

**Harvey
Nash**

ANNUAL REPORT 2002
HARVEY NASH GROUP PLC

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Harvey Nash est un groupe reconnu de Conseil global en Ressources Humaines, avec 544 personnes dans le monde et 26 bureaux en Europe, aux Etats-Unis et en Asie Pacifique. Le savoir-faire et l'expertise du Groupe Harvey Nash reposent sur une offre étendue de prestations de Conseil, à travers ses deux divisions, Consulting Services et Resourcing Services.

Aujourd'hui, la pénurie de candidats oblige les entreprises à trouver des solutions innovantes pour attirer et retenir les plus talentueux d'entre eux. Notre stratégie consiste à poursuivre le développement de nos services à forte valeur ajoutée, dans l'objectif d'aider nos clients à optimiser la gestion de leurs ressources humaines.

Die Harvey Nash Gruppe ist eines der führenden, weltweit tätigen Unternehmen, daß sich auf Personalmanagement spezialisiert hat. 544 Angestellte sind in 26 Niederlassungen in Europa, den USA und Asien für uns tätig. Mit den zwei Geschäftsbereichen Consulting Services und Resourcing Services bietet die Gruppe ein breites Produktportfolio im Bereich Personalmanagement.

Durch die zunehmende Personalknappheit suchen viele Unternehmen nach neuen Wegen um qualifiziertes Personal zu werben und zu halten. Unser Ziel ist es, weiterhin unsere Kunden in die Lage zu versetzen, ihr Human Capital erfolgreich zu managen.

De Harvey Nash groep is, met 544 medewerkers verdeeld over 26 kantoren in Europa de Verenigde Staten en Azië, een leidende organisatie op het gebied van Resource Solutions. De groep biedt een scala van human capital services via haar twee divisies, Consulting Services en Resourcing Services.

Nu de strijd om talent steeds intensiever wordt, zoeken bedrijven naar nieuwe innovatieve manieren om medewerkers aan te trekken en te behouden. Onze strategie richt zich op het blijven ontwikkelen van services met toegevoegde waarde om klanten in staat te stellen om effectief hun human capital te managen.

The Harvey Nash Group is one of the world's leading HR consultancies. We have 544 employees, 26 offices spread across Europe, America and Asia Pacific. Our expertise and know-how are based on a wide range of consulting services, through our two divisions, Consulting Services and Resourcing Services.

As the market for talent becomes increasingly competitive, companies are looking for innovative ways to attract and retain the most talented people. Our strategy is to continue to develop our high-value services, with the aim of helping our clients to optimise their human resources.

Financial Highlights

The Harvey Nash Group is a leading global Resource Solutions organisation with 544 staff worldwide and 26 offices covering Europe, the US and Asia Pacific. The Group provides a range of Human Capital Management services through its two divisions, Consulting Services and Resourcing Services.

- Group turnover increased by 4% to £235.7m
- Group debt reduced by 23% from £28.0m on 31 July 2001 to £21.5m
- Acquired Broadbay Networks, a US-based solutions provider to the broadband industry
- FirstPersonGlobal.com voted 'Recruitment website of the year'
- £14.3m raised via a Placing and Open Offer in February 2002

	2002	2001
Turnover	£235.7m	£226.2m
Operating profit*	£2.8m	£15.4m
Adjusted earnings per share*	1.75p	33.41p
Dividends per share	0.0p	6.9p

*adjusted for amortisation of goodwill and exceptionals

Group at a Glance

We offer a broad and integrated portfolio of services which we bring together to develop tailored solutions to resolve our clients' global resourcing issues.

Consulting Services

Clients are increasingly demanding access to a wider range of services from their professional recruitment providers. Our portfolio of services is recognised as one of the most developed both in terms of the breadth and balance of services we can offer blue-chip clients.

Our Consulting Services Division is truly Pan-European, being able to provide global clients, across a broad range of sectors, with a comprehensive range of Human Capital Management services delivered through our international network of 26 offices.

