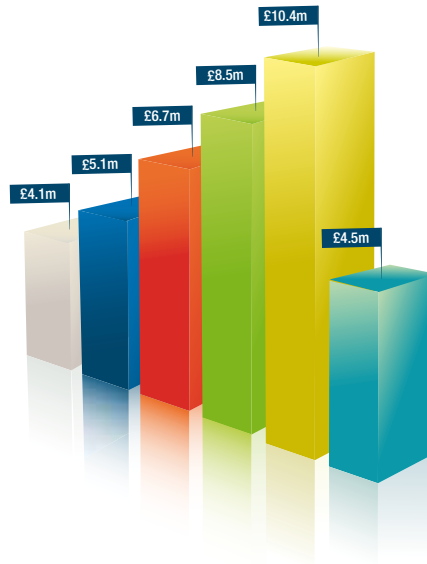
- 26 Directors' Report
- 31 Corporate Governance
- 35 Remuneration Report
- 40 Statement of Directors' Responsibilities
- 41 Independent Auditors' Report to the Members of Harvey Nash Group plc
- 43 Consolidated Income Statement
- 43 Consolidated Statement of Comprehensive Income
- 44 Consolidated Balance Sheet
- 45 Shareholders' Funds and Changes in Shareholders' Equity
- 46 Consolidated Cash Flow Statement
- 47 Notes to the Consolidated Financial Statements
- 70 Financial Statements for the Parent Company Under UK GAAP

Highlights

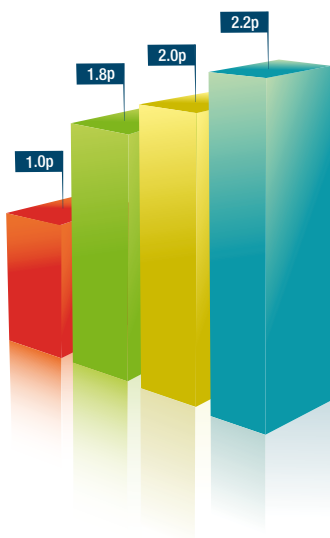
Revenue



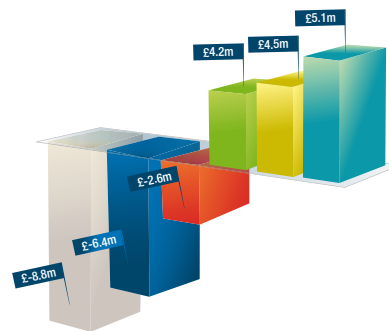
Operating Profit*



Dividend Per Share



Net Cash



2005
 2006
 2007
 2008
 2009
 2010

* Before non-recurring items

Our Services

Executive Leadership Services



Executive Search

We support multinational organisations and smaller niche companies to attract, recruit and retain outstanding executives and senior management talent through a specialist search approach and strategic leadership consultancy services. The business has a broad-based capability in all key sectors.

Strategic Leadership Consulting

All of our Executive Consulting businesses support owners and company Boards with a full range of strategic leadership services, including board evaluations, board recruitment, incentive schemes for boards and executive management, generation change analyses and management audits.

Interim Management

Through our market-leading Interim Management consultancy 'Impact Executives', we provide our clients with highly experienced executives across a broad range of sectors and functions.

Outsourcing



Telecommunications

Based in Germany (Nuremberg, Stuttgart) and Vietnam, Nash Technologies' expertise covers all phases of the telecommunications product lifecycle, and its testing facilities rank among the largest in the world. Encompassing the development, optimization, support and testing of wireline such as ISDN, IMS or IP based systems and wireless communication systems such as GSM, UMTS and LTE, as well as software development and testing, ranging from .net web applications, through mobile phone applications, to embedded software solutions, the service is a unique combination of onsite/offshore research and development services.

Offshore 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.

Technology Consulting



TechDiscovery develops custom applications for world-class software and technology-based services companies – companies whose business depends on commercial-grade software delivered on time and on budget.

Professional Recruitment



IT Recruitment

Our market-leading IT recruitment business provides clients with highly skilled IT specialists for contract and permanent roles, and the very best executive talent for board level and senior IT appointments. By combining the power of the Harvey Nash brand with our industry and technical expertise, we provide clients with a high quality recruitment service.

Finance Recruitment

We provide qualified, talented finance professionals on a flexible and permanent basis. Our recruiters use their experience and the collective Harvey Nash industry knowledge to help find the very best candidates for our clients.

Contract Services

The Group has extensive expertise in the engagement, management and payment of contract based technology professionals and provides a specialised outsourcing service which includes risk consultancy in respect of relevant legislation and flexible labour.

Managed Services

Taking responsibility for the full management of critical IT infrastructure functions such as data centre and help desk operations and network administration. This service also includes professional management of mainframe platforms, performance evaluation, data migration and support services.

Meet the Executive Council

The Executive Council is the senior operational management team for the business. Unlike the Group Board, its members are full-time senior managers.



Albert Ellis
CEO
Overall executive responsibility for the Group's operations.



Richard Ashcroft
CFO
Responsible for Group financial management and reporting.



Simon Wassall
MD
Responsible for the European technology recruitment and outsourcing businesses.



Robert J. Miano
President
Responsible for Harvey Nash operations in the USA.



Magnus Tegborg
MD
Responsible for Harvey Nash Nordics and Alumni operations in Sweden.



Nick Marsh
MD
Responsible for the Executive Search business.



Udo Nadolski
MD
Responsible for Harvey Nash in Germany and Nash Technologies.



Jan Leen 'tJong
MD
Responsible for Harvey Nash operations in the Netherlands.

2009 CEO Award Winners

Success at the corporate level is entirely dependent on success at both the individual and team level; because of this Harvey Nash believes in rewarding its talented people and recognising outstanding achievement.

Through the annual award scheme, the CEO of Harvey Nash recognises innovation, outstanding sales achievement and high performance in delivery. Everyone at Harvey Nash is eligible to win, regardless of their role or responsibilities in the Group.

Lars Navéus

Lars Navéus, working in the Group's Alumni business, has been instrumental in developing Alumni's reputation as a tier one executive search brand, able to advise at the very highest levels in organisations across Scandinavia.

Faye Pascall and Gwen Yudhira

Faye Pascall has been with the organisation for 11 years and as Office Manager for the Mortimer Spinks business has become a key member of the leadership team.

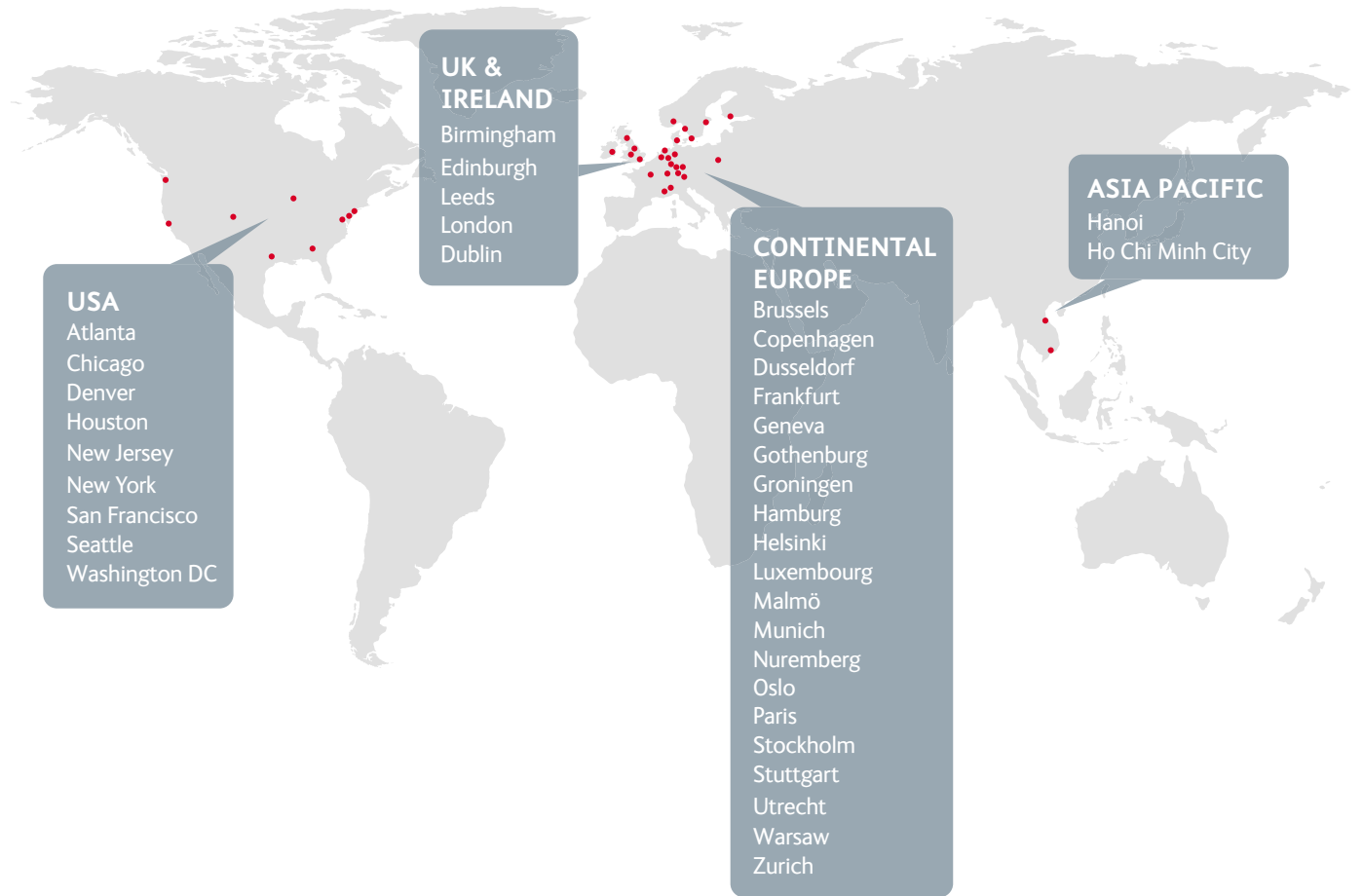
Gwen Yudhira started working for Harvey Nash Belgium in April 2006. Since then Gwen has become the recruiting success behind Belgium's most successful consultants.

Hans Sikora

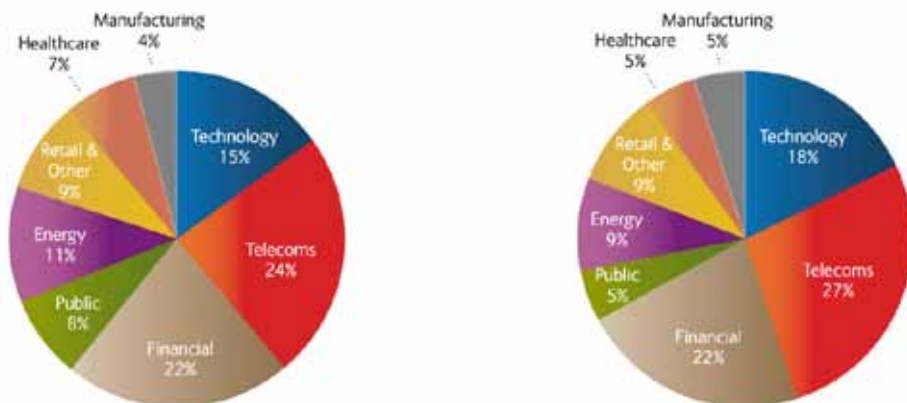
Hans Sikora of Nash Technologies in Nuremberg, Germany, has been responsible for one of the largest projects in Harvey Nash's history, demonstrating outstanding project management and leadership skills.

Our Global Footprint

Harvey Nash continues to pursue opportunities for growth, in the last 12 months a presence has been established in Norway and Finland.



Client profile by sector



STATEMENTS
&
FINANCIAL REVIEW



Ian Kirkpatrick
Chairman

“ The Group demonstrated its resilience in the global recession

”

CHAIRMAN'S STATEMENT

We faced extremely challenging conditions during the year. The impact of the global financial crisis was felt across all of the Group's markets.

The Group demonstrated its resilience in the global recession and we are pleased that the revenue decline, which was limited to 10% of turnover and 13% of gross profit, reflects an enhanced market share.

Organisations across the world have implemented actions to reduce costs and conserve cash, which has clearly benefited the Group's outsourcing business. During the year, gross profit attributable to outsourcing increased by 34% from £9.6m to £12.9m.

The success of our broad portfolio of services in achieving greater resilience through diversification has been demonstrated with the Group remaining profitable throughout the year, supported by the strength of our client relationships and quality of delivery.

Financial Results

Revenue for the year ended 31 January 2010 declined by 10% to £376.2m (2009: £420.1m). Gross profit was 13% lower at £60.4m (2009: £69.2m) with operating profit before non recurring items down 57% to £4.5m (2009: £10.4m). Profit before tax and non-recurring items was 57% lower at £4.1m compared to £9.5m in 2009. Basic earnings per share were 1.09p. (2009: 9.00p).

Cash generated by operations was relatively strong at £5.8m, only 21% below last year's £7.3m resulting in an increased net cash position of £5.1m (2009: £4.5m) up 13% on the previous year.

Dividend

The Group's resilient trading and strong cash generation has resulted in the Board recommending a 13% increase in the final dividend for the year to 1.35p (2009: 1.20p) which will be paid on 16 July 2010 to shareholders on the register as at 25 June. If passed, this will take the total payout for the year to 2.2p (2009: 2.0p), an increase of 10%.

Strategy

Firstly, the Group's overall strategy is to grow its market share by broadening its geographical presence both organically and through bolt on acquisitions and leveraging its unique portfolio of services by cross selling into the Group's client base. Our strategy to address the impact of economic downturns, is to enhance the efficiency of our operations even further, work with clients across industry sectors, and spread the Group's geographic exposure.

