

HARVEY NASH GROUP PLC

("Harvey Nash" or "the Group")

Unaudited Interim Results for the six months ended 31 July 2011

Harvey Nash, the global professional services group, announces increased revenues and profits for the six months ended 31 July 2011

Financial Results

	2011 H1	2010 H1	Change
Revenue	£253.4m	£198.6m	↑ 28%
Gross Profit	£38.6m	£32.0m	↑ 21%
Operating profit	£4.1m	£2.8m	↑ 47%
Operating profit *	£4.1m	£2.9m	↑ 40%
Profit before tax	£3.8m	£2.6m	↑ 47%
Profit before tax *	£3.8m	£2.7m	↑ 40%
Non recurring items **	-	(£0.1m)	n/a
Earnings per share	3.45p	2.35p	↑47%
Interim dividend	1.025p	0.935p	↑ 10%
Operating cash inflow***	£5.2m	£3.7m	↑ 40%
Net cash	£1.8m	£4.8m	↓£2.9m

* Adjusted for non-recurring items

** 2010 Professional fees in relation to the acquisition in Norway written off

*** Before investment in additional working capital

Highlights

- The Group has capitalised on growth in specialist technology markets
- Revenue exceeded previous peak as market share gains accelerate
- Broad geographic spread with non-UK gross profit increasing to over 60% (2010: 57%)
- Strong growth in permanent recruitment up 29%
- All businesses improved, with overall operating profit and PBT up 47%
- Strong operating cash inflow up 40% before investment in additional working capital
- Interim dividend up 10% to 1.025p per share (2010: 0.935p per share)

Commenting on the results, the Chief Executive Officer, Albert Ellis, said:

"These results demonstrate once again the strength of our brand, reputation and the success of our portfolio of services in driving growth across all our markets. Despite significant organic growth in revenues and profits, working capital was tightly controlled and operating margins improved. The strong balance sheet reflects a positive net cash position and no long term debt.

While markets remain volatile and visibility is limited, the Group's balance sheet and broad portfolio of services, including its IT outsourcing and off shoring capability, should underpin our performance going forward."

ENQUIRIES:

Harvey Nash

Albert Ellis, Chief Executive

Richard Ashcroft, Group Finance Director

College Hill

Mark Garraway

Helen Tarbet

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A presentation of the results will take place at 9:30am this morning at the offices of College Hill, The Registry, Royal Mint Court, EC3N 4QN

CHAIRMAN'S STATEMENT

The Group is pleased to report an excellent set of financial results for the six months ended 31 July 2011, particularly as the global economy slowed during the period. Demand for technology specialists across the world has remained robust and permanent recruitment continues to grow.

The Group's revenues exceeded all previous peaks for the period and the reported 28% growth reflects significant market share gains made during the downturn, as a result of the Group's successful strategy.

Net fee income in relation to permanent recruitment grew strongly in the period and was up by 29% on the previous year. Growth in contract recruitment and offshore outsourcing was robust and the Group benefited from new contracts won in 2010 fully coming on stream in 2011.

There was strong operating cash inflow in the period, up 40% before funding working capital and turnover growth, all of which was organic. Accordingly, the Group will increase its interim dividend by 10% on last year.

Financial Results

The Group's revenue for the six months ended 31 July 2011 was £253.4m (2010: £198.6m), with increases in all three key revenue services: permanent, contract recruitment and outsourcing. Geographic spread broadened further with over 60% of the Group's gross profit generated outside of the UK and Ireland (2010: 57%).

Gross profit increased to £38.6m (2010: £32.0m). In the six months to 31 July 2011 the proportion of permanent recruitment increased to 42% of total gross profit, up from 39% for the comparable period last year, thus benefitting margins. This growth occurred mainly in Europe where permanent revenue increased by 61% compared to the prior year.

Adjusted operating profit increased by 40% to £4.1m (2010: £2.9m) and profit before tax increased by 47% to £3.8m (2010: £2.6m). The net operating margin increased to 10.5% from 8.7% for the comparable period in 2010 reflecting a 4% increase in fee earner productivity and tight control of overheads.

The tax charge for the period was £1.2m (2010: £0.8m) and the effective tax rate, at 32%, has been broadly consistent with prior years (2010: 31%).