International Executive Search and Selection

Harvey Nash is one of Europe's leading Executive Search and Selection firms providing senior level executives and H.R. Corporate Intelligence services to a broad range of sectors including Technology, Media, Telecommunications, FMCG retail, Healthcare and Financial Services.

Human Resources Consulting

We provide a broad range of H.R. consulting services, from traditional benefits consulting through to leadership coaching and development, to support our clients in the attraction, retention and development of key personnel.

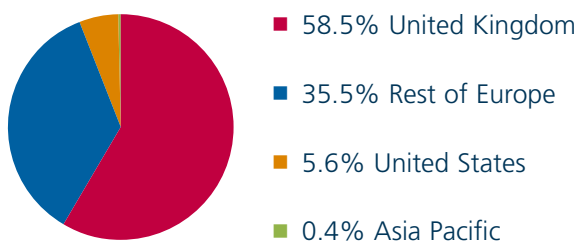
On-line Services

Complementing our traditional Executive Search & Selection services, FirstPersonGlobal.com, our award-winning on-line site, offers a Pan-European career management portal dedicated to serving senior executives in the TMT sector.

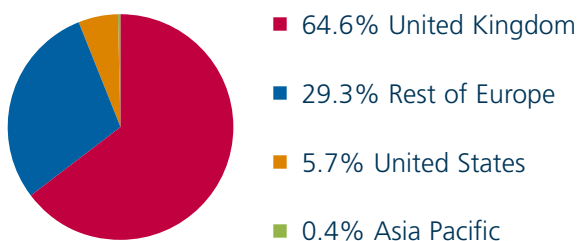
Interim Management

Through Impact Executives, our market leading interim management business, we provide senior executives and highly skilled interim managers to a broad range of global clients to resolve their short term resourcing issues.

Turnover by Geographical Area 2002



Turnover by Geographical Area 2001





Breadth of Service

A market-leading customer focused organisation with the portfolio of services, expertise and geographical reach to solve clients' global resource problems.

Resourcing Services

We have continued to develop our international service delivery capabilities, particularly in the US and Asia Pacific. We are, as a result, well positioned to service the emerging trend of clients requiring IT professionals in multiple countries.

Our Resourcing Services Division provides a broad and innovative range of services to an increasingly wide geographical client and candidate base. Our acquisition of Broadbay Networks, in August 2001, has strengthened our presence in the US market and broadened our service portfolio and client base.

IT Contract Services

Provides IT resourcing solutions to augment in-house resources or specialist skills either through the provision of senior level freelance or retained IT professionals.

File Search

Our File Search service places senior IT professionals on a permanent basis in the UK, Europe and the US.

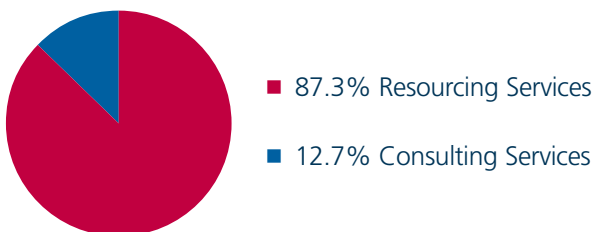
Project Management Services

Through the integration of Techpartners with our recent acquisition, Broadbay Networks, we are able to offer our clients a comprehensive portfolio of end-to-end services, including outsourced field services, specialised training, consultative services and workforce augmentation, throughout the US to support the expansion of the broadband, wireless and ISP sectors.

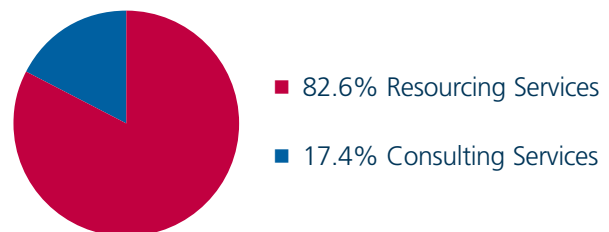
Offshore Development Services

From our base in Asia we provide off-shore software development and IT infrastructure migration services to our global clients on a project basis.