Secondly, the Group has a strong brand, recognised as a market leader by clients and candidates across the UK and Europe. As markets recover, the Group's brand has been enhanced through continued investment in marketing during the downturn and this should drive additional business opportunities as markets recover.

Thirdly, companies are attracted by the benefits of outsourcing, whether in relation to technology spend or recruitment of talent and this competitive advantage has served the Group well. Off-shoring is a natural service extension for a specialist technology recruitment organisation. Clients increasingly demand a range of options when reviewing hiring needs, attracting talent and at the same time, seeking to reduce project costs. Our unique advantage in offering all these services had the effect of making the Group more resilient to changes in demand as demonstrated in the results for the year to 31 January 2010.

Fourthly, we generally have a considered and prudent approach to investment. Organic expansion of the business is critically dependent upon the rate of investment and timing of the business cycle. As a consequence of this approach and with no long term debt, less restructuring was required during the recession and now, having retained the expertise and knowledge within the Group, spare fee-earning and office capacity is in place to take advantage of the recovery.

Finally, as demand recovers, the reduction in overall capacity in the industry as a result of consolidation and natural attrition will provide opportunity for strong focused organisations with strong brands and market leadership. Our objective is to pursue market share gains and to invest in the brand during downturns, positioning the business for growth when economic conditions improve.

Board and Employees

On 27 March 2009, David Higgins, a Non Executive Director decided to step down from the Board. We wish him well for the future.

On behalf of the Board, I would like to thank all of the Group's employees and associates who have worked incredibly hard during the recession to ensure that clients and candidates remain our top priority.

Prospects and Outlook

The Group's resilient financial performance over the last two years has demonstrated the effectiveness of the broad portfolio of services, in particular the outsourcing business which has increased its revenue during the global recession and underpinned the Group's profitability.

The year has started broadly in line with our expectations and we are now seeing a recovery in several markets and geographies. While the strength of this recovery is uncertain, we believe that, with the worst behind us and the prospects for global economic growth improving, the business is well positioned to take advantage of the upturn as it gathers momentum.

Ian Kirkpatrick

Chairman



Albert Ellis
Chief Executive

“ Our objective is to pursue market share gains and return the business to growth as economic conditions improve ”

OPERATIONAL REVIEW

United Kingdom and Ireland

Revenue in the UK and Ireland has declined by a less than expected 7% to £110.3m (2009: £118.3m) and gross profit was lower by 18% to £24.9m (2009: £30.6m). Included in these results are revenues of £4.7m (2009: £2.6m) attributable to subsidiaries of UK clients based in Asia. Operating profit was 60% lower at £1.9m compared to £4.8m the previous year.

We are pleased with the result given the depth of the economic contraction. The UK business benefited from its scale, expertise and well known brand as companies migrated away from smaller privately owned boutique suppliers to larger, more financially stable businesses.

Whilst the technology sector had a strong year in 2008, the impact from the financial crisis appeared to be delayed into the first half of 2009 with overall demand particularly for executive search, down almost 50%. A recovery in activity began towards the end of the second half and continues into 2010 as global outsourcing organisations are now gearing up for growth.

Demand from the financial services sector was subdued for most of the year and the impact of reductions in rates and margins affected the whole market. Consolidation and significant job cuts in the banking sector also reduced the market for executive search as restructuring delayed plans for hiring top management talent.

The public and voluntary sector remained robust throughout 2009 and contributed to revenue stability in the UK particularly in

the permanent and executive recruitment division. A significant contract win in relation to the Department of Home Affairs and increased volume of executive recruitment for the NHS and local government provided visibility at a time when the financial services sector was severely impacted. This was the case in Ireland too, as a key technology outsourcing contract with the public sector ensured the business remained profitable despite the reduction in demand in 2009.

As a result of the continued growing demand for outsourcing, our UK division's revenues were buoyant, with an increase of 85% in gross profit over the previous year.

Mainland Europe

Revenue in Europe has declined by 13% to £236.7m (2009: £273.2m), gross profit was lower by only 7% to £27.3m (2009: £29.2m). Operating profit was 41% lower at £2.5m compared to £4.3m in the previous year. However, we are very satisfied with the financial results, given the strong comparatives. This was mainly due to the focus on Fortune 1000 clients who continued to require contract recruitment and outsourcing services. The business has also benefited significantly from a full year of outsourcing revenues from its Nuremberg based wireless research and development laboratory, Nash Technologies.

Demand for permanent recruitment in Europe has, as expected been subdued throughout the year. Measures taken by governments and companies to retain their workforce and skills through the recession through shorter flexible working

arrangements have resulted in a material over-capacity of labour particularly in manufacturing. This has affected contractor working time as well, reducing the Group's margin earned on each sub-contractor.

Germany was significantly affected by shorter working in manufacturing particularly in the auto sector and permanent revenue was down by 47%. However, the outsourcing services enjoyed a full year of revenue and the new office in Nuremberg contributed to a rise in overall gross profit of 26%, remarkable in a deep recession. Following the year end a further multi-year contract was secured by Nash Technologies, located in Stuttgart, to provide IT engineering support and maintenance for a substantial element of the fixed line telecoms infrastructure in Germany. Estimated at €40m, the additional contract further establishes the Group as one of the leading providers of specialist telecoms talent in Europe.

In Belgium, the business reported revenue down 9%, with permanent recruitment down 60%. In the Netherlands a similar decline in permanent recruitment of 69% was reported and overall gross profit 28% lower reflected the severe impact of the global recession on the Dutch economy. Permanent revenues in France were the least affected in northern Europe, down only 5%.

In Scandinavia, the Group's executive recruitment business reported a drop of 24% in gross profit against a market that declined substantially. With lower demand for hiring, the business focused on its broad portfolio of services, in particular winning significant contracts for leadership services and leveraging its new mid market recruitment service into existing clients. The new office in Poland, whilst doubling revenue, made a loss for the year. Following the year end the Group has continued its expansion from its base in Scandinavia; organically into Finland with the establishment of an office in Helsinki and the acquisition of a leading business in Norway establishing Harvey Nash Alumni as the market leader in the whole of the Nordic region.

Switzerland was the only market where overall recruitment revenue increased, by 7% year on year, mainly as a result of the recently established Geneva office.

United States

Revenue in the USA was broadly flat at £29.3m (2009: £28.6m), but gross profit was lower by 12% to £8.2m (2009: £9.4m). The change of mix in revenue with lower levels of permanent recruitment and IT consulting, had an effect on the operating margin. Permanent recruitment fell by 14% in addition to 29% in the previous year. Our higher margin consulting business was also affected by key clients placing large development projects on hold amid continued cost reductions for ongoing support and maintenance.

Despite these challenges the business reported a small profit in one of the toughest recruitment markets in the world last year and gross profit in the quarter ended 31 March 2010 was 8% higher sequentially, compared to the quarter ended 31 December 2009.

Summary

In line with our strategy, the Group has delivered a resilient result for the year, generating profits and cash flow despite the severe global recession which affected all our markets. We are pleased that our key geographic segments were profitable throughout the period.

Although revenue visibility continues to be limited, prospects for a return to growth have improved since we last reported. As demand recovers, there will be increasing opportunities for organisations with strong brands and market leadership. Our objective is to pursue those market share gains and return the business to growth as economic conditions improve.

Albert Ellis

Chief Executive Officer



Richard Ashcroft

Richard Ashcroft
Finance Director

“ Another year of strong cash generation and increased dividends ”

FINANCIAL REVIEW

Profit & Loss

Revenue declined by just 10% from £420.1m in the previous year to £376.2m. Gross profit fell overall by 13% to £60.4m (2009: £69.2m) mainly as a result of weak demand for permanent recruitment which fell by 22%.

Tight control of the cost base resulted in a £2.8m reduction in administrative expenses which contributed to an operating profit before non-recurring items of £4.5m (2009: £10.4m). Non-recurring items during the year of £2.8m relate to redundancy costs and provisions for empty property. Net interest payable fell by 56% to £0.4m (2009: £0.8m) as a result of a combination of lower interest rates and working capital requirements.

Taxation

The tax charge for the year was £0.4m (2009: £2.6m) giving an overall effective rate of tax of 32.3% (2009: 27.5%). This included an adjustment in respect of prior years of £0.3m (2009: £0.1m) and a deferred tax credit of £1.2m (2009: £0.4m). The deferred tax credit relates to unrelieved tax losses and other timing differences. The overall effective rate of tax is a function of the mix of profits between the various countries in which the Group operates.

Minority Interest

The minority interest represents the minority share of profit after tax of TechDiscovery LLC.

Earnings per Share

Basic earnings per share fell by 88% to 1.09p (2009: 9.00p). Adjusted basic earnings per share (before non-recurring items in relation to the Group's cost reduction initiatives) was 3.84p, a fall of 57%.

Balance Sheet

The net book value of tangible fixed assets at 31 January 2010 was £3.2m (2009: £2.3m). Additions during the year of £2.7m included expenditure of £2.1m on hardware and software incurred by Nash Technologies in Germany, rechargeable to clients. Other than client-paid capital expenditure in Nash Technologies, other expenditure was £0.6m of which £0.3m was on computer equipment and £0.3m was on leasehold improvements, office equipment, furniture and fixtures.

The carrying value of intangible assets at 31 January 2010 was £46.2m (2009: £47.8m) of which £1.0m (2009: £1.0m) related to the Alumni brand and the balance was goodwill. The reduction in the value of goodwill during the year arose as a result of exchange differences.

Net trade receivables fell from £81.1m in 2009 to £61.7m as a result of reduced turnover and an improvement in debtor days to 45.8 (2009: 47.2). Over 90 day debtors fell during the year by 53%. Trade payables fell from £48.4m in 2009 to £38.3m as a result of reduced turnover.

Contingent consideration of £0.02m in non-current liabilities represents amounts payable in cash for the acquisition in December 2008 of Fila & Myszel Associates in Poland.

Provisions for liabilities and charges relate to non-recurring costs of redundancies and empty property leases in London and Stockholm.

Cash Flow

Strong operating cash inflow of £3.3m less payments of taxation of £2.9m, net interest payments of £0.4m and capital expenditure of £2.7m, a reduction of £5.4m in working capital, the purchase of company shares for the Harvey Nash Group Employee Benefit Trust of £0.3m and dividend payments of £1.5m resulted in an increase in net cash during the year of £0.9m before foreign exchange movements.

Banking Facilities

The Group continues to enjoy substantial headroom in relation to its banking facilities of c. £30m. The facilities comprise invoice discounting and overdraft facilities for working capital in the UK of £14.0m and in Europe, €18.0m. The invoice discounting facilities are available on a rolling annual basis. The Group has no term debt.

Acquisitions

There were no acquisitions during the year and all material deferred consideration to date has been settled. On 29 April 2010, the Group acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (approximately £2.1m). In the year ended 31 December 2009, Bjerke & Luther reported an audited profit before taxation of approximately NOK 3.3m (approximately £0.4m), a turnover of approximately NOK 19.9m (approximately £2.2m) and as at 31 December 2009 had gross assets of NOK 8.8m (approximately £1.0m).

Richard Ashcroft

Group Finance Director



CLIENT WATCH



“

Our objective in these client case studies is to demonstrate the tangible and long-term benefit of working with the Harvey Nash Group

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SYMBIAN FOUNDATION

“

It rapidly became clear that I had inherited a team of good professional recruiters who effectively behaved as an extension of the Symbian Foundation

Steve Warner, Human Resources Director, Symbian Foundation

”

A STRONG FOUNDATION



In June 2008 Nokia Corporation, the world's biggest handset maker, announced that it was buying out the other stakeholders in the UK-based smartphone software firm Symbian Software Ltd. At the same time, the Finnish giant threw open Symbian's mobile device operating system for royalty-free use.

Nokia then joined forces with a range of other leading handset manufacturers and network operators to launch the not-for-profit Symbian Foundation. The new company would unite Symbian's operating system with software contributed by Nokia, NTT DOCOMO and Sony Ericsson and maintain it as one open-source mobile platform. Membership is open to all organisations.

When Steve Warner joined the Symbian Foundation in January 2009 as its first Human Resources Director there were no staff,

- When Nokia bought Symbian Software Ltd last year it set up the Symbian Foundation in collaboration with other handset manufacturers and network operators as a royalty-free open-source software platform for mobile phones.
- The Symbian Foundation needed to rapidly recruit 110 people across the technical, marketing and operations functions in the UK, the US and Finland, and it appointed Harvey Nash to act as its recruitment team.
- The Harvey Nash team quickly got under the skin of the Foundation, acting as an extension of the company and successfully recruiting tens of key staff by the time its contract ended in September.

other than a project team. However, the decision had already been made to appoint Harvey Nash to act as the recruitment function for the new organisation, with a brief to appoint 110 staff across the technical, marketing and operations functions in the UK, the US and Finland.

“Clearly, I had to be comfortable with Harvey Nash before I rubber-stamped the appointment,” says Warner. “Once I met them it rapidly became clear that I had inherited a team of good professional recruiters who effectively behaved as an extension of the Symbian Foundation.”

By May the headcount had reached 63 people, and by the end of September, when the contract terminated, it had risen to 94.

“We have broken the back of recruitment, and Harvey Nash will remain a key supplier. I was very pleased with the job they did.”

In particular, Warner was impressed with the ability of the Harvey Nash team to understand and act in accordance with the very consultative and collaborative nature of the Symbian Foundation.

“They networked very well with the partner companies, including via online social networking,” he says. “The team was also very flexible and able to change its focus when required.”

He explains: “We had a TUPE situation at the beginning, because we were transferring people across from Nokia, so we had to freeze recruitment until we were sure we had transferred the right jobs. That was a very fluid period and Harvey Nash adapted to it very well.”