Basic earnings per share increased by 47% to 3.45p (2010: 2.35p), in line with the increase in profit before tax.

Balance Sheet

With a significant increase in trading levels, debtors increased by £18.8m to £98.0m (2010: £79.2m) as revenue increased by 28% compared to the same period last year. However, debtor days outstanding were 41.6 days compared to 45.4 days on the 31 July 2010, reflecting tight control of working capital.

Net assets increased by 9% at £61.1m (2010: £56.2m) with tangible net assets increasing by 49% mainly as a result of retained earnings and positive currency movements in relation to translation of foreign assets and balance sheets.

The reduction of £0.3m in the deferred income tax asset from 1 February 2011 mainly arose due to the utilisation of tax losses brought forward. Provisions for liabilities and charges mainly comprise provisions for two onerous property leases which run to December 2011 and September 2013 respectively.

The Group has a strong balance sheet, with net cash of £1.8m (2010: £4.8m), despite the significant increase in revenue and investment in working capital. The Group has no long term debt and continues to have short term working capital facilities of circa £39m available on a rolling twelve month basis in order to fund its growing contracting and outsourcing services.

Cash flow

Operating cash flow was strong at £5.2m, up 40% on the comparable period in 2010 (£3.7m). The cash absorbed into trading activities was £4.2m (2010: inflow £3.2m) of which £8.5m (2010: inflow £0.1m) was invested in working capital and £0.9m (2010: £0.7m) represented tax paid during the period.

Capital expenditure of £0.7m (2010: £0.2m) was incurred on technology and office infrastructure relating to the core business. Client paid project expenditure remained consistent with prior year at £0.1m (2010: £0.1m).

The increased final dividend payment to shareholders in relation to the year ended 31 January 2011 amounted to £1.1m (2010: £1.0m), with dividends paid to non controlling interests of £0.2m (2010: £0.4m). Interest incurred was up by 38% to £0.25m (2010: £0.18m) reflecting the increased investment and higher peaks and troughs in working capital.

Strategy

The Group's strategy is to build and maintain a broad and unique portfolio of services aligned to different stages of the economic cycle and build long term relationships with its clients. The successful implementation of this strategy, underpinned by greater visibility of the outsourcing division's revenue stream, has served the Group well through the financial crisis and will continue to provide support in the future.

Additionally, the Group's strategy to increase diversity through a broad geographic spread has improved stability. During the period under review over 60% of the Group's gross profit derived from markets outside of the UK (2010: 57%) as revenues generated in Europe grew more rapidly than the UK and USA.

Revenue growth has been boosted by significant market share gains as a result of the Group's innovative marketing activities and investment in its brand. Brand recognition has increased in many of its markets. For example in the UK, the Group is now the established leader at all levels of technology recruitment. In the Nordics, the Group has materially increased its leading position relative to the market and the sector as a result of strong organic growth and acquisition.

Across Northern Europe, in the Netherlands, Belgium, Germany and Switzerland, the Group's operations have increased their market share and brand awareness. In Asia, the Group is one of the most recognised employers of technology and graduate talent in Vietnam. This strategy has attracted new business and lowered the cost of new client acquisition, contributing to increased margins.

The strategic objectives for each division within the Group is to improve its market share and expand its portfolio of services geographically, focus on building resilience during uncertain times as well as leveraging demand for permanent recruitment when economic conditions improve.

Looking forward, our proven strategy of achieving sustainable growth through organic expansion combined with bolt-on acquisitions where there exists a clear strategic rationale, should continue to benefit all the Group's stakeholders.

Operational Review

United Kingdom and Ireland

During a period when the market was increasingly challenging, the Group increased revenue by 40% to £83.6m (2010: £59.6m), gross profit by 10% to £15.2m, (2010: £13.8m) and increased operating profit by 13% to £2.2m (2010: £1.9m).

The impact of these significant market share gains have helped to offset the challenging market conditions as the economy slowed. In particular, a number of managed services contracts secured in 2010 were fully operational in 2011 and whilst lower margin, are profitable and provide opportunities for cross selling higher margin services such as permanent recruitment. Growth continues to be found in the

relatively buoyant specialist technology markets such as smart phone application and social media sectors and this trend continues to underpin performance overall.