Turnover by Market Sector 2002



Turnover by Market Sector 2001



Chairman's Statement



We've responded to the market challenges and taken steps to adjust our cost base in line with current trading levels.

Ian Kirkpatrick Chairman

Financial results overview

In the year ended 31 January 2002 the Group increased turnover by 4% to £235.7m (2001: £226.2m). Operating profit fell during the year by 82% to £2.8m before interest, amortisation of goodwill and exceptional items (2001: £15.4m).

Profit before taxation, amortisation of goodwill and exceptional items for the year ended 31 January 2002 was £0.8m (2001: £14.1 m).

The loss before taxation was £11.3m (2001: profit £13.0m) which includes exceptional items of £10.7m (2001: exceptional profit £1.3m). The exceptional items relate to the restructuring of the Group's cost base and services, the write down of investments and a goodwill impairment charge. They are in line with Directors' estimates at the time of the Placing and Open Offer.

As was stated in the shareholder circular accompanying the Placing and Open Offer, in view of the results for the year ended 31 January 2002, the Board does not intend to propose a final dividend.

Financing

Revised banking facilities have been concluded with the Group's bankers as a result of the successful Placing and Open Offer. These include a revised repayment schedule, new covenants and revised interest rates. £6.7m of the proceeds from the Placing and Open Offer has been used to further reduce the Group's facilities.

Outlook

As reported in our interims on 15 October 2001 trading conditions have remained challenging with demand and business confidence weakening following the events of September 11.

In line with our peers, levels of activity in the final quarter of the year were substantially below the comparable period in the previous year and this trend has continued into the first quarter, most notably for Consulting Services.

I said at the time of the Placing and Open Offer that there was limited visibility of recovery in the Group's markets, and this remains the case. However, activity levels across the Group have remained broadly unchanged and our operating cost base is in line with revenues.

While trading conditions remain difficult, we will continue to pursue our stated strategy of consolidating Harvey Nash's current market position, maintaining critical mass and preserving an appropriate level of infrastructure. Following the fundraising Harvey Nash is better positioned to take advantage of any recovery in its markets and to increase its market share.

Ian Kirkpatrick Chairman

Chief Executive's Statement



David Higgins Chief Executive

Our strategy is to maintain critical mass and preserve our investment in infrastructure to ensure that we are well positioned to take advantage when markets recover.

Trading

During the year under review the slowdown in the Technology and Telecomms and Financial Services sectors resulted in a substantial fall in demand for the Group's services. This was exacerbated by the events of September 11 as activity levels in the US fell sharply. However, the Group has continued to maintain its global capability throughout this year and has increased its market share.

European Resourcing put in a relatively strong performance and demonstrated the resilience of the business and the strength of our client relationships. Belgium, Germany and Switzerland all increased revenues and profits through increasing the number of IT consultants on client sites and the successful establishment of our File Search service across Europe. Offshore software development also contributed to increased revenues through additional work with its core clients.

Although the UK has been affected by deteriorating business confidence, early actions to reduce costs benefited the Group particularly in the second half of the year when declining revenues were partially offset by cost savings.

The US business has been restructured following the acquisition and integration of Broadbay Networks Inc, and has reduced its monthly operating loss substantially.

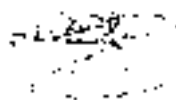
Our investment in the Asia Pacific region will enable Harvey Nash to link the Financial Services markets of Europe and the Far East. Harvey Nash's International Executive Search and Selection Division is now able to operate as a global practice in this area and deliver benefits to clients in a unique way. This region achieved its budgets for the year ended 31 January 2002.

Management and staff

In what has been an extremely difficult year, I would particularly like to express my thanks to the Group's staff and management

for their consistent commitment, loyalty and hard work in the face of challenging market conditions. It is through their actions that Harvey Nash continues to have a premium brand and reputation in its key market.

I was delighted to see that so many of our shareholders (86%) supported the fundraising and this provides a solid base for Harvey Nash to consolidate its market position and preserve infrastructure and critical mass in order to be well positioned when markets recover.