LEONARD CHESHIRE DISABILITY

“

I don't believe we could have found this calibre of person without professional support

Patrick Salmon, Trustee and Chair of the selection panel, Leonard Cheshire Disability

”

REACHING OUT

Charity Leonard Cheshire Disability is going through a period of transformation as it restructures and reorganises itself to better meet the challenges of the current economic climate and be more responsive to the needs of the people it was set up to help.

As part of the changes it appointed a new Chief Executive from the commercial sector in October 2008. Around the same time it started to think about the kind of person it needed to replace its Chairman, who was approaching retirement.

“We needed someone who could help, support and guide the new Chief Executive, and who, at a time of significant change, could act as an effective interface between the trustees and the senior management group,” says Patrick Salmon, Trustee and Chair of the selection panel at the charity.

“The new person would also have to be a strong ambassador for Leonard Cheshire, and feel comfortable representing us in top commercial and government circles. Our ideal candidate would have both commercial and third-sector experience to reflect the nature of the challenge at Leonard Cheshire Disability, as well as having acted as Chairman of another board.”

It was a very tall order, as he admits, and the charity appointed Harvey Nash to help.

The firm came up with an impressively diverse longlist, from which the selection panel chose an initial shortlist of five, who represented the whole range of diversity. The successful candidate met the required specification perfectly.

Salmon explains: “I don't believe we could have found this calibre of person without professional support. Moreover, Harvey Nash did what they said they would, and when they said they would do it. I was very pleasantly surprised as I have had less than happy experiences with headhunters in the past – promises made but not kept.”

Harvey Nash is now helping Leonard Cheshire Disability recruit another trustee, and with a number of management appointments designed to help the charity adapt to the increasingly competitive marketplace.

“It's about bringing in different skills for different times,” concludes Salmon.



- To help it ride a period of considerable change, Leonard Cheshire Disability needed a new Chairman who married commercial and not-for-profit experience and who brought diversity to the board of trustees.
- It turned to Harvey Nash, who helped it frame a candidate specification and used advertising and its own networks to target appropriate potential candidates.
- The successful candidate met nearly all Leonard Cheshire's criteria, and the charity is so pleased with the assignment that it is now using Harvey Nash to search for another trustee and to fill a number of management posts.

GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST



These appointments have done a huge amount to improve the composition of our board. And Harvey Nash were very dedicated to the task

Dame Janet Trotter, Chair of Gloucestershire Hospitals NHS Foundation Trust



A HEALTHY BALANCE



In the past, when Gloucestershire Hospitals NHS Foundation Trust needed to recruit new Non-Executive Directors it would advertise in the local press. But it became unimpressed by the calibre and diversity of the applicants, so it tried again using a small local headhunter. It was equally disappointed.

Last year Dame Janet Trotter, Chair of the Trust, realised that to get the right level of professionalism onto the board, the Trust would need a more professional approach to recruitment. Harvey Nash won a competitive tender because of “their energy, enthusiasm and understanding of what we were trying to achieve,” she says.

In addition to business groups, Harvey Nash also targeted Black and Minority Ethnic (BME) community groups, whose members might be less likely to respond to a typical recruitment advertisement for this sort of job. The firm also took the innovative step of running an information evening for interested candidates, fronted by Dame Janet, the Trust’s Chief Executive and Harvey Nash consultant Peter Reichwald. It attracted nearly 90 people from a range of different backgrounds and proved “a very useful exercise, generating great enthusiasm among the people who attended,” recalls Dame Janet. “And it certainly contributed to the 113 applications we received, which is unprecedented for a post like this.”

Out of the shortlist of eight, seven were appointable, and the Trust decided to appoint three non-executives, not two, and to stagger their joining dates.

One successful candidate is a young woman with children, who works as a quantity surveyor on big projects. “So not only does she have a good facility with numbers, but she reflects an increasingly important element of our patient base – we are also about to open a new women’s centre,” says Dame Janet. The second appointee was the recently retired Chief Executive of Nottingham City Council. The third was a young black British man, with a background in Human Resources, who now runs his own consultancy specialising in workplace dispute mediation.

“We are very happy with what Harvey Nash has achieved for us,” says Dame Janet. “These appointments have done a huge amount to improve the composition of our board. And Harvey Nash was very dedicated to the task. They were enthusiastic, they communicated well and we worked as a team.”

- Gloucestershire Hospitals NHS Foundation Trust needed two new non-executive directors, but was disappointed by the response to local advertising and the use of a local search firm.
- It turned to Harvey Nash, which targeted business organisations and BME groups, and ran an innovative information evening for interested candidates, which attracted 90 people.
- Of the 113 applicants for the roles, seven were appointable, and the Trust decided to offer jobs to three of them. The appointments dramatically improved the composition of the board.

KRONANS DROGHANDEL

“The service they deliver is excellent, and they are fun to work with – which is very important in the high-pressure environment we are working in
Ninni Skagerfält, HR Director, Kronans Droghandel

THE RIGHT CHEMISTRY



The pharmacy market in Sweden is being deregulated in order to increase the number of pharmacies and the products and services available to customers. Kronans Droghandel, an established distributor of pharmacy products, decided to take advantage of the new deregulated market and expand into retailing itself.

It is in the process of establishing a new company, which will also be headquartered in Stockholm and which, subject to government approval, should soon start trading. That means it will have had less than a year to staff up the new headquarters from scratch – and it has used Harvey Nash Recruitment to help it.

HR Director Ninni Skagerfält explains: “At the beginning there were just four of us on the project team to set up this new business – me, the Chief Executive, an IT Director and a Purchasing Director. We needed around 60 to 70 people in total, the majority of them senior executives, managers and specialists.”

Harvey Nash Recruitment had recently made a speculative approach, so Skagerfält included them in the competitive tender to handle the recruitment assignment. They won the tender based on their strong track record of handling similar work, their professionalism, their values (“they talked a lot about ‘service’, which is very important to us in the way we deal with our own customers”) and the chemistry between the principals on each side.

Skagerfält thought Harvey Nash Recruitment would have a difficult job recruiting for a company that didn’t yet exist, and whose existence was no means guaranteed. What’s more, all new recruits have to complete a six-month probation period.

“But Harvey Nash Recruitment managed to ‘sell’ the new business very successfully,” she says.

Overall, Harvey Nash Recruitment exceeded her expectations.

“They take their work very seriously, they deliver on their promises, they are a high-performing company staffed by high-performing individuals,” she says. “The service they deliver is excellent, and they are fun to work with – which is very important in the high-pressure environment we are working in.”

What’s more, Harvey Nash Recruitment challenge Skagerfält and her colleagues. “That’s a sign of their professionalism and it helps us to get the best out of them. They are forcing us to make the right choices. We work as a partnership rather than on a transactional basis,” she concludes.

- Swedish drugs distribution business Kronans Droghandel wanted to take advantage of the liberalisation of the pharmaceuticals industry in Sweden by expanding into the retail arena.
- It needed to recruit 60 to 70 executives and managers in less than a year, in order to staff the headquarters for the new company.
- With the help of Harvey Nash Recruitment, it is well on track with the recruitment exercise, despite the fact that the new company, which is due to start trading in January, remains subject to government approval.

PLAY.COM



The communications with the candidates and with me were excellent. Harvey Nash have been a trusted partner in this process

Andrew Dugdall-Marshall, HR Director, Play.com



PLAYING TO WIN



Founded in 1998, Play.com was one of the first online retailers in the UK and one of the top 50 globally. In February 2009 it topped the National Consumer Satisfaction Index, and it recently won the coveted *Which?* Award for best online retailer, for the second year in a row.

With such an illustrious record, when the Head of Games role became vacant earlier this year, HR Director Andrew Dugdall-Marshall wanted to make sure the company hired the best possible replacement.

“The job involves running and delivering the games offer on the site, from negotiating with the suppliers through to the look and feel of the customer experience,” he explains. “We didn’t necessarily need e-commerce experience; more important was in-depth knowledge of games and the games industry, along with the capacity to move the games offer on and adapt it to the changing nature of the market.”

- Online games retailer Play.com needed to replace its Head of Games very quickly.
- It asked Harvey Nash to search for potential candidates to fill the important, and changing, role.
- Harvey Nash tapped its network of relevant contacts to rapidly come up with a shortlist, and the successful candidate joined within six weeks of the search starting.

The typical gamer is no longer the loner who sits on his own for hours on end in a darkened room, says Dugdall-Marshall.

“The consumer base is much broader now, and it includes families and, increasingly, women and girls who are attracted by the Wii Fit and similar offers. But these sorts of customers are less knowledgeable about what’s available, what they need and how to go about getting it.”

Not only did the company need specific skills from its new Head of Games, but it also needed to make an appointment quickly, so it turned to Natalie O’Neill, Head of Practice, Retail, whom it had used previously and knew had a good network of relevant contacts, to do a search.

“We had a strong idea of the kind of people we were looking for, and Harvey Nash suggested some additional names, so we had a meeting of lists and minds,” says Dugdall-Marshall. “Everything happened very quickly. We were interviewing candidates within a couple of weeks of starting the search.”

The successful candidate joined just six weeks after the search began. He had done similar roles at competitors Zavvi and Virgin.

“Harvey Nash have been a trusted partner in this process,” says Dugdall-Marshall. “They started with a thorough market-mapping exercise, which allowed us to draw up a shortlist quickly. And the communications with the candidates and with me were excellent.”

STEPSTONE

“

We were very impressed with Harvey Nash’s proposal, and, in particular, with the way they intended to work with us, and their empathy with our requirements

Colin Tenwick, Chief Executive, StepStone

”

A STEP CHANGE

StepStone has grown rapidly from its foundations as an online job board in 1996 to become a global public listed company providing talent management software and online services to client organisations around the world. Headed by industry heavyweight Colin Tenwick, who has been Chief Executive since 2001, it started to integrate and centralise its different businesses and product lines a few years ago, a process that started with finance, moved to Human Resources and IT, and then, most recently, to marketing.

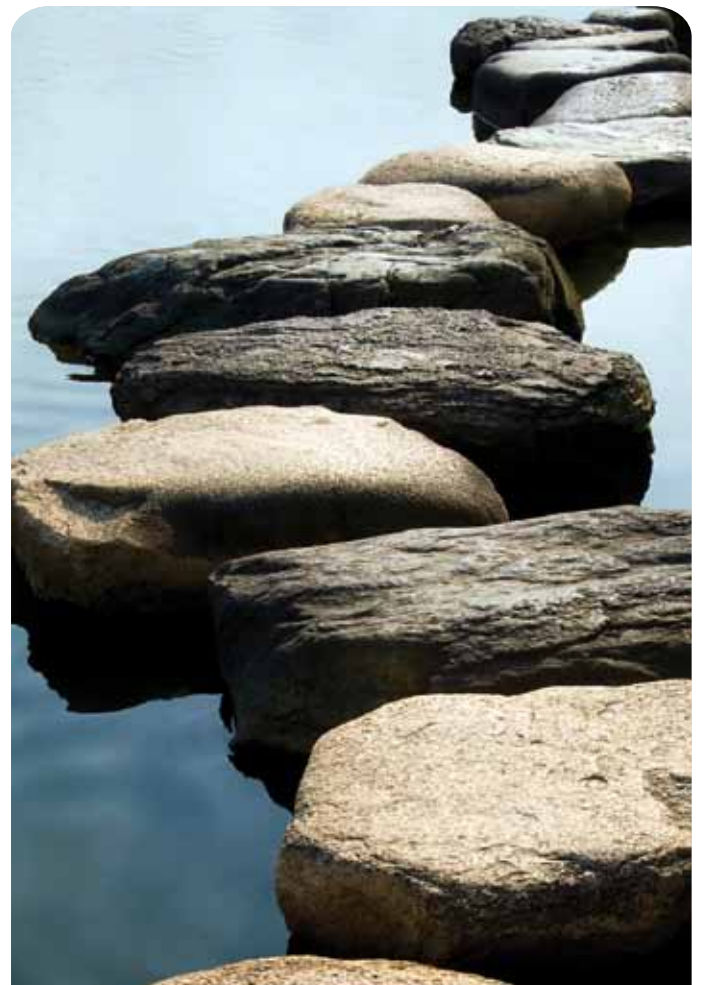
“Our rapid growth, which came through a mixture of acquisitions and organic growth, meant that we were a federated business, comprising lots of local organisations across 17 countries, and multiple products, with marketing done at field level under the control of local Managing Directors,” explains Tenwick. “We needed a seasoned, creative and business-focused Chief Marketing Officer to help develop the overall marketing and brand strategies for the group as a whole.”

It was a tough brief, but Harvey Nash helped StepStone find the ideal person for the job. Jim Cassidy is a commercial marketer with experience in companies ranging from British Leyland and Mars UK to J Walter Thompson and IBM. He has worked in Asia and the US as well as Europe.

Harvey Nash won the pitch against some of the top executive search firms that had previously recruited other board members for the company.

“We were very impressed with Harvey Nash’s proposal, and, in particular, with the way they intended to work with us, and their empathy with our requirements,” says Tenwick. “We weren’t disappointed. We worked directly with Nick Marsh, the Global Managing Director of Executive Search at Harvey Nash, and Principal Consultant Sarn Terry, throughout the search, during the appointment process and in the post-engagement period.”

Cassidy has made significant progress. “He has restructured and combined the different marketing functions, introduced more consistent metrics, brought in new people to the team and made internal promotions,” says Tenwick. “I am very happy with how it is all working out and very pleased with the job Harvey Nash did for us. The fact that we are now working with Harvey Nash Offshore too signals the beginning of a burgeoning relationship with the firm.”



- StepStone needed to recruit a heavyweight Chief Marketing Officer to create and run a centralised marketing operation for the global business.
- Harvey Nash won a competitive tender against big blue-chip competitors, based on its understanding of StepStone and its proposed way of working.
- Successful candidate Jim Cassidy, a highly-experienced international marketer, was an excellent fit with the company, combining top-level strategic experience with the ability to do the heavy lifting required of an operational role.