Although demand from the public sector had been affected by the change in government the impact was only felt in the market in the second half of last year. Despite this, the Group has not only increased its senior executive recruitment revenues in the Health and Education sectors, but it has returned to profits compared to a small loss in the prior year. However, Retail, Consumer, Manufacturing and Professional Services all slowed and the overall impact was a levelling off in senior assignments resulting in revenues being 5% lower than in 2010.

Comparatives in 2010 were relatively strong as the UK recruitment market led Europe in recovery following the financial crisis. Notwithstanding this, all offices and locations throughout the UK and Ireland increased revenues and profits during the period, including Dublin and the City of London, a remarkable achievement given the trading environment.

Rest of Europe

Revenue in mainland Europe increased by 24% to £152.3m (2010: £122.4m), with gross profit 35% higher at £18.8m (2010: £13.9m) and operating profit up by 90% to £1.5m (2010: £0.8m).

Strong demand from the Nordic market benefited the Group's European business following a period of expansion into Norway, Finland and Denmark. Strong organic revenue growth of 33% was reported in Sweden with Denmark and Finland both doubling revenues. In Norway, Bjerke & Luther AS, which the Group acquired last year also grew strongly. The region was up 61% in total. The market in this region was supportive during the period and headcount was increased by 19% year on year.

In Switzerland the business responded to the financial crisis by offering managed services to key financial services clients. The result was an increase in revenues and market share. With a substantial upfront investment in the prior year, the return on this investment flowed through in 2011. Whilst contractor margins in the banking sector have reduced, new placements in the pharmaceutical sector has offset the decline and underpinned the increase in overall profitability.

Revenues in the Netherlands were 5% lower as the recession continued to impact the recruitment market, but as reported in April a recovery is now underway and revenues and profits in July 2011 were higher than in the previous year.

In Belgium, revenues were up 19% overall driven by increased demand from clients in the Pharmaceutical, Telecommunications and Automotive sectors. In France cost reduction measures in 2010 combined with new contract wins resulted in a small contribution compared to a loss in the prior year.

Technology recruitment revenues in Germany grew 39% and the additional revenues secured in 2010 provided by new contracts lifted outsourcing by 16% in constant currency terms. Recovery was broadly spread across all geographic areas and all services including a doubling of permanent revenues. Higher margins were achieved in niche markets where skills shortages are acute, such as specialist technology engineering skills in the automotive markets. The skills shortages also contributed to 19% year on year growth in freelance contractors.

United States

In the US, revenue increased by 6% to £17.5m (2010: £16.6m), gross profit by 8% to £4.6m (2010: £4.3m) and operating profit was up 127% to £0.34m compared to the prior year (2010: £0.15m). The relative strength of the US dollar in 2011 compared to 2010, resulted in underlying revenue increasing 12% and gross profit increasing 16% on a constant currency basis.

Whilst our US business remained remarkably resilient during the downturn delivering annual profits and cash throughout the recession, as recovery took hold headcount was increased to capitalise on the improvement in demand. Growth was strongest in the permanent recruitment market whilst revenues were broadly flat in outsourcing and contracting. This however, masked the change in the market which is reflected in the change in mix. Off shoring growth was strong (+49%) while higher margin strategic

consulting revenues declined 65%. The main driver of growth came from increased demand for permanent recruitment which grew by 37%. This boosted profits and cash flow accordingly.

Board

During the period the Board was pleased to make two further board appointments and also announced the retirement of Gus Moore from the Board as non executive director at the Company's AGM on the 30 June 2011.

The appointment of Margot Katz, as an Executive Director responsible for Group Talent, to the Board with effect from the 1 May 2011, was followed by the appointment of Julie Baddeley as an independent non executive director with effect from 1 September 2011. As previously announced Julie will chair the remuneration committee of the Board.

Dividends

The Board has approved the payment of an interim dividend of 1.025p per share (2010: 0.935p), an increase of 10%, on 25 November 2011 to shareholders on the register at 28 October 2011.

Outlook

The third quarter has started well, with the momentum from the first half continuing into the second half. Demand for technology specialists across the world has remained robust. Nevertheless, the macro economic outlook remains challenging and visibility is limited for permanent recruitment. Historically when business confidence declines, this tends to result in demand migrating from permanent jobs in favour of contract and temporary recruitment. If, as we anticipate, a mild slow down in executive recruitment is broadly offset by increases in contracting and off shoring, the Board is confident that the outturn for the full year remains on track.