David Higgins Chief Executive

Operating Review



Putting People First

Working closely in partnership and developing long term relationships with our clients, our candidates and our employees to deliver first-class customer service.

Consulting Services

Our Consulting Division has experienced a very difficult year. Overall revenues declined by 24% to £30.0m (2001: £39.4m). Losses before amortisation and exceptional items of £3.0m for the year compared to a record profit in the previous year of £4.0m.

The Executive Search and Selection Technology practice was the most severely affected by the slowdown in demand for senior management. This trend continued into Europe in the second half with Germany recording a higher loss than expected. France slowed down in the final quarter after showing reasonable profit growth in the first half.

The Interim Management business generated similar levels of profits year on year but in line with the overall market experienced weaker demand in the second half.

Following the strategic review, a number of key actions were put in place. Headcount was reduced and remuneration levels re-aligned, three offices were closed and our career management portal, FirstPersonGlobal.com, was integrated with the UK Executive Search and Selection business.

International Executive Search and Selection

Faced with hiring freezes in key clients and weakening demand for Executive Search services, the business has focused upon enhancing the quality of our client relationships and consolidating the range of services we offer.

Enhancing our Pan-European service capability

During the past year we have put in place a Pan-European Key Client Initiative to change the nature of the relationship with key clients from that of a transaction, project-by-project basis towards a more long term strategic partnership.

In recognition of our international clients' need for a consistent delivery capability across all regions, we provide each client with a dedicated account team whose structure mirrors that of the

client. An International Account Director manages the overall client relationship across Europe supported by an appropriate team made up of local, multilingual consultants and researchers based in each of the client's target markets. This flexible, proactive approach gives clients the benefits of our global infrastructure, together with local expertise, whilst making it simple to do business with us.

The original focus for this initiative was the Technology sector but, having been so positively received by clients, it is being extended to key non-Technology clients.

Broadening our service portfolio

The past year has seen our business develop innovative new services to complement the core offering, enabling us to maintain and broaden our relationship with key clients throughout the entire 'attract, retain and develop' life cycle.

Real-time analysis of Human Capital Management issues

For selected Pan-European clients we offer an H.R. Corporate Intelligence service, delivered by an in-house research team working out of our London, Munich, Paris, Utrecht and Brussels offices, that provides real-time information on a range of Human Capital Management issues, such as salaries, benefits and working practices. This is a valuable service for the Technology sector across Europe, where the marketplace changes rapidly and information is quickly out of date.

Helping clients maximise the effectiveness of their people

Over the past 12 months we have expanded our H.R. consulting expertise to offer clients a range of services – such as leadership coaching and development, appraisals, assessment days and management integration programmes. This added value approach, originally offered in Germany with great success, has recently been extended to Paris with the aim of expanding the service across Europe.

Our Consulting Division can provide Pan-European clients with a full spectrum of market leading services to support the entire Human Capital Management process.

	2002	2001
Turnover	£30.0m	£39.4m
Operating (loss)/profit*	(£3.0m)	£4.0m

*adjusted for amortisation of goodwill and exceptionals

Client demand for these services has been encouraging at a time when demand for traditional Executive Search services has been weak.

Interim Management

This year has seen the successful integration of Impact Executives into the Harvey Nash Group enabling us to play a leading role in the European interim management marketplace.

Over the last year, we have successfully placed a number of senior executives with large international clients across Europe and the Middle East (see Case Study). The team has been using Harvey Nash's global infrastructure and focused on developing an international database of candidates to increase our delivery capabilities in this area.

Delivering clients a total solution

Our consultants can rapidly put in place an experienced interim manager to resolve business issues. The integration of the Impact Executives business into the Harvey Nash Group gives the added benefit of being able to offer clients a total solution through a combination of services from across the Consulting Division.

On-Line Services FirstPersonGlobal.com

In October 2001, the quality of our on-line service was recognised when FirstPersonGlobal.com was awarded first prize in the 'Recruitment Service of the Year' category at the prestigious Computing Awards For Excellence, a widely respected benchmark in the industry.