THE BIG LOTTERY FUND

“

We were so delighted with the calibre of the candidate and the shortlist, and with the service Harvey Nash provided, that when we needed to recruit for a second time we had no hesitation in turning to them again

Ceri Doyle, Director for the Big Lottery Fund in Wales

”

STRIKING LUCKY



In 2007 Ceri Doyle, Director for the Big Lottery Fund in Wales, restructured the organisation, creating two Deputy Director roles. One they filled internally; the other they sought to fill through their own normal recruitment procedures, principally by advertising in the Welsh press. But they failed.

“It was an attractive role, but we were disappointed with the calibre of people we attracted, so we called in Harvey Nash for specialist help,” says Doyle.

“They listened, they responded, they challenged us in a very tactful way and they fed back what others were telling them about us, both good and bad. They were very aware of team dynamics too.”

The approach yielded results. The Big Lottery Fund appointed a very senior individual with a breadth of experience, who hadn't been actively looking for a new role.

“We were so delighted with the calibre of the candidate and the shortlist, and with the service Harvey Nash provided, that when we needed to recruit for a second time, this time for a senior manager position, we had no hesitation in turning to them again.”

Four of the six candidates who went to final interview were appointable, says Doyle, but the successful candidate was “a perfect match”. He also happened to be an unsuccessful candidate for the Deputy Director job – and it is testimony to the consideration, respect and constructive feedback that Harvey

Nash gave him the first time round that he remained interested in working for the Big Lottery Fund.

Indeed, says Doyle, the three other ‘appointable’ candidates for his job have said they want to keep in touch with the company. “So as well as making two ideal appointments, we also have some very strong potential candidates for future roles,” she says.

Doyle has been so impressed with Harvey Nash that she has recommended them both to the rest of the Big Lottery Fund group and to other organisations in Wales.

“I don't make such recommendations lightly, because my reputation is at stake,” she says.

- When its normal recruitment process failed to deliver the right calibre of candidate for a new Deputy Director role, the Big Lottery Fund in Wales decided to call in the experts.
- Harvey Nash listened to what the organisation thought it needed, responded and tactfully challenged them, before conducting a nationwide search that led to the appointment of an ideal candidate.
- The Big Lottery Fund was so impressed with the quality of candidates and the service, that it used Harvey Nash to recruit for a second role. The search yielded three potential candidates for future roles.

SKYSCANNER

“

The value in using Harvey Nash is the people they don't put through to us. They focus on quality rather than quantity, so we know that everyone we see will be excellent

Bonamy Grimes, Co-Founder and Product Director, Skyscanner

”

REACHING FOR THE SKY

Search engine technology company Skyscanner has come a long way since it was founded in Edinburgh in 2001. Three IT professionals with a vision – to revolutionise the way people search online for flights – have become a team with a mission to show every commercial flight in the world. They focus on being usable, fast and authoritative, and with the backing of Scottish Equity Partners and over seven million visitors per month, they are well on the way to realising their ambition to become the leading online resource for travel information.

Last year the company experienced rapid growth – but one of the pains of growing was its realisation that technology experts don't necessarily make the best managers. It therefore looked to augment Skyscanner's technology focus with people and project management skills brought in from the outside.

“Getting the right people is critical to the successful growth of a business like ours,” says Bonamy Grimes, Co-Founder and Product Director of Skyscanner.

Grimes and his co-founders put a lot of effort into ensuring they get the right people, putting all candidates through a rigorous and extensive interviewing process. And they use Harvey Nash in Scotland to help them.

“The value in using Harvey Nash is the people they don't put through to us,” says Grimes. “They focus on quality rather than quantity, so we know that everyone we see will be excellent.”

Earlier this year, Harvey Nash helped Skyscanner recruit a Project Manager. The successful candidate was quite different from the individual Grimes expected to recruit – largely due to the input of Rhona Hutchon, Director of Harvey Nash Scotland.

“Rhona listens very carefully to what we think we want, but her knowledge of the market allows her to challenge our thinking,” says Grimes. “Because of the recession there were lots of project managers out on the market, but we identified exactly what we needed. The person we recruited was older, calmer and more methodical than the rest us, creating a better balance.”

Skyscanner and Harvey Nash work in partnership, says Grimes. “Rhona knows everyone, is a powerful ambassador and continuously identifies people she thinks we should meet. That represents real added value.”



- Fast-growing company Skyscanner needed to augment its technology focus with project and people management skills.
- Harvey Nash's deep knowledge of technology recruitment, coupled with its focus on quality, has helped Skyscanner identify some real stars in a market where supply outstrips demand.
- The relationship between Skyscanner and Harvey Nash is a partnership that delivers far greater added value to Skyscanner than a purely transactional arrangement.

Directors, Secretary and Advisers

Ian Kirkpatrick

Non-Executive Chairman

Ian Kirkpatrick, aged 65, is Non-Executive Chairman. Following a career in consultancy, stockbroking and commerce, he joined Bank of Scotland and became a director in the banking division of British Linen Bank Limited, its subsidiary. He has been a non-executive director or chairman of a number of private, publicly quoted and public sector organisations. Ian is Chairman of Prime Estates Limited and is also a Non-Executive Director of Baronsmead VCT 4 Plc. He was appointed Chairman of Harvey Nash in January 1997.

Albert Ellis

Chief Executive Officer

Albert Ellis, aged 46, is Chief Executive Officer and was appointed to the Board in February 2000, as Group Finance Director. He was previously a Finance Director with Hays Plc.

Richard Ashcroft

Group Finance Director

Richard Ashcroft, aged 52, is Group Finance Director. He was appointed in October 2005, having previously spent 20 years in senior financial positions in a number of UK public companies, including Michael Page International Plc.

Simon Wassall

European Managing Director

Simon Wassall, aged 47, 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.

Tom Crawford

Non-Executive Director

Tom Crawford, aged 59, is a Non-Executive Director. He was previously Joint Managing Director and founder of the business.

Gus Moore

Non-Executive Director

Gus Moore, aged 72, is a Non-Executive Director and was appointed in April 1999. He was previously Managing Director of Telephone Rentals Plc and then on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom/CSL. He has been Chairman and Non-Executive Director of a number of venture capital backed companies, mainly in the Telecoms and Computer market sectors.

Directors

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

Secretary

Richard Ashcroft

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HARVEY NASH GROUP PLC
ANNUAL REPORT & ACCOUNTS
2010

Directors' Report

for the year ended 31 January 2010

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2010.

Principal Activities

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

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

Key Performance Indicators

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

- Adjusted operating profit per employee * £8,013 (2009: £16,705),
- Gross profit per employee £108,474 (2009: £111,534)
- Average debtor days 46.0 (2009: 46.8)
- Fee earner percentage ** 67% (2009: 68%)
 - * Operating profit before non recurring items
 - ** Fee-earners as a percentage of total employees

Risk Management

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

- **Economic Environment**

In the current global slowdown the group has a number of policies in place to mitigate economic risks. These include a unique portfolio of services which caters for all stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue.

- **Key Clients**

The risk of loss of a key client is lessened by the Group not being overly reliant on any one client. The Group also ensures that there are regular reviews of relationships with all clients.

- **Personnel**

The loss of senior management or key personnel could adversely affect the Group's results. This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council.

- **Regulatory Environment**

The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market. The Group mitigates this risk by taking external professional advice where appropriate and maintaining robust internal controls and processes to ensure compliance with respect to legal and contractual obligations.

Financial risk management is detailed in note 3.

Results and dividends

The Group's profit before tax for the year was £1.3m (2009: £9.5m). A final dividend of 1.35 pence per share has been declared on 30 April 2010 amounting to £1.0m subject to shareholder approval at the AGM on 24 June 2010 (2009: 1.2p per share amounting to £0.9m).

Share Capital

On 8 June 2009 the Company issued 50,000 new ordinary shares, with a nominal value of £2,500 in relation to the employee share option scheme.

On 21 October 2009 the Company issued 15,000 new ordinary shares, with a nominal value of £750 in relation to the employee share option scheme.

During the year, the number of shares in issue increased to 73,450,393 (2009: 73,385,393) ordinary shares with a nominal value of £3,672,520 (2009: £3,669,270).

Directors and their Interests

The Directors who held office during the year and at the date of this report are shown on page 24. David Higgins resigned on 27 March 2009. In accordance with the Company's Articles of Association, non-executive directors who have served for over nine years must stand for re-election every year. Ian Kirkpatrick, Peter Augustine Moore and Tom Crawford have served for longer than nine years and therefore offer themselves for reappointment. All Executive Directors have service contracts with the Company terminable by either party giving to the other not less than 12 months' notice. The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in greater detail in the Remuneration Report.

Post Balance Sheet Events

On 29 April 2010, Harvey Nash Group plc acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (approximately £2.1m). In the year ended 31 December 2009, Bjerke & Luther reported an audited profit before taxation of approximately NOK 3.3m (approximately £0.4m), a turnover of approximately NOK 19.9m (approximately £2.2m) and as at 31 December 2009 had gross assets of NOK 8.8m (approximately £1.0m). Bjerke & Luther had net assets of NOK 3.2m (approximately £0.4m) on acquisition. Due to the timing of the acquisition, the allocation of the purchase price has not been completed.

Corporate Responsibility

The Board believes that companies have a responsibility to play a constructive part within the community at large, and that social, environmental and ethical matters are part of the investment mix in order to create long term sustainable businesses. The Group has been a leader over the last four years in highlighting the importance of employer brand equity when attracting the new generation of leadership talent. Being a member of the Harvey Nash team also means being a valued contributor to society. Our employees are enthusiastic about people and are always ready to support programmes that benefit the community.

The Board's view is that shareholders and employees must make their own personal choices; it is not the Group's responsibility to do this on their behalf. The Group is not aligned to a particular political party and neither does it make political donations or charitable grants. However, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees is actively promoted.

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

(a) Environmental policy

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

- Re-cycling - reducing the overall amount of waste being sent to landfill by separating out materials for recycling.
- Water – making use of mains water supply for personal consumption through on site water filtration and purification rather than bottled water for hospitality.
- Efficiency - optimising the operation of building cooling and heating systems.
- Energy - introducing low energy lighting wherever appropriate and feasible.
- Technology hardware and software - adding software to each desktop which automatically shuts down computers to reduce power consumption and heat output.
- The introduction of 'eco-fonts' – these use less ink on printed matter, with only a marginal impact upon quality.
- Travelling: promoting the use of public transport and increased use of video conferencing and online webinars to reduce the impact of business travel upon the environment.

(b) Charitable, political and work in the community

The Group recognises the important role it plays in helping individuals manage their careers; a role that is especially important during and following a deep recession. In October 2009 we launched the Downturn Success Kit, providing free advice to job seekers worldwide through comprehensive white papers, podcasts and forums. We also actively provided career advice and guidance on a one-to-one basis for many hundreds of candidates across our international operations, including hosting careers workshops in the UK and US.

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

Noorzaman Rashid, Director of Harvey Nash Executive Search - Government and Public Services, is chairman of E-ACT, one of the largest education charities in the UK. Under Noorzaman's leadership, the organisation continues to promote excellence in education and has educational academies in six major UK cities.

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

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

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

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

Melissa Cardiff, Senior Technical Recruiter San Francisco, is an active volunteer for the Adopt A Special Kid Organization, which for 35 years has been the leading agency working to find homes for the more than 76,000 children who reside in foster care in California (0.5 million nationally). Elsewhere in the US our Seattle office was sponsor to an event for the Hope Heart Institute, the cardiovascular research and education charity.

In the UK, Harvey Nash has been a key sponsor and participant of the Byte Night organisation, the IT industry's annual sleep out in support of Action for Children. Each year hundreds of individuals and teams from the technology and IT industries spend a night exposed to the elements in a bid to raise sponsorship and awareness of Action for Children, one of the UK's largest children's charities helping to raise almost £90,000 in the six years we have been involved. This year, the Group developed a careers advice application for downloading onto mobile phones where all proceeds went to the Byte Night.

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

In Vietnam over 60 staff joined the Terry Fox charity run in Ho Chi Minh City and donated money for cancer patients in Vietnam. All local employees in Vietnam are provided with crash helmets to ensure their safety.

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

In partnership with the UK government, Harvey Nash raised funds in support of the Haiti disaster. This global co-ordinated programme involved raising funds centrally, as well supporting local offices hosting initiatives such as quiz nights and sponsored sporting activities.

In September 2009 a multi-national team of Harvey Nash, Alumni and TechDiscovery cyclists, led by CEO Albert Ellis, undertook a 90 mile charity cycle ride from Oxford to Cambridge raising over £2,500 for a global childrens charity ,Plan International, as well as supporting the British Heart Foundation.

(c) Employee engagement

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

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

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

(d) Equal opportunity and diversity

The Harvey Nash Group fully supports the aims of the UK Equalities Act 2010, not just because it is the law, but because we believe equality matters and is necessary for:

- individuals: everyone has the right to be treated fairly and the opportunity to fulfil their potential. To achieve this we must all tackle inequality and root out discrimination;
- the economy: a competitive economy and successful organisations draw on all the available talents and ability and are not held back by prejudice; and
- society: a more equal society is more cohesive and at ease with itself.

Everyone and every company has a stake in creating a fair society. Fair societies grant companies a favourable environment, the "licence to operate", which in turn creates the foundation for a prosperous economy and a peaceful society.

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

Supporting and securing female candidates in senior executive business positions is the key objective for Harvey Nash's "Inspire" womens network and programme of events. Harvey Nash Scotland's active participation in the "Girl Geek" dinner network is also aimed at supporting the community of business women in the technology and creative sectors.

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

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

(e) Health & Safety

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

The Group:

- assesses the risk to health and safety,
- implements safe systems at work,
- provides information, instruction and training,
- regularly reviews its policies.