Ian Kirkpatrick
Chairman
29 September 2011

Consolidated Interim Income Statement

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
Revenue	253,448	198,588	422,300
Cost of sales	(214,856)	(166,619)	(353,752)
Gross profit	38,592	31,969	68,548
Total administrative expenses	(34,533)	(29,199)	(62,102)
Operating profit before non-recurring items	4,059	2,900	6,479
Non-recurring items	-	(130)	(33)
Operating profit	4,059	2,770	6,446
Finance income	6	12	204
Finance costs	(245)	(178)	(400)
Profit before tax	3,820	2,604	6,250
Income tax expense	(1,215)	(804)	(1,908)
Profit for the period	2,605	1,800	4,342
Attributable to:			
Equity holders of the Company	2,517	1,710	4,253
Non-controlling interests	88	90	89
	2,605	1,800	4,342
Basic earnings per share	3.45p	2.35p	5.85p
Diluted earnings per share	3.41p	2.34p	5.80p

Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
Profit for the period	2,605	1,800	4,342
Foreign currency translation differences	(1,695)	(1,214)	2,003
Other comprehensive income for the period	(1,695)	(1,214)	2,003
Total comprehensive income for the period	910	586	6,345
Total comprehensive income attributable to:			
Equity holders of the company	822	496	6,256
Non-controlling interests	88	90	89
	910	586	6,345

Consolidated Interim Balance Sheet

	Unaudited 31 July 2011 £'000	Unaudited 31 July 2010 £'000	Audited 31 January 2011 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3,580	3,811	3,950
Intangible assets	48,759	47,986	48,717
Deferred income tax assets	2,181	2,573	2,488
	54,520	54,370	55,155
Current assets			
Cash	10,492	13,150	15,588
Trade and other receivables	97,970	79,178	83,670
	108,462	92,328	99,258
Total assets	162,982	146,698	154,413
LIABILITIES			
Non-current liabilities			
Contingent consideration	(19)	(19)	(19)
Deferred income tax liabilities	(296)	(186)	(308)
Provision for liabilities and charges	(150)	(329)	(193)
	(465)	(534)	(520)
Current liabilities			
Trade and other payables	(91,012)	(80,245)	(83,239)
Current income tax liabilities	(1,649)	(1,029)	(1,861)
Borrowings	(8,660)	(8,382)	(7,310)
Provisions for liabilities and charges	(110)	(274)	(135)
	(101,431)	(89,930)	(92,545)
Total liabilities	(101,896)	(90,464)	(93,065)
Net assets	61,086	56,234	61,348
Capital and reserves attributable to equity shareholders			
Share capital	3,673	3,673	3,673
Share premium	8,425	8,425	8,425
Shares to be issued	-	49	-
Fair value and other reserves	15,079	15,079	15,079
Own shares held	(174)	(362)	(304)
Cumulative translation reserve	6,096	4,574	7,791
Retained earnings	27,657	24,293	26,203
	60,756	55,731	60,867
Non-controlling interest in equity	330	503	481
Total equity	61,086	56,234	61,348