We believe in using all appropriate channels for communicating and managing our relationship with clients and candidates and see our on-line business as being an important, integral part of our Consulting Services Division going forward. So in January 2002 we completed the integration of this business in line with our strategic review.

Case Study Interim Management

Client Major blue-chip bank

Need Client launching a new Pan-European investment service targeted at high net worth individuals. Three months prior to launch, the client identified a key problem area in terms of marketing the service to customers. They urgently needed an interim marketing executive with broad knowledge of the banking sector and in particular their target customers.

Solution We placed a seasoned interim manager with a background of senior positions in marketing with leading advertising agencies. Much of her experience had been with blue-chip banks and her speciality was marketing to high net worth customers.

Benefits Interim manager settled in quickly and within a month significant progress had been made. Within three months costs were falling, wastage in marketing expenditure was dramatically reduced by a clearer focus and a skills balance had been achieved in the marketing team. Extensive and prominent front-page coverage by Europe's leading financial media enabled the bank to achieve one of their key aims, first mover advantage.

The Result The client was so satisfied with the interim manager that they extended the interim period for a year, to work in other parts of the business to assist with their marketing initiatives.

Operating Review



Leading the Way in servicing our clients and candidates through combining global client management with strong local delivery capability.

Resourcing Services

Despite the tough market conditions, our Resourcing Division has held up well, increasing revenue by 10% from £187m in 2001 to £206m in 2002. European Resourcing fared the best with a 29% increase in revenues in 2001 compared to a 9% decline in the UK. Revenues from the US were broadly flat year on year.

Operating profit declined from £11.4m in 2001 to £5.7m in 2002. In 2001 £0.5k of operating profit was generated from the US but this fell to a loss of £2m in 2002 following the downturn in the US economy and the dramatic fall in demand in the Technology and Telecomms sectors.

UK and Europe

Operating profits from Europe were up year on year but the European economy slowed in the second half of the year and this has resulted in lower run rates in the final quarter. Although it is early in the current year, the number of IT professionals at client sites worldwide are broadly in line with the management's expectations.

Key to the growth in revenues has been our focus on building upon our well-established relationships with key clients and enhancing the quality of the services we deliver to them. Through developing what clients are looking for, both in terms of skills and services, we have been able to develop solutions tailored to resolving their specific resourcing issues (see Case Study).

Developing stronger relationships with key clients

Many of our clients are Pan-European. They increasingly value access to our global network of offices and our ability to offer a total solution. We have developed a structured approach that combines Pan-European client management with strong local delivery.

In the UK, we have introduced a Candidate Relationship Management programme to enhance our service to candidates, recognising the value to our own business of having a network of highly skilled and loyal IT professionals.

Regular feedback from clients and candidates undertaken as part of our Quality Charter, has seen a significant improvement in the quality of our processes.

US Operations

The acquisition in August 2001 of Broadbay Networks Inc, a US-based H.R. outsourced solutions provider to the broadband industry, has already started to deliver significant advantages both from the flexibility of being able to offer clients project-based solutions in addition to the cross-selling opportunities it presents.

Long term relationships with Fortune 500 clients

The successful integration of the Techpartners and Broadbay businesses has diversified our client base which has evolved to substantially comprise Fortune 500 companies. Client relationships are strong with projects lasting up to 18 months.

Developing cost-effective solutions for our clients

Large data networking companies will normally use a specialist consultancy to help staff the project. Broadbay is able to offer clients a more efficient and cost-effective solution. Together with strategic alliances we have with large solution providers, such as GE Capital, this has helped us win significant new business contracts and differentiate our service from the commodity end of the market.

Offshore Development

This year has seen the profitable growth of our offshore development business, an innovative service launched in June 2000 to offer our

Harvey Nash is leading the way in providing clients with innovative, high quality solutions tailored to resolve their resourcing issues.