(f) Supplier payment policy

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

The Group endeavours to pay sub-contractors providing technology services within 27 days (2009:27 days) of receipt of their invoice. This contrasts with the Group's trade debtors who settled their invoices within 46 days (2009: 47 days). Other trade creditor days of the Group for the year ended 31 January 2010 were 63 days (2009: 70 days) based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors. The company has no trading activity.

Substantial Shareholdings

On 29 April 2010, the Company had been notified that there were holdings of 3% or more in the ordinary share capital of the Company as follows:

	No. of shares	% of total
Standard Life Investments	7,019,506	9.56
River and Mercantile Asset Management	6,049,882	8.24
Mr D Higgins	5,484,655	7.47
Directors	5,289,899	7.20
Mr David Treacher	5,015,992	6.83
USS	4,158,210	5.66
Gartmore Investment Management	3,885,688	5.29
RBC Europe collateral account	3,655,319	4.98
JPMorgan Asset Management	3,106,400	4.23
Barclays Stockbrokers (ND)	2,693,855	3.67

Directors' and Officers' Liability Insurance

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

Employee Share Schemes

The Directors consider that the opportunity to own shares in the Group is a vital part of motivating and retaining employees. Details of the share schemes are included on page 39.

Pensions

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

Authority to purchase own shares

The Directors on behalf of the Company have authority to purchase up to 10% of the Company's issued share capital. During the year the Company purchased 911,909 shares at 38p per share with a nominal value of £45,595, representing 1% of issued share capital. These shares are held by the Employee Benefit Trust and will be made available for employee share awards and the exercise of options, thus avoiding future share dilution.

Political and Charitable Donations

The Group made no political or charitable donations during the year (2009: £nil). However, as outlined in the Corporate Responsibility section above, personal political affiliation, participation in the democratic process and financial support for worthy charities and community projects by employees are actively promoted.

Reappointment of Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they will be re-appointed will be proposed at the AGM.

On behalf of the Board

Richard Ashcroft
Company Secretary
18 May 2010

Corporate Governance

for the year ended 31 January 2010

The Group supports the Principles of Good Governance and Code of Best Practice as set out in the FRC Combined Code issued in June 2008. The Board has considered the implications of the revised Combined Code on the Group's governance and will comply with those provisions considered appropriate for the size of the Group.

Application of Principles of Good Governance

Board of Directors

During the year the Board of Directors comprised three Executive and four Non-Executive Directors until David Higgins resigned on 27 March 2009. A list of Director biographies together with their roles is given on page 24. Tom Crawford and David Higgins are not considered independent owing to interests in the Group's shares. The Group has an Independent Chairman (Ian Kirkpatrick) and Senior Independent Non-Executive Director (Gus Moore) who are both members of the Audit, Remuneration and Nomination Committees. The Executive Board members were the Chief Executive Officer, Group Finance Director and European Managing Director. In addition, the Non-Executive Deputy Chairman, David Higgins, was a member of the Nomination Committee until he resigned.

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

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

During the year attendance at the pre-arranged meetings was 100% for all Board members. There were 11 Board meetings in the 12 months to 31 January 2010.

The Executive Directors are responsible for the overall operational and financial management of the Group within the framework set out by the Board. The Executive Council sits below the Group Board and executes the day to day running of operations. The Executive Council is made up of senior operational management, including the executive directors. Outside the formal schedule of matters reserved for the Board, the Chairman and Non-Executive Directors make themselves available for consultation with the Executive team as often as necessary.

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

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

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

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

The Board discusses and reviews its performance and membership regularly, both individually and as a whole, and continues to consider that it is operating effectively. In the year, a formal survey was conducted to allow the Board to provide confidential feedback on its performance.

Audit Committee

The Audit Committee meets at least twice a year with the Group's senior financial management and external auditors to review the interim and annual financial statements, the accounting policies of the Group, its internal financial control procedures and compliance with accounting standards. The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors. The Audit Committee met twice in the year to 31 January 2010 with full attendance by its members.

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

During the course of the year ended 31 January 2010 the Committee has:

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

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

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

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

Remuneration Committee

The Remuneration Committee meets at least twice a year. The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors. The Committee's full terms of reference are available from the Company Secretary on request. The Remuneration Committee met eight times in the year to 31 January 2010 with full attendance by its members.

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

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

The Directors' Remuneration Report on pages 35 to 39 includes details of remuneration policy, practices and the remuneration of the Directors.

Nomination Committee

The Company has a Nomination Committee, which provides a transparent process and procedure for the appointment of new Directors to the Board. The members of the Committee are Ian Kirkpatrick (Chairman), Gus Moore (Senior Independent Non-Executive) and Albert Ellis (Chief Executive) who was appointed during the year. The Committee's terms of reference, which are available from the Company Secretary on request include:

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

Directors' Remuneration

Details of Directors' remuneration and the procedures for developing policy on executive remuneration and for fixing the remuneration of the Board are contained in the Remuneration Report set out on pages 35 to 39.

Relations with Shareholders

The Board maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required. Shareholder attendance and participation at the AGM is welcomed. Amendments to the Company's articles require shareholder approval at the AGM.

Accountability and Audit

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

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

Internal Control

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

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

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

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

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

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

Compliance with Combined Code Provisions

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

Code Provision A3.1 (Board balance and independence), C3.1 (Audit Committee) and B2.1 (Remuneration Committee)

Provision A3.1 and provision C3.1 of the FRC Combined Code indicate circumstances where a director may not be independent. These include having served on the Board for more than nine years from the date of first election, and at any point when holding the position of Chairman. As noted above, Tom Crawford is also not considered independent owing to his interest in the Group's shares. Following this, Ian Kirkpatrick, Tom Crawford and Gus Moore are required to put themselves forward for re-election every year. Some further Board evolution is anticipated during the coming year.

It is the Board's firm position that Ian Kirkpatrick and Gus Moore remain independent.

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

The remuneration committee had two members, including the Chairman.

Going Concern

After having made appropriate enquiries including a review of the 2010/11 Group budget, medium term plans and available banking facilities compared to funding requirements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Richard Ashcroft
Company Secretary
18 May 2010

Remuneration Report

for the year ended 31 January 2010

This Report, which has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"), outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the various elements of the Company's remuneration policy together with details of Directors' remuneration in respect of the year ended 31 January 2010. In accordance with the Regulations, a resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Regulations require the Auditors to report to shareholders on the information contained in the 'Directors' Remuneration', 'Interest in Share Options', 'Directors' Pension Entitlement' and the 'Share Option Scheme' sections in this Report ("the auditable parts") and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 2006.

Remuneration Policy

Executive remuneration packages are designed to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages. These packages are reviewed each year to ensure that they are competitive and to engage the Executive Board in relation to personal performance and future expectations. The Remuneration Committee aligns the business objectives and the creation of long term shareholder value, and takes advice from external sources in order to determine and develop its policies. The Group reviews this policy on an on-going basis.

The Executive Director remuneration packages consist of:

- basic salary
- performance-linked bonus
- share bonuses and options
- company car allowance
- pension contribution
- private healthcare insurance

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

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year.

The financial crisis and its impact on the perception of executive pay

The Board recognises the sensitivities in the wider society to executive pay levels in general and has considered its own position for the current year. This downturn has required tough decisions and strong leadership from managers at every level of every organisation including the Harvey Nash Group. There have been many examples of employers and employees working together to minimise the impact of the recession on jobs, skills and pay. However, there have been some isolated cases where executive pay has appeared out of step with the economic reality and the public mood. In this, the Group has actively supported the CBI's call for restraint on executive remuneration ensuring that a return to sustainable economic growth is not put at risk.

Accordingly the executive directors have voluntarily accepted pay freezes from April 2008 for 3 years. In addition, no bonuses have been proposed or paid for the year ended 31 January 2010, being the only year since January 2003 which did not result in increased revenues and profits.

During the year ended 31 January 2010, the executive Directors have also suspended their company pension payments and utilised the cash to purchase shares in lieu, after paying personal tax at the full marginal rate.

Directors' Service Contracts

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

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

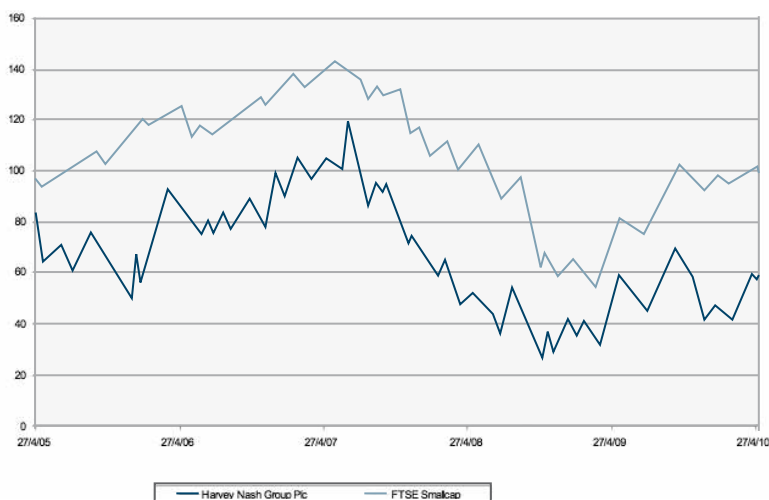
	Contract date	Unexpired term	Notice period	Contractual termination payments
Executive				
Albert Ellis	01.02.01	Continuous	12 months	Unexpired notice period
Richard Ashcroft	14.11.05	Continuous	12 months	Unexpired notice period
Simon Wassall	17.10.05	Continuous	12 months	Unexpired notice period
Non-Executive				
Ian Kirkpatrick	07.08.01	Continuous	6 months	Unexpired notice period
Tom Crawford	07.08.01	Continuous	6 months	Unexpired notice period
Gus Moore	07.08.01	Continuous	6 months	Unexpired notice period

Members of the Remuneration Committee

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

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

Performance Graph



April 2005: 100

Source – Datastream

In the opinion of the Directors the FTSE Smallcap Index is the most appropriate index against which the total shareholder return of Harvey Nash Group plc should be measured considering the variation in market capitalisation of the Group over the five year period ending 31 January 2010.

Directors' Remuneration (audited)

	Salary & fees £	Benefits in kind £	Annual bonus £	31 Jan 2010 Total £	31 Jan 2009 Total £
Executive					
Albert Ellis	291,500	20,726	-	312,226	468,124
Richard Ashcroft	149,200	15,306	-	164,506	246,650
Simon Wassall	212,000	19,826	-	231,826	344,311
Non-Executive					
Ian Kirkpatrick	61,600	-	-	61,600	60,200
Tom Crawford	26,400	-	-	26,400	25,800
Gus Moore	26,400	-	-	26,400	25,800
David Higgins *	29,688	-	-	29,688	58,000
	796,788	55,858	-	852,646	1,228,885

* The payment to David Higgins comprises £7,833 salary and fees and £21,855 paid notice period.

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

The executive directors receive performance payments based on the level of Group profit for the year set against budget targets and external market conditions.

Interests in Share Options (audited)

Details of options held by Directors in the Harvey Nash Group plc performance related Share Scheme are set out below:

	Date of grant	Earliest exercise date	Expiry date	Share price on grant date (p)	Exercise price (p)	No at 01 Feb 2009	Granted in year	Exercised in year	Lapsed in year	No at 31 Jan 2010
Albert Ellis	11.04.03	11.04.06	11.04.13	35	30.7	180,000	-	-	-	180,000
	01.04.04	01.04.07	01.04.14	89	89	180,000	-	-	-	180,000
	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	250,000	-	-	-	250,000
Simon Wassall	01.03.02	01.03.05	01.03.12	63.5	58.96	102,943	-	-	-	102,943
	25.10.02	25.10.05	25.10.12	34	24.3	50,000	-	-	-	50,000
	11.04.03	11.04.06	11.04.13	35	30.7	50,000	-	-	-	50,000
	17.10.05	17.10.08	17.10.15	56.5	55	100,000	-	-	-	100,000
	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	150,000	-	-	-	150,000
Richard Ashcroft	25.05.06	25.05.09	25.05.16	60.5	60.4	150,000	-	-	-	150,000
	27.05.08	27.05.11	27.05.18	38	39	100,000	-	-	-	100,000

No other Directors have been granted share options in the shares of the Group or other Group entities. None of the terms and conditions of the share options were varied during the year. The options granted under the Performance Related Scheme are subject to certain performance criteria, including compounded earnings per share growth compared to the retail price index. The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return. If events have happened which cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical, they may, at their discretion amend the performance criteria.

The options were granted at the prevailing market price, calculated as the average of the previous five days mid closing price, at the time of the grant in accordance with the rules of the scheme. There was nil cost to the directors at the date of grant. The market price of the Group shares at the end of the financial year was 33p. The range of market prices during the year was between 25p and 54p.

Interest in Shares

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

	31 Jan 10	31 Jan 09
	Ordinary shares	Ordinary shares
Albert Ellis	470,380	410,131
Ian Kirkpatrick	5,250	5,250
Tom Crawford	4,586,467	4,576,827
Gus Moore	41,640	32,000
Richard Ashcroft	111,438	76,889
Simon Wassall	72,576	26,890

Included in the above, pursuant to the provisions of the Companies Act 2006, Tom Crawford is deemed to be interested in his capacity as a trustee in the ordinary shares of the Company held by Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme. As at the date of this report and 31 January 2010, the interest was in a total of 434,425 ordinary shares.