Unaudited Consolidated Interim Statement of Changes in Equity

	Share capital	Share premium	Shares to be issued	Fair value and other reserves	Own shares held	Cumulative translation reserve	Retained earnings	Total equity
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 1 February 2010	3,673	8,425	49	15,079	(412)	5,788	23,603	56,205
Profit for the period	-	-	-	-	-	-	1,710	1,710
Currency translation adjustments	-	-	-	-	-	(1,214)	-	(1,214)
Total recognised income and expense for the period	-	-	-	-	-	(1,214)	1,710	496
Employee share option and bonus plan	-	-	-	-	50	-	(39)	11
Dividends paid	-	-	-	-	-	-	(981)	(981)
31 July 2010	3,673	8,425	49	15,079	(362)	4,574	24,293	55,731
Profit for the period	-	-	-	-	-	-	2,543	2,543
Currency translation adjustments	-	-	-	-	-	3,217	-	3,217
Total recognised income and expense for the period	-	-	-	-	-	3,217	2,543	5,760
IFRS 2 Deferred tax charge to equity	-	-	-	-	-	-	(14)	(14)
Employee share option and bonus plan	-	-	-	-	16	-	54	70
Settlement of Deferred consideration	-	-	(49)	-	42	-	7	-
Dividends paid	-	-	-	-	-	-	(680)	(680)
31 January 2011	3,673	8,425	-	15,079	(304)	7,791	26,203	60,867
Profit for the period	-	-	-	-	-	-	2,517	2,517
Currency translation adjustments	-	-	-	-	-	(1,695)	-	(1,695)
Total recognised income and expense for the period	-	-	-	-	-	(1,695)	2,517	822
Employee share option and bonus plan	-	-	-	-	130	-	17	147
Dividends paid	-	-	-	-	-	-	(1,080)	(1,080)
31 July 2011	3,673	8,425	-	15,079	(174)	6,096	27,657	60,756

Consolidated Interim Cash Flow Statement

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
Profit before taxation	3,820	2,604	6,250
Adjustments for:			
- depreciation	1,092	896	1,863
- amortisation	37	24	70
- loss on disposal of fixed assets	-	-	15
- finance income	(6)	(12)	(204)
- finance costs	245	178	400
- share based employee settlement and share option charge	-	11	20
Operating cash flows before changes in working capital	5,188	3,701	8,414
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)			
- (Decrease) in trade and other receivables	(15,781)	(9,088)	(8,707)
- Increase in trade and other payables	7,327	9,399	10,767
- (Decrease) in provisions for liabilities and charges	(67)	(179)	(455)
Cash (outflow)/ inflow from operating activities	(3,333)	3,833	10,019
Income tax paid	(869)	(666)	(964)
Net cash (absorbed by)/generated from operating activities	(4,202)	3,167	9,055
Cash flows from investing activities			
Purchases of property, plant and equipment	(650)	(223)	(593)
Purchases of property, plant and equipment rechargeable to clients	(69)	(86)	(1,916)
Cash acquired with acquisitions	-	575	575
Purchase of subsidiary undertakings	-	(2,043)	(2,043)
Interest received	6	12	204
Net cash absorbed from investing activities	(713)	(1,765)	(3,773)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	62	-	12
Dividends paid to group shareholders	(1,080)	(981)	(1,661)
Dividends paid to non-controlling interests	(239)	(354)	(290)
Interest paid	(245)	(178)	(400)
Increase in borrowings	1,350	1,369	297
Net cash used in financing activities	(152)	(144)	(2,042)
(Decrease)/increase in cash and cash equivalents	(5,067)	1,258	3,240
Cash and cash equivalents at the beginning of the period	15,588	12,159	12,159
Exchange (loss)/gain on cash and cash equivalents	(29)	(267)	189
Cash and cash equivalents at the end of the period	10,492	13,150	15,588

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Corporate 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, the 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 primary listing is on the London Stock Exchange.

The condensed consolidated interim financial information for the six months ended 31 July 2011 was approved for issue on 29 September 2011.

2. 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, which remain the same as those reported in the consolidated financial statements of the Group for the year ended 31 January 2011:

- Economic Environment
The performance of the Group is aligned to the underlying growth of the economies of the countries in which it operates. The group has a number of policies in place to mitigate macro economic risks. These include a unique portfolio of services appropriate to different stages of the economic cycle and a focus on annuity revenue streams which provide greater visibility of revenue.
- Key Clients
The 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.
- Talent
The loss of senior management or key personnel could adversely affect the Group's results. This is mitigated by an ongoing talent management programme, sponsored by the Group's Executive Council and its Group Director of Talent.
- Technology
The Group relies on technology systems to provide services to clients and candidates. These systems are dependent on a number of suppliers that provide the technology infrastructure and disaster recovery solutions. The Group mitigates technology risks by conducting regular reviews of technology both externally with third party providers of IT services and internally.
- Regulatory Environment
The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market. The Group mitigates this risk by taking external professional advice where appropriate and maintaining robust internal controls and processes to ensure compliance with respect to legal and contractual obligations.
- Foreign Exchange
The Group has significant operations outside the UK and is therefore exposed to movements in exchange rates. 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.