	2002	2001
Turnover	£205.7m	£186.9m
Operating profit*	£5.7m	£11.4m

*adjusted for amortisation of goodwill and exceptionals

clients a cost-effective solution for software development, system integration and e-commerce applications.

Throughout the year we have continued to establish our credibility and grow our business with a leading European telecommunications company.

Our base in Asia provides us with cost-effective access to scarce object-orientated skills increasingly in demand. Together with our proven track record and the benefits gained from being part of the Harvey Nash Group, the business is well positioned to take advantage of the trend to outsourcing.

Working to improve the efficiency of our core business

Internally our offshore development team have helped us develop a cost-effective means of improving the efficiency of our contracting business. With many consultants and interim managers out in the field, an efficient time recording system is critical. Our offshore team has developed an automated management system, enabling time-submission electronically over the Internet and automation of the back-office processes. This has improved both the efficiency and quality of our operations.

Combined with regular feedback from our client and candidate satisfaction questionnaires, undertaken as part of our Quality Charter, we have seen a significant improvement in the quality of our candidate database.

Case Study IT Contracting

Client Swiss financial services company

Need Client required a large team of specialist technical professionals to internally support a large-scale project being run by a third party consulting company. Initially the organisation was considering using several resource solution providers to service their needs.

Solution We developed an understanding of the client's needs and delivered a unique solution. We set up and resourced an Oracle Competency Centre to supply specialist technical skills and support the teams across the entire project, providing on average 20 consultants throughout last year.

Benefits Our solution not only resolved the client's resourcing problem, but provided the added benefits of having a single point of contact to co-ordinate and manage the Centre and a quality, responsive service with price, quality and deadline guarantees.

The Result The project has been running for over 18 months and Harvey Nash continues to be integrally involved with the project.

Financial Review



Albert Ellis Group Finance Director

As a result of the Placing and Open Offer the Group's gearing will be significantly reduced.

Turnover

Group turnover for the year increased 4% (2001: 50%) to £235.7m (2001: £226.2m). Mainland Europe contributed 36% (2001: 29%) of the total with the USA and Asia Pacific contributing 6% (2001: 6%).

Turnover from the acquisition of Broadbay Networks Inc in the US was £2.5m in the post-acquisition period.

The gross margin fell from 24.4% in 2001 to 21.9% in 2002 reflecting the impact of reduced net fee income in the Consulting Division and the change in revenue mix.

Operating profits

During the year under review, operating profit declined by 82% to £2.8m (2001: £15.4m) before exceptional items of £10.7m and amortisation of goodwill. Interest paid increased to £2.1m (2001: £1.4m) as a result of increased borrowings.

The exceptional items comprised restructuring and redundancy costs of £3.2m, associated closure provisions relating to Resource Management (including a settlement of a contract dispute) of £1.5m, amounts written off investments of £1.0m and a goodwill impairment charge associated with Techpartners' US business of £5.0m. The goodwill amortisation charge before the exceptional Techpartners impairment charge for the year is £1.4m.

Operating profit, adjusted for amortisation and exceptional items, from the UK was £1.3m (2001: £10.5m), mainly as a result of the decline in demand for Executive Search. The cost of property acquired in 2000 to support growth and development of the UK Resourcing business has also negatively impacted operating profits.

Operating profits from mainland Europe fell by 13% to £4.0m (2001: £4.6m) as demand slowed for Executive Search, particularly in Germany. The fall in revenues and profits in European Consulting was partly offset by increases in European Resourcing.

Techpartners in the US produced a loss of £2.0m (2001: £0.5m profit).

Earnings per share

Earnings per share, adjusted for goodwill amortisation and exceptional items, were 1.75p (2001: 33.41p).

Taxation

The Group has not recorded a tax charge for the year due to the losses incurred, including restructuring costs, and the offsetting of tax charges arising in profitable territories by the anticipated future utilisation of certain tax losses.