Directors' Pension Entitlement (audited)

The Group made the following pension contributions during the year to defined contribution schemes nominated by the respective Executive Director. For the majority of the year, the directors received shares in the Group in lieu of pension contribution

	31 Jan 10	31 Jan 09
	£	£
Albert Ellis – pension contribution	4,858	28,875
Albert Ellis – shares received in lieu of pension contribution	24,292	-
Richard Ashcroft – pension contribution	2,520	14,933
Richard Ashcroft – shares received in lieu of pension contribution	12,600	-
Simon Wassall – pension contribution	5,300	21,000
Simon Wassall – shares received in lieu of pension contribution	15,900	-
	65,470	64,808

Share Option Schemes (audited)

At 31 January 2010, the following options to subscribe for ordinary shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes:

The Harvey Nash Group plc Performance Related Share Schemes

The Performance Related Schemes are administered by the Board under the supervision of the Remuneration Committee. The schemes are open to all full time employees except those who have had a material interest in the Group within the previous 12 months. The options granted under the Performance Related Scheme are subject to certain performance criteria, including compounded earnings per share growth compared to the retail price index. The performance criteria associated with this scheme were chosen to incentivise the maximisation of shareholders' return. If events have happened which cause the Remuneration Committee to consider that the performance criteria have become unfair or impractical, they may, at their discretion amend the performance criteria.

The schemes' exercise price is determined by the Board but will not be less than the average share price for the five days immediately preceding the grant of options. The Harvey Nash Group plc Performance Related Share Plan is an HM Revenue and Customs Approved Scheme, but the Board is able to grant unapproved options under the scheme. For schemes from July 2000 the Group has obtained agreement from the employee that he or she will settle the employer's national insurance charge in respect of any gain arising on eventual exercise. All options are granted for nil consideration.

Date of grant	Exercisable from	Exercisable to	Exercise price	Options at 1 February 2009	Granted	Forfeited	Exercised	Options exercisable at 31 January 2010	Options not exercisable at 31 January 2010
01.03.02	01.03.05	01.03.12	£0.59	576,471	-	82,353	-	494,118	-
25.10.02	25.10.05	25.10.12	£0.24	718,000	-	10,000	65,000	643,000	-
11.04.03	11.04.06	11.04.13	£0.31	762,000	-	247,000	-	515,000	-
27.11.03	27.11.06	27.11.13	£0.77	25,000	-	-	-	25,000	-
01.04.04	01.04.07	01.04.14	£0.89	360,000	-	180,000	-	180,000	-
24.06.04	24.06.07	24.06.14	£0.70	50,000	-	10,000	-	40,000	-
02.08.04	02.08.07	02.08.14	£0.70	50,000	-	-	-	50,000	-
15.11.04	15.11.07	15.11.14	£0.80	140,000	-	10,000	-	130,000	-
18.05.05	18.05.08	18.05.15	£0.55	175,000	-	25,000	-	150,000	-
17.10.05	17.10.08	17.10.15	£0.55	310,000	-	-	-	310,000	-
27.04.06	27.04.09	27.04.16	£0.68	140,000	-	30,000	-	110,000	-
25.05.06	25.05.09	25.05.16	£0.60	675,000	-	25,000	-	650,000	-
01.06.06	01.06.09	01.06.16	£0.60	100,000	-	-	-	100,000	-
25.06.07	25.06.10	25.06.17	£0.88	850,000	-	100,000	-	-	750,000
25.10.07	25.10.10	25.10.17	£0.66	70,000	-	20,000	-	-	50,000
27.05.08	27.05.11	27.05.18	£0.39	500,000	-	-	-	-	500,000
17.12.08	17.12.11	17.12.18	£0.30	82,500	-	-	-	-	82,500
Total					-	739,353	65,000	3,397,118	1,382,500

On behalf of the Board

Ian Kirkpatrick
Chairman
18 May 2010

Statement of Directors' Responsibilities in respect of the Annual Report

for the year ended 31 January 2010

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the group financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed on page 24 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report starting on page 26 and the Chairman's Statement, Operational Review and Financial Review contained on pages 8 to 13 include a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Richard Ashcroft
Company Secretary
18 May 2010

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

We have audited the group financial statements of Harvey Nash Group plc for the year ended 31 January 2010 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Comprehensive Income and the Shareholders' Funds and Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 January 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 31 to 34 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 34, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

Other matters

(a) We have reported separately on the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

(b) The maintenance and integrity of the Harvey Nash website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(c) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nigel Reynolds

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 May 2010

Consolidated Income Statement

for the year ended 31 January

	Notes	2010 £ '000	2009 £ '000
Revenue	5	376,209	420,101
Cost of sales		(315,789)	(350,950)
Gross profit	5	60,420	69,151
Total administrative expenses		(58,775)	(58,794)
Operating profit before non recurring items	5, 7	4,463	10,357
Non recurring items	28	(2,818)	-
Operating profit	5, 7	1,645	10,357
Finance income	6	86	117
Finance costs	6	(448)	(943)
Profit before tax		1,283	9,531
Income tax expense	8	(415)	(2,621)
Profit for the year		868	6,910
Attributable to:			
Equity holders of the company		795	6,524
Minority interest		73	386
		868	6,910
Earnings per share for profit attributable to the equity holders of the company during the year			
- Basic earnings per share	9	1.09p	9.00p
- Diluted earnings per share	9	1.08p	8.92p

Consolidated Statement of Comprehensive Income

for the year ended 31 January

	2010 £ '000	2009 £ '000
Profit for the year	868	6,910
Foreign currency translation differences	(1,791)	6,811
Other comprehensive (loss) / income for the year	(1,791)	6,811
Total comprehensive (loss) / income for the year	(923)	13,721
Total comprehensive income attributable to:		
Equity holders of the company	(996)	13,335
Minority interest	73	386
	(923)	13,721

The above results are derived from continuing activities.

Consolidated Balance Sheet

as at 31 January 2010

	Notes	2010 £ '000	2009 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,223	2,256
Intangible assets	11	46,151	47,758
Deferred income tax assets	8	2,761	1,648
		52,135	51,662
Current assets			
Cash		5,146	4,458
Trade and other receivables	12	73,638	103,987
		130,919	160,107
LIABILITIES			
Non-current liabilities			
Contingent consideration		(19)	(21)
Deferred income tax liabilities	8	(228)	(305)
Provision for liabilities and charges	29	(424)	-
		(671)	(326)
Current liabilities			
Trade and other payables	13	(72,144)	(97,488)
Current income tax liabilities	14	(954)	(2,862)
Contingent consideration		-	(31)
Provision for liabilities and charges	29	(359)	-
		(73,457)	(100,381)
		(74,128)	(100,707)
Total liabilities			
Net assets		56,791	59,400
EQUITY			
Capital and reserves attributable to equity shareholders			
Ordinary shares	17	3,673	3,669
Share premium	19	8,425	8,412
Shares to be issued		49	86
Fair value and other reserves		15,079	15,079
Own shares held		(412)	(120)
Cumulative translation reserve		5,788	7,579
Retained earnings	20	23,603	24,107
		56,205	58,812
Minority interest in equity		586	588
Total equity		56,791	59,400

The Consolidated financial statements on pages 43 to 67 were approved by the Board on 18 May 2010 and signed on its behalf by:

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Shareholders' Funds and Changes in Shareholders' Equity

for the year ended 31 January

	Share capital	Share premium	Shares to be issued	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 February 2008	3,622	8,208	1,643	15,079	(148)	767	18,963	48,134
Profit for the year	-	-	-	-	-	-	6,524	6,524
Currency translation adjustments	-	-	188	-	-	6,811	-	6,999
Total recognised income and expense for the year	3,622	8,208	1,831	15,079	(148)	7,578	25,487	61,657
Employee share option and bonus plan	-	-	-	-	28	1	136	165
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	(147)	(147)
Acquisitions in the year	47	204	(1,745)	-	-	-	-	(1,494)
Dividends paid	-	-	-	-	-	-	(1,369)	(1,369)
31 January 2009	3,669	8,412	86	15,079	(120)	7,579	24,107	58,812
Profit for the year	-	-	-	-	-	-	868	868
Currency translation adjustments	-	-	-	-	-	(1,791)	-	(1,791)
Total recognised income and expense for the year	3,669	8,412	86	15,079	-120	5,788	24,975	57,889
Employee share option and bonus plan	4	13	-	-	3	-	124	144
IFRS 2 Deferred Tax charge to equity	-	-	-	-	-	-	4	4
Acquisitions in the year *	-	-	(37)	-	52	-	(15)	-
Own shares purchased	-	-	-	-	(347)	-	-	(347)
Dividends paid	-	-	-	-	-	-	(1,485)	(1,485)
31 January 2010	3,673	8,425	49	15,079	(412)	5,788	23,603	56,205

* This relates to deferred consideration for the acquisition of Silkroad Systems from June 2007 being settled in the year.

Consolidated Cash Flow Statement

for the year ended 31 January 2010

	Notes	2010 £ '000	2009 £ '000
Profit before tax		1,283	9,531
Adjustments for:			
- depreciation	10	1,359	791
- amortisation	11	49	79
- loss on disposal of fixed assets	7	167	-
- finance income	6	(86)	(117)
- finance costs	6	448	943
- share based employee settlement and share option charge	26	127	173
Operating cash flows before changes in working capital		3,347	11,400
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- Decrease / (increase) in trade and other receivables		29,469	(19,919)
- (Decrease) / increase in trade and other payables		(24,845)	18,007
- Increase in provisions for liabilities and charges	29	783	-
Cash flows from operating activities		8,754	9,488
Income tax paid		(2,935)	(2,207)
Net cash generated from operating activities		5,819	7,281
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(638)	(445)
Purchases of property, plant and equipment – rechargeable to clients	10	(2,071)	-
Cash acquired with acquisitions		-	11
Purchase of subsidiary undertakings		(31)	(4,923)
Interest received	6	86	117
Net cash absorbed from investing activities		(2,654)	(5,240)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		17	-
Purchase of own shares		(347)	-
Dividends paid to group shareholders		(1,485)	(1,369)
Interest paid	6	(448)	(943)
Net cash used in financing activities		(2,263)	(2,312)
Increase / (decrease) in cash and cash equivalents		902	(271)
Cash and cash equivalents at the beginning of the year		4,458	4,184
Exchange (losses) / gains on cash and cash equivalents		(214)	545
Cash and cash equivalents at the end of the year	15	5,146	4,458

Notes to the Consolidated Financial Statements

1. General Information

Harvey Nash Group plc ('the Company') and its subsidiaries (together 'the Group') is a leading provider of specialist recruitment and outsourcing solutions. The Group has offices in the UK, Europe, United States and Vietnam.

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

2. Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements of Harvey Nash Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The main section of these financial statements presents the financial statements of the Group prepared under International Financial Reporting Standards (IFRS) adopted by the European Union. Pages 70 to 75 show the financial statements of the Company prepared under UK Generally Accepted Accounting Principles (UK GAAP).

(i) Standards, amendments and interpretations effective in 2009 and relevant for the Group

IAS 1 'Presentation of Financial Statements' (revised 2007) and IFRS 8 'Operating Segments'. The implementation of IAS 1 (revised 2007) resulted in changes to disclosure with the inclusion of a Condensed Consolidated Statement of Comprehensive Income. The impact of IFRS 8 is detailed in note 5. The Group has early adopted the IFRS improvement (endorsed 23 March 2010) in relation to non-disclosure of segment assets under IFRS 8, as they are not reported to the Chief Operating Decision Maker.

(ii) Standards, amendments and interpretations effective in 2009 but not relevant for the Group

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the Group's operations:

- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 14, IAS 19 - 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 39 (amendment), 'Financial instruments: recognition and measurement'

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

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

- IFRS 3 (revised), 'Business combinations'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IAS 27 (revised) 'Consolidated and separate financial statements' (effective from 1 July 2009)

- IAS 38 (amendment), 'Intangible Assets'
- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'
- IAS 1 (amendment), 'Presentation of financial statements'
- IFRS 2 (amendments), 'Group cash-settled share-based payment'

The Group does not consider that these Standards or Interpretations will have a significant impact on the accounts of the Group when they come into effect.

(b) 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. Transactions and balances, including unrealised profits, between Group companies are eliminated.

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

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

(c) Revenue recognition

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

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

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

(d) Property, plant and equipment

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

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

Leasehold improvements – over the term of the lease
 Office equipment – 20% straight line
 Furniture, fixtures and equipment – 20% straight line
 Computer equipment – 33.33% straight line
 Motor vehicles – 25% reducing balance

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

Fixed assets purchased to deliver outsourcing projects, which have been recharged to clients at cost, remain the legal property of Harvey Nash. They have therefore been capitalised within the balance sheet and depreciated at the rates listed above. The recharge of the asset at cost to the client represents a disbursement associated with the project delivery and is recognised in line with the depreciation.

(e) Foreign exchange

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

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

On consolidation, revenues, costs and cash flows of overseas undertakings are included in the Group income statement at average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date and any differences arising are taken to reserves.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(f) Operating leases

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

(g) Intangible assets

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

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

(h) Impairment of assets

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

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) 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.

(l) Deferred income tax

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

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

(m) 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.

(n) Employee benefits***Pension obligations***

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

Termination benefits

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

Bonus plan

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

Share-based plans

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

(o) 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.

(p) Borrowing costs

Borrowing costs are written off as incurred.

(q) Financial instruments

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

(r) Financial assets

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

(1) Financial assets at fair value through profit or loss

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

(2) Loans and receivables

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

(s) Non-recurring items

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

3. Financial Risk Management**Financing**

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

Objectives, policies and strategies

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

Capital risk management

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

During 2009/10, the Group's strategy, which was unchanged from 2008/09, was to have adequate headroom and access to cash facilities to meet its requirements.

	2010	2009
Net debt £'000	-	-
Total equity £'000	56,791	59,400
Total capital £'000	56,791	59,400
Gearing ratio %	-	-

Interest rate risk management

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

Foreign exchange risk management

The Group's policy is to minimise foreign currency risk. Harvey Nash manages its exposure on equity investments in overseas subsidiaries through foreign currency borrowings. The currency risk of holding assets and liabilities in foreign currencies across the Group is managed by partially matching foreign currency assets with foreign currency liabilities.