3. Accounting Policies

Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 July 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting' and the disclosure and transparency directives of the FSA. It does not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 January 2011. This condensed consolidated interim financial information has not been reviewed or audited by the Group's auditors, PricewaterhouseCoopers LLP.

Nature of financial information

The interim financial information does not constitute statutory financial statements as defined under Section 434 of the Companies Act 2006. The financial information for the year ended 31 January 2011 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Significant accounting policies

In preparing these interim financial statements the same accounting policies, methods of computation and presentation have been applied as those set out in the Harvey Nash Group plc annual report for the year ended 31 January 2011. The accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 January 2011.

4. Segment Information

The chief operating decision maker has been identified as the Group Board. There have been no changes since year end January 2011, in the way the Group Board analyses segmental information.

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

The Group Board analyses segmental information as follows:

Revenue

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
United Kingdom & Ireland	83,615	59,568	131,540
Rest Of Europe	152,309	122,415	256,386
United States	17,524	16,605	34,374
Total	253,448	198,588	422,300

Gross Profit

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
United Kingdom & Ireland	15,172	13,775	28,347
Rest Of Europe	18,785	13,893	31,077
United States	4,635	4,301	9,124
Total	38,592	31,969	68,548

Operating Profit

	Unaudited 6 months ended 31 July 2011 £'000	Unaudited 6 months ended 31 July 2010 £'000	Audited 12 months ended 31 January 2011 £'000
United Kingdom & Ireland	2,194	1,947	2,684
Rest Of Europe	1,524	803	3,220
United States	341	150	575
Operating profit before non-recurring items	4,059	2,900	6,479
Non- recurring items	-	(130)	(33)
Total	4,059	2,770	6,446

5. Taxation

Taxation for the six month period is charged at 31.81% (six months ended 31 July 2010: 30.88%; year ended 31 January 2011: 30.53%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

6. Earnings per Share

	Unaudited 6 months ended 31 July 2011	Unaudited 6 months ended 31 July 2010	Audited 12 months ended 31 January 2011
Profit for the period £'000	2,517	1,710	4,253
Weighted average number of shares	72,902,002	72,654,784	72,698,315
Basic earnings per share	3.45p	2.35p	5.85p

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.

	Unaudited 6 months ended 31 July 2011	Unaudited 6 months ended 31 July 2010	Audited 12 months ended 31 January 2011
Profit for the half year £'000	2,517	1,710	4,253
Weighted average number of shares	72,902,002	72,654,784	72,698,315
Effect of dilutive securities	994,753	518,711	612,315
Adjusted weighted average number of shares	73,896,755	73,173,495	73,310,630
Diluted earnings per share	3.41p	2.34p	5.80p

7. Analysis of Changes in Net Funds

	1 February 2011 £'000	Unaudited Cash flow £'000	Unaudited Foreign exchange movements £'000	Unaudited 31 July 2011 £'000
Net Funds	8,278	(6,417)	(29)	1,832

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

8. Dividends

The Group paid a final dividend of 1.48p per share on 15 July 2011 to shareholders on the register as at 24 June 2011 (2010: final dividend of 1.35p per share was paid on 16 July 2010).

9. Purchases of property, plant and equipment

The Group made cash purchases of property, plant and equipment of £0.7m (2010: £0.3m) in the period. £0.1m of this was recharged to a client. (2010: £0.1m)

10. Capital Commitments

The Group had capital commitments of £0.02m at 31 July 2011 (2010: £0.5m) for which no provision has been made in the accounts. These relate to the acquisition of property, plant and equipment. At 31 July 2011 and 2010, it is all rechargeable to a client.

11. Related party transactions

There have been no related party transactions or changes in the related party transactions described in the January 2011 Annual Report in the six month period.

12. Distribution of Interim Financial statements

Copies of this statement are being dispatched to shareholders who voted to receive a paper copy, and are available to members of the public on the Group's website at www.harveynash.com or from the registered office at 13 Bruton Street, London, W1J 6QA.

Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Harvey Nash Group plc are listed in the Harvey Nash Group plc Annual Report for 31 January 2011. A list of current directors is maintained on the Harvey Nash Group plc website: www.harveynash.com

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

By order of the Board.

Richard Ashcroft
Company Secretary
29 September 2011