Acquisitions

The first tranche £3.7m deferred consideration for the acquisition of Techpartners was paid in April 2001, being £1.7m in cash, £0.2m in loan notes and £1.8m in ordinary shares. There was no further consideration due for the year ended 31 December 2001. The estimate of the potential further deferred consideration payable on the Techpartners acquisition was revised down to £nil in the year with a corresponding reduction in the associated goodwill intangible asset.

The acquisition of Broadbay Networks Inc was made in August 2001. The initial consideration of \$675,000 (£0.5m) was satisfied in cash and was calculated by reference to the net assets of Broadbay at 30 June 2001 of \$1.1m (£0.8m). Deferred consideration of approximately \$1.3m (£0.9m) will be payable in the first half of the year ended 31 January 2003 and will be satisfied by the issue of shares.

Deferred consideration of £1.7m was paid in cash to PA Consulting in the second half of the year representing final payment in satisfaction of the agreement to purchase the Impact Executives Group.

On 10 December 2001 the Group purchased the remaining 10% of Harvey Nash NV (previously European Experts NV) for BEF60m (£0.9m) of which BEF40m (£0.6m) was paid in cash and BEF20m (£0.3m) in shares.



Responding to the Challenges

Taking action to ensure that we are flexible and able to respond quickly to any upturn in market activity.

Goodwill

During the year goodwill of £5m relating to Techpartners' US business was written off in accordance with the results of a goodwill impairment review.

Balance sheet and cashflow

The value of intangible assets has been reduced by the write off of goodwill and the write back of £21.4m of deferred consideration relating to Techpartners. Investments in the Group's own shares have been written down to market value and other investments have been written down to £1.

Trade debtors have reduced to £25.2m (2001: £41.8m), as a result of strong cash collection with a 16% reduction in average day sales in debtors combined with lower trading levels. This resulted in cash inflow from operating activities of £12.8m (2001: £9.2m).

Although net debt increased by £1.4m over the year from £20.1m to £21.5m, although this compares favourably to net debt at 31 July 2001 of £28.0m.

Cash outflow from acquisitions of £4.6m was mainly deferred consideration of £3.3m. Capital expenditure of £2.1m was split as follows: £1.5m in the first half of the year (cash effect of commitments made in 2000) and £0.6m in the second half. Finally, taxation of £3.6m was paid which related to the prior year.

Placing and Open Offer

On 22 February 2002, Harvey Nash Group plc announced the Placing and Open Offer of 22,632,181 new ordinary shares at an issue price of 63p each. This raised approximately £14.3m net of expenses which will be used to reduce debt and provide working capital for future growth.

Throughout 2001 the Group faced deteriorating market conditions and was severely affected by the downturn in its core markets. Against this challenging backdrop, the Group has restructured its operations and also its Balance Sheet to ensure financial flexibility which will enable the Group to respond quickly to any upturn in market activity.



Albert Ellis Group Finance Director

Board of Directors



Ian Kirkpatrick Non-Executive Chairman, aged 57. Following a career in consultancy, stockbroking and commerce, he joined Bank of Scotland and became a director in the banking division of British Linen Bank Limited, its subsidiary. He is currently non-executive director of a number of companies. He was appointed Chairman of Harvey Nash in January 1997.



David Higgins Chief Executive, aged 43, appointed in February 2000 and co-founder of the business. He was previously Joint Managing Director with responsibility for the Consulting Services Division.



Albert Ellis Group Finance Director, aged 38, appointed in February 2000. He joined the Group in July 1998 as UK Finance Director. He was previously a divisional Finance Director with Hays Plc.



Tom Crawford Non-Executive Deputy Chairman, aged 51 and co-founder of the business. He was previously Executive Director with responsibility for acquisitions and corporate development.



David Treacher Non-Executive Director, aged 39 and co-founder of the business. He was previously Joint Managing Director with responsibility for the IT Contract Services Division.



Gus Moore Non-Executive Director, aged 64. He was appointed in April 1999. He was previously on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom CSL. He is currently non-executive director of a number of companies.