In the year to 31 January 2010, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £67k (2009: £123k) lower mainly as a result of foreign exchange losses on translation of dollar-denominated assets and liabilities.

In the year to 31 January 2010, if sterling had strengthened by 5% against the euro with all other variables held constant, operating profit for the year would have been £144k (2009: £354k) lower mainly as a result of foreign exchange losses on translation of euro-denominated assets and liabilities.

Credit risk

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

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

		2010 £ '000	2010 £ '000	2009 £ '000	2009 £ '000
	Rating *	Credit Limit	Balance	Credit Limit	Balance
Bank overdraft – secured	A-1	2,000	313	2,000	-

* Standard and Poor's rating

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility, cash and invoice discounting) on the basis of expected cash flow.

4. Critical Accounting Judgements and Estimates

Impairment of goodwill

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

Income tax

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

Share options

Share options are granted on a discretionary basis and vest after three years service. The fair value of options granted during the year was determined using the Black-Scholes valuation model. The significant inputs into the model were share price at grant date, expected price, expected option life and risk free rate of 4.30%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices.

5. Segment Information

IFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision maker has been identified as the Group Board.

This has resulted in three reportable segments, UK and Ireland, Rest of Europe and United States. Asia Pacific is included in the UK and Ireland segment in line with the way the results are analysed by the Group Board.

The directors do not consider revenue by origin to be materially different from revenue by destination.

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

The Group Board analyses segmental information as follows:

Revenue

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	110,254	118,347
Rest of Europe	236,687	273,171
United States	29,268	28,583
Total	376,209	420,101

Revenues from one customer in the Rest of Europe segment represent approximately £37.1m of the Group's total revenues (2009: £79.4m).

Gross Profit

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	24,914	30,556
Rest of Europe	27,261	29,187
United States	8,245	9,408
Total	60,420	69,151

Operating Profit/(Loss)

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	1,909	4,825
Rest of Europe	2,523	4,251
United States	31	1,281
Operating profit before non-recurring items	4,463	10,357
Non- recurring items	(2,818)	-
United Kingdom & Ireland	1,645	10,357

Depreciation and amortisation charge

	2010	2009
	£ '000	£ '000
United Kingdom & Ireland	537	479
Rest of Europe	698	207
United States	124	105
Total	1,359	791

The amortisation charge of £49k (2009: £79k) relates to the Rest of Europe segment.

6. Finance Income and Costs

	2010	2009
	£ '000	£ '000
Interest expense:		
Interest payable on bank borrowings	(448)	(905)
Interest on prior year taxes	-	(38)
Finance costs	(448)	(943)
Finance income	86	117
Finance costs – net	(362)	(826)

7. Operating Profit

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

	2010	2009
	£ '000	£ '000
Employee benefits (note 21)	38,241	42,318
Depreciation of property, plant and equipment	1,359	791
Amortisation	49	79
Auditors' remuneration		
- fees payable to the company's auditor for the audit of parent company and consolidated accounts	16	16
- fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	288	282
- fees payable to the company's auditor and associates for other services		
- services relating to taxation	45	207
- all other services	70	46
Operating lease rentals payable		
- Plant and machinery	638	602
- Property	5,226	4,525
Loss on disposal of fixed assets	167	-
Impairment of trade receivables	(43)	86

8. Income Tax Expense

	2010	2009
	£ '000	£ '000
Corporation tax on profits in the year – UK	-	15
Corporation tax on profits in the year – overseas	1,334	2,839
Adjustments in respect of prior years	264	119
Total current tax	1,598	2,973
Deferred tax	(1,183)	(352)
Total tax charge	415	2,621

The tax for the year is higher (2009: higher) than the Group's weighted average rate of corporation tax applied to the pre-tax profit. The weighted average tax rate is calculated by taking the overall tax debit or credit in each jurisdiction and dividing it by the profit before tax in each jurisdiction. The low weighted average tax rate (4.87%) in the year ended 31 January 2010 is a function of losses in countries with high tax rates.

The differences are explained below:

	2010	2009
	£ '000	£ '000
Profit on ordinary activities before tax	1,283	9,531
Weighted average tax rate	4.87%	25.68%
	62	2,448
Effects of:		
Expenses not deductible for tax purposes	258	274
Income not taxable	(299)	-
Utilisation of previously unrecognised tax losses	(128)	(259)
Tax losses for which no deferred tax asset is recognised	336	304
Deferred tax adjustment in respect of prior years	-	(272)
Adjustments to tax in respect of prior year	264	119
Other	(78)	7
Total taxation	415	2,621

Current tax:

Tax on profit in the year	1,334	2,854
Adjustments in respect of prior years	264	119
Total current tax	1,598	2,973

Deferred tax:

Origination and reversal of timing differences	(1,190)	67
Adjustments in respect of prior years	-	(272)
Deferred tax to equity	4	(147)
Other adjustments	3	-
Total deferred tax (credit)	(1,183)	(352)

Total tax charge	415	2,621
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Deferred Tax

	2010	2009
	£ '000	£ '000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	765	858
Deferred tax asset to be recovered within 12 months	1,996	790
	2,761	1,648
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(148)	(216)
Deferred tax liability to be recovered within 12 months	(80)	(89)
	(228)	(305)
Net deferred tax asset	2,533	1,343

This is analysed below:

Asset	Accelerated tax depreciation £ '000	Share-based payments £ '000	Tax losses £ '000	Accrued interest charges*	Other £ '000	Total £ '000
1 February 2009	7	42	682	637	280	1,648
Charged / (credited) to income statement and equity	(1)	7	669	445	(7)	1,113
31 January 2010	6	49	1,351	1,082	273	2,761

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

Liability	Unremitted earnings £ '000	Other £ '000	Total £ '000
1 February 2009	(138)	(167)	(305)
Charged / (credited) to income statement and equity	(10)	87	77
31 January 2010	(148)	(80)	(228)

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, depreciation in excess of accelerated capital allowance and short term timing differences of £756,051 (2009: £1,092,678) 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

	2010	2009
Profit attributable to shareholders £'000	795	6,524
Weighted average number of shares	72,675,773	72,471,450
Basic earnings per share	1.09p	9.00p

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.

	2010	2009
Profit attributable to shareholders £'000	795	6,524
Weighted average number of shares	72,675,773	72,471,450
Effect of dilutive securities	625,171	646,657
Adjusted weighted average number of shares	73,300,944	73,118,107
Diluted earnings per share	1.08p	8.92p

	2010	2009
Adjusted profit attributable to shareholders £'000 (see note 30)	2,788	6,524
Weighted average number of shares	72,675,773	72,471,450
Adjusted basic earnings per share	3.84p	9.00p

10. Property, Plant and Equipment

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2009	1,776	778	1,563	8,114	29	12,260
Exchange adjustments	(19)	(15)	(23)	(187)	(4)	(248)
Additions at cost	201	46	66	315	10	638
Additions rechargeable to clients*	-	-	3	2,068	-	2,071
Disposals	(3)	(83)	(133)	(496)	-	(715)
At 31 January 2010	1,955	726	1,476	9,814	35	14,006
Accumulated depreciation						
At 1 February 2009	1,180	688	1,285	6,836	15	10,004
Exchange adjustments	(13)	3	(13)	(7)	(2)	(32)
Charge for the year	247	34	120	954	4	1,359
Disposals	(3)	(83)	(131)	(331)	-	(548)
At 31 January 2010	1,411	642	1,261	7,452	17	10,783
Net book amount at 31 January 2010	544	84	215	2,362	18	3,223

* Additions rechargeable to clients relate to Nash Technologies in Germany.

	Leasehold improvements £ '000	Office equipment £ '000	Furniture, fixtures and equipment £ '000	Computer equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost						
At 1 February 2008	1,512	727	1,514	7,282	33	11,068
Exchange adjustments	61	30	(12)	58	(17)	120
Acquisitions	-	-	6	-	-	6
Additions at cost	203	21	55	886	13	1,178
Disposals	-	-	-	(112)	-	(112)
At 31 January 2009	1,776	778	1,563	8,114	29	12,260
Accumulated depreciation						
At 1 February 2008	1,044	679	1,139	6,538	6	9,406
Exchange adjustments	(28)	(29)	32	(76)	8	(93)
Charge for the year	164	38	114	474	1	791
Disposals	-	-	-	(100)	-	(100)
At 31 January 2009	1,180	688	1,285	6,836	15	10,004
Net book amount at 31 January 2009	596	90	278	1,278	14	2,256

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

11. Intangible Assets

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2009	1,113	46,724	47,837
Exchange adjustments	20	(1,578)	(1,558)
At 31 January 2010	1,133	45,146	46,279
Amortisation			
At 1 February 2009	(79)	-	(79)
Charge for the year	(49)	-	(49)
At 31 January 2010	(128)	-	(128)
Net book amount at 31 January 2010	1,005	45,146	46,151

	Brands £ '000	Goodwill £ '000	Total £ '000
Cost			
At 1 February 2008	1,155	40,670	41,825
Exchange adjustments	(42)	5,993	5,951
Additions at cost	-	108	108
Adjustments	-	(47)	(47)
At 31 January 2009	1,113	46,724	47,837
Amortisation			
At 1 February 2008	-	-	-
Charge for the year	(79)	-	(79)
At 31 January 2009	(79)	-	(79)
Net book amount at 31 January 2009	1,034	46,724	47,758

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

	2010 £ '000	2009 £ '000
Goodwill		
Harvey Nash BV	2,783	2,848
Harvey Nash US and TechDiscovery LLP	11,058	12,295
Techpartners Group	10,807	10,807
HN IT Consulting NV	6,035	6,168
Impact Executives Limited	3,702	3,702
Alumni AB	5,450	5,361
SilkRoad BVI	1,262	1,403
Rescon IT Limited	3,943	4,041
Fila & Myszel Associates Sp.	106	99
	45,146	46,724
Alumni AB Brand Intangible Asset	1,005	1,034
Total	46,151	47,758

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

The key assumptions in the value in use calculations were:

The model assumes a 7 year business cycle and then a terminal value. The first 3 years of the forecasts were based on post-tax cash flows derived from the board-approved 3 year plan. For the following 4 years, the growth rates are based on management's best estimate and range from 5% to 15%. The terminal growth rate is based on the long term growth rate for each country and was on average 2.6%. Management believe the forecasts are achievable.

The post-tax discount rate used was based on the industry weighted average cost of capital for each country and was on average 10.2%.

Notwithstanding the global recession of 2009, there is significant headroom in the testing for impairment for all the acquired subsidiaries apart from Harvey Nash US and TechDiscovery LLP which has headroom of £0.5m. A sensitivity analysis has been performed in assessing recoverable amounts of goodwill. This has been based on changes in key assumptions considered by management to be possible including a 10% decrease in the assumed growth rates. The analysis reveals that no impairment would arise under each scenario other than in the case of the US cash generating unit. If growth rates are 10% lower than expected, this would result in an impairment charge of £0.4m. If the weighted average cost of capital was 10% higher than expected, this would result in an impairment charge of £1.0m. Management will continue to monitor the results over time, but currently, do not consider an impairment to the value of US goodwill appropriate.

12. Trade and Other Receivables

	2010	2009
	£ '000	£ '000
Amounts falling due within one year:		
Trade receivables	62,047	81,442
Less: Provision for bad and doubtful debts	(349)	(392)
	61,698	81,050
Other receivables	3,882	2,731
Prepayments and accrued income	8,058	20,206
	73,638	103,987

As of 31 January 2010, trade receivables of £61.7m (2009: £81.1m) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 January 2010, trade receivables of £19.5m (2009: £28.0m) were past due but not impaired. This is consistent with normal commercial practices and prior years. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	£ '000	£ '000
Months overdue		
1 – 2 months	14,121	19,957
2 – 3 months	3,541	4,195
Over 3 months	1,840	3,871
	19,502	28,023

As of 31 January 2010, trade receivables of £0.3m (2009: £0.4m) 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 provision for impaired receivables have been included in 'administrative expenses' in the income statement. The other classes within trade and other receivables do not contain impaired assets.

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

	2010	2009
	£ '000	£ '000
At 1 February	392	306
Provision for receivables impairment	129	210
Receivables written off during the year as uncollectible	(121)	(124)
Unused amounts reversed	(51)	-
At 31 January	349	392

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

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

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

	2010	2009
	£ '000	£ '000
Sterling	14,937	15,582
Euros	38,598	58,199
US dollar	4,539	4,052
Other currencies	3,624	3,217
	61,698	81,050

13. Trade and Other Payables – current

	2010	2009
	£ '000	£ '000
Trade payables	38,252	48,375
Other tax and social security payable	6,919	8,695
Accruals and deferred income	19,511	32,671
Other payables	7,462	7,747
	72,144	97,488

14. Current Tax Liabilities

	2010	2009
	£ '000	£ '000
Current tax liabilities	954	2,862

15. Analysis of Changes in Net Funds

	1 February		Foreign	31 January
	2009	Cash flow	exchange	2010
	£'000	£'000	movements	£'000
			£'000	
Cash and cash equivalents	4,458	902	(214)	5,146

16. Operating Lease Commitments

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

	2010 Property £ '000	2010 Vehicles, plant and equipment £ '000	2009 Property £ '000	2009 Vehicles, plant and equipment £ '000
Commitments under non-cancellable operating leases:				
Within one year	4,843	527	5,007	548
Later than one year and less than five years	6,894	417	10,060	481
After five years	430	-	328	-
	12,167	944	15,395	1,029

17. Called Up Share Capital

	2010 £ '000	2009 £ '000
Authorised		
110,000,000 (2009: 110,000,000) ordinary shares of 5p each	5,500	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2009: 73,385,393)	3,673	3,669

The Harvey Nash Employment Benefit Trust held 908,792 shares (2009: 85,140 shares).