Directors, Secretary and Advisers

Directors	Ian Kirkpatrick, BSc, MBA	Non-Executive Chairman
	David Charles Higgins, BSc	Chief Executive
	Albert George Hector Ellis, BACC, CA (SA)	Group Finance Director
	Gus Moore	Non-Executive Director
	Thomas Francis Alexander Crawford	Non-Executive Deputy Chairman
	David Hedley Treacher, BSc	Non-Executive Director

Secretary Albert George Hector Ellis, BACC, CA (SA)

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Chartered Accountants
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Principal Bankers National Westminster Bank Plc
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Directors' Report

Year ended 31 January 2002

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2002.

Principal Activities

The Group's principal activity during the year was the provision of recruitment services, in particular providing information technology professionals for permanent and contract positions worldwide.

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

Results and Dividends

The Group's loss before tax for the year was £11.3m (2001: £13.0m). No dividends have been declared in the year.

Share Capital

On 8 August 2001, the Company issued 368,594 new ordinary shares, with a value of £1.8m, in relation to the deferred consideration for the purchase of the Techpartners International Limited group and these shares were admitted to the Stock Exchange Official List.

On 11 December 2001, the Company issued 249,082 new ordinary shares, with a value of £0.3m, in relation to the purchase of the 10% minority interest in European Experts NV and these were admitted to the Stock Exchange Official List.

Throughout the year the Company also issued 8,714 shares as part of the Company Sharesave scheme. All shares were admitted to the Stock Exchange Official List.

These share issues increased the number of shares in issue to 30,178,992 ordinary shares with a nominal value of £1,508,950.

Directors and their Interests

The Directors who held office during the year and at the date of this report are shown on page 13. Ian Furniss, formerly Managing Director of Group Operations, resigned on 23 April 2001. In accordance with the Company's Articles of Association, David Higgins retires by rotation and, being eligible, offers himself 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. Their beneficial interests in the ordinary share capital of the Company during the year and up to the date of this report were as follows:

	12 April 2002	31 January 2002	31 January 2001
I Kirkpatrick	5,250	3,000	3,000
TFA Crawford	4,453,017	4,095,875	3,661,450
DC Higgins	8,388,023	4,793,157	4,206,007
G Moore	—	—	—
DH Treacher	5,213,325	4,776,818	4,235,643
A Ellis	—	—	—

The increase in Directors' shareholdings at 12 April relates to the take-up of all or part of their entitlement under the Placing and Open Offer. Full details are given in the Finance Director's review.

Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee Involvement

Consultation with employees is of considerable importance to the Group. The views of employees are taken into account when decisions are made which are likely to affect their interests and all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees is made through conferences, announcements, intranet, briefing groups and the distribution of the annual report.

Equal Opportunities

The Group is committed to the principle of Equal Opportunities both as an employer and as a recruitment services provider. All decisions relating to employment practices are objective, free from bias and based upon work criteria and individual merit.

Creditor Payment Policy

The Group's creditors are paid in accordance with terms agreed with them prior to the supply of goods or services. The Group pays all contractors providing IT services within 14 days (2001: 7 days) of receipt of their invoice. Other trade creditor days of the Group for the year ended 31 January 2002 were 38 days (2001: 31 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 12 April 2002 the Company had been notified that, in addition to holdings in which the Directors are beneficially interested, there were holdings of 3% or more in the ordinary share capital of the Company as follows:

	Number of shares	% of total
Fidelity	6,863,015	13.00
Unicorn	6,596,975	12.49
M & G	2,899,227	5.49
UBS	2,371,799	4.49
Merrill Lynch	2,298,234	4.35

In addition, TFA Crawford, DC Higgins and DH Treacher in their capacity as trustees of the Harvey Nash Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme are each deemed to be interested in 1,448,025 ordinary shares. Their respective beneficial entitlement to ordinary shares under such schemes have been included in Directors' Interests.

Directors' and Officers' Liability Insurance

Insurance has been taken out by the Company (as permitted by Section 310(3) of the Companies Act 1985) for its Directors and officers against liabilities in relation to the Company.

Employee Share Schemes