	2010 shares	2009 shares
Movement in shares in issue		
Ordinary shares of 5p each		
At 1 February	73,385,393	72,440,200
Allotted under share option schemes	65,000	-
Acquisition of SilkRoad systems	-	123,419
Acquisition of Rescon IT Limited	-	371,058
Acquisition of TechDiscovery LLP	-	450,716
At 31 January	73,450,393	73,385,393

During the year, the number of shares in issue increased to 73,450,393 ordinary shares with a nominal value of £3,672,520.

18. IFRS 2 Share Based Payments

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

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

No options were issued in the year ended 31 January 2010 and as a result the assumptions are the same as prior year. 583,000 options were issued in the year ending 31 January 2009 so the assumptions for 2009 are stated above.

The expected volatility is based on historical volatility over the last five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 January 2010 is shown below:

	2010		2009	
	Number (‘000)	Weighted average exercise price	Number (‘000)	Weighted average exercise price
Outstanding at 1 February	5,584	0.56	5,405	0.60
Granted	-	-	583	0.38
Forfeit	(739)	0.61	(402)	0.82
Exercised	(65)	0.24	-	-
Outstanding at 31 January	4,780	0.36	5,586	0.56
Exercisable at 31 January	3,397	0.27	3,306	0.45

Details of the expiry date of options outstanding at the year end is given in the Remuneration Report on page 39.

The total charge for the year relating to employee share based payment plans was £0.1m (2009: £0.2m), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £0.1m (2009: £0.1m).

19. Share Premium Account

	2010	2009
	£ ‘000	£ ‘000
At 1 February	8,412	8,208
Premium on shares issued during the year under share option schemes	13	-
Acquisitions in the period	-	204
At 31 January	8,425	8,412

20. Retained Earnings

	2010	2009
	£ '000	£ '000
At 1 February	24,107	18,963
Profit for the year	868	6,524
Employee share options and bonus plan	124	136
IFRS 2 Deferred Tax charge to equity	4	(147)
Acquisitions in the year	(15)	-
Dividends paid	(1,485)	(1,369)
At 31 January	23,603	24,107

21. Employees and Directors

Staff costs for the Group during the year (including directors)	2010	2009
	£ '000	£ '000
Wages and salaries	32,414	35,753
Social security costs	4,236	4,842
Other pension costs (note 22)	1,464	1,550
Share option charge and share based employee settlement	127	173
	38,241	42,318

2010	UK	Rest of World	Total
Average number of people employed (including executive directors)			
Directors	3	-	3
Sales	161	212	373
Administrative	94	87	181
	258	299	557

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

Key management compensation	2010	2009
	£ '000	£ '000
Salaries and short-term employee benefits	4,069	3,776
Post-employment benefits	254	247
	4,323	4,023

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

The increase in key management compensation mainly relates to exchange rate movements and a full year of key management cost for Poland and Nash Technologies.

Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 35 to 39.

22. Pensions

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

The Harvey Nash plc Directors' Retirement and Death Benefits Scheme (the 'Scheme') is a small self-administered scheme. It is an exempt-approved scheme under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. The assets of the Scheme are held separately from the Company by trustees. The current trustees are TFA Crawford, DC Higgins, DH Treacher and Scottish Equitable which is the pensioner trustee. The three individual trustees are the only members of the Scheme. The Company has the power to appoint individual trustees. The retirement scheme is provided on a defined contribution basis. The contributions in the year were £nil (2009: £nil).

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by National Provident Institution, Legal and General, and Scottish Widows. The Group's normal policy is to invite employees to join the Plan automatically on completion of three years' qualifying service, although senior employees may be invited to join earlier at the discretion of the Directors. The Group contributes 5% and the employee contributes 3% of the employee's basic earnings (excluding bonuses) to the Plan. The Group's total contribution to the Plan for the year to 31 January 2010, was £425,311 (2009: £503,636).

The Group operates separate defined contribution schemes in all the overseas locations. The Group's total contribution to defined contribution schemes in overseas locations for the year to 31 January 2010, was £1,039,133 (2009: £1,046,364).

23. Related party transactions

Banking Cross Guarantees

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

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

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

24. Investments

Principal Subsidiaries and Branches

The details of the principal subsidiary companies and branches owned directly or indirectly by the Company or Harvey Nash plc as at 31 January 2010 were as follows:

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Rescon IT Limited	Ireland	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
SilkRoad BVI	Vietnam	100%	Software development
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy
TechDiscovery	US	56.6%	Software development
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy

All subsidiary companies are consolidated.

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

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

25. Derivative Financial Instruments

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

Additional disclosures are set out in the accounting policies relating to risk management. An explanation of the role that financial instruments have had during the year in the management of the Group's funding liquidity and foreign exchange is provided on pages 51 to 52 of the Annual Report.

In accordance with IAS 39, "Financial instruments: Recognition and measurement", the Group has reviewed all contracts and confirmed that none contain embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no embedded derivatives at 31 January 2010.

The Group held no derivative financial instruments at 31 January 2010 (2009: none) requiring to be fair valued.

Borrowing facilities

The Group had the following committed facilities available at 31 January in respect of an overdraft with a maximum facility of £2.0m at 31 January 2010 (2009: £2.0m).

The Group also has invoice discounting facilities for working capital in the UK of £12.0m and in the Netherlands of €18.0m. The overdraft expires within one year 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 2010 and 31 January 2009.

Undrawn borrowing facilities		Fixed rate '000	Floating rate '000	2010 Total '000	2009 Total '000
Overdraft	£	-	1,687	1,687	591
Invoice discounting facilities - UK	£	-	5,313	5,300	7,717
Invoice discounting facilities - Netherlands	€	-	18,000	18,000	18,000

26. Share based payments

	2010 £ '000	2009 £ '000
Share based payments - IFRS 2 charge	127	173
	127	173

27. Dividends

The dividends paid in the year ended January 2010 were £1.5m (2009: £1.4m).

The proposed final dividend of £1.0m (1.35p per share) is subject to approval by shareholders at the Annual General Meeting on 24 June 2010 (2009: 1.2p per share amounting to £0.9m) and has not been included as a liability at 31 January 2010.

	2010 £ '000
Final dividend for year end January 2009 of 1.2p per share	869
Interim dividend for year end January 2010 of 0.85p per share	616
	1,485
Proposed final dividend for year end January 2010 of 1.35p per share	979

28. Non recurring items

Non-recurring items have been disclosed separately to give a clearer presentation of the Group's results. They relate to restructuring costs and include the costs of redundancy and onerous property leases.

	2010 £ '000	2009 £ '000
Non-recurring items	(2,818)	-
	(2,818)	-

29. Provisions

Provisions relate to the costs of redundancy and two onerous property leases which run to December 2011 and September 2013 respectively.

	2010
	£ '000
At 1 February	-
Charge in the year	783
At 31 January	783

£359k will fall due within one year and £424k will be payable after more than one year.

30. Adjusted profit attributable to shareholders

	2010	2009
	£ '000	£ '000
Profit attributable to shareholders	795	6,524
Non - recurring items	2,818	-
Estimated tax on non-recurring items	(825)	-
Adjusted profit attributable to shareholders	2,788	6,524

31. Post Balance sheet Events

On 29 April 2010, Harvey Nash Group plc acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (approximately £2.1m). In the year ended 31 December 2009, Bjerke & Luther reported an audited profit before taxation of approximately NOK 3.3m (approximately £0.4m), a turnover of approximately NOK 19.9m (approximately £2.2m) and as at 31 December 2009 had gross assets of NOK 8.8m (approximately £1.0m). Bjerke & Luther had net assets of NOK 3.2m (approximately £0.4m) on acquisition. Due to the timing of the acquisition, the allocation of the purchase price has not been completed.

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

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

We have audited the parent company financial statements of Harvey Nash Group plc for the year ended 31 January 2010 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2010,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Harvey Nash Group plc for the year ended 31 January 2010

Nigel Reynolds

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 May 2010

Company Balance Sheet

as at 31 January 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	3	52,244	52,117
Current assets			
Debtors	4	17,540	15,208
Cash at bank		-	146
		17,540	15,354
Creditors due within one year	5	(1,480)	(31)
Net current assets		16,060	15,323
Total assets less current liabilities		68,304	67,440
Creditors due after more than one year	6	(11,046)	(13,643)
Net assets		57,258	53,797
Capital and reserves			
Share capital	7	3,673	3,669
Shares to be issued	8	49	86
Share premium account	8	8,425	8,412
Capital contribution	8	20,000	20,000
Other reserves	8	13,794	13,667
Profit and loss account	8	11,317	7,963
Equity shareholders' funds	9	57,258	53,797

The financial statements on pages 71 to 75 were approved by the Board on 18 May 2010 and signed on its behalf by:

Company Number: 03320790

Ian Kirkpatrick
Chairman

Richard Ashcroft
Group Finance Director

Notes to the Financial Statements

1. Basis of Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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

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

2. Accounting Policies

(a) Foreign exchange

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

(b) Taxation

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

(c) Investments

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

(d) Related Party Transactions

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

(e) Dividend distributions

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

3. Investments

Fixed asset investments	2010	2009
	£ '000	£ '000
Shares in group undertakings		
At 1 February	52,117	51,819
Increase – share-based payments	127	173
Additions	-	125
At 31 January	52,244	52,117

The carrying value of the investments was tested against discounted future cash flows during the year. The forecasts were based on pre-tax cash flows derived from approved budgets for the 2010-2011 financial year. Management believe the forecasts are reasonably achievable. Where the future cash flows could not support the carrying value an impairment was recognised.

Principal Subsidiaries and Associates

The details of the principal subsidiary companies and branches owned directly or indirectly by The Company or Harvey Nash plc as at 31 January 2010 were as follows:

Name of company	Country of incorporation and operation	Proportion of ordinary share capital and voting rights	Principal activity
Harvey Nash AG	Switzerland	100%	Recruitment consultancy
Harvey Nash BV	The Netherlands	100%	Recruitment consultancy
Harvey Nash GmbH	Germany	100%	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	100%	Recruitment consultancy
Harvey Nash NV	Belgium	100%	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch - Vietnam	100%	Software development
Harvey Nash plc	England	100%	Recruitment consultancy
Harvey Nash SA	France	100%	Recruitment consultancy
Impact Executives Ltd	England	100%	Recruitment consultancy
Mortimer Spinks Limited	England	100%	Recruitment consultancy
Alumni AB	Sweden	100%	Recruitment consultancy
SilkRoad BVI	Vietnam	100%	Software development
Rescon IT Limited	Ireland	100%	Recruitment consultancy
Harvey Nash Inc	US	100%	Recruitment consultancy
Harvey Nash Consulting (Scotland) Limited	Scotland	70%	Recruitment consultancy
Fila & Myszel Associates Sp.	Poland	75%	Recruitment consultancy

4. Debtors

	2010	2009
	£'000	£'000
Amounts owed by subsidiary undertakings	17,540	15,208

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

	2010 £'000	2009 £'000
Bank overdraft	1,480	-
Deferred consideration	-	31
	1,480	31

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

	2010 £'000	2009 £'000
Amounts owed to subsidiary undertakings	11,027	13,622
Deferred consideration	19	21
	11,046	13,643

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

7. Share Capital

	2010 £'000	2009 £'000
Authorised		
110,000,000 (2009: 110,000,000) ordinary shares of 5p each	5,500	5,500
Allotted and fully paid		
73,450,393 ordinary shares of 5p each (2009: 73,385,393)	3,673	3,669

A reconciliation of movements in share capital is presented in note 17 of the consolidated accounts of Harvey Nash Group plc.

8. Reserves

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Capital Contribution £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
As at 1 February 2009	3,669	8,412	86	20,000	13,667	7,963	53,797
Employee share option and bonus plan	4	13	-	-	127	-	144
Acquisitions in the period	-	-	(37)	-	-	-	(37)
Dividends paid	-	-	-	-	-	(1,485)	(1,485)
Profit for the year	-	-	-	-	-	6,091	6,091
Exchange movements	-	-	-	-	-	(1,252)	(1,252)
31 January 2010	3,673	8,425	49	20,000	13,794	11,317	57,258

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

The shares to be issued comprise the outstanding liabilities relating to the deferred consideration for the acquisition of SilkRoad Systems Limited.

The capital contribution reserve was created on flotation.

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

The dividends received relate to dividends paid from Harvey Nash plc and Harvey Nash Ireland Ltd.

9. Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Profit for the year	6,091	3,982
Dividends paid	(1,485)	(1,369)
Exchange (loss) / gain	(1,252)	3,271
Issued share capital (including premium)	17	251
Shares to be issued	(37)	(1,745)
Employee share option charge	127	173
Net increase in shareholders' funds	3,461	4,563
Opening shareholders' funds	53,797	49,234
Closing equity shareholders' funds	57,258	53,797

10. Profit Attributed to the Parent Company

The profit for the year ended 31 January 2010 in the financial statements of Harvey Nash Group plc, the Company, was £6.09m (2009: £3.98m). 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 (2009: nil), other than directors.

Amounts paid by Harvey Nash Group plc, the Company in respect of Directors in the year was nil (2009: nil).

See note 21 in Harvey Nash Group plc accounts for details of the Directors remuneration from the Group.

12. Related party transactions

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

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

13. Post Balance sheet Events

On 29 April 2010, Harvey Nash Group plc acquired 50.1% in Bjerke & Luther for an aggregate consideration of Norwegian Kroner 18.5m (approximately £2.1m). In the year ended 31 December 2009, Bjerke & Luther reported an audited profit before taxation of approximately NOK 3.3m (approximately £0.4m), a turnover of approximately NOK 19.9m (approximately £2.2m) and as at 31 December 2009 had gross assets of NOK 8.8m (approximately £1.0m). Bjerke & Luther had net assets of NOK 3.2m (approximately £0.4m) on acquisition. Due to the timing of the acquisition, the allocation of the purchase price has not been completed.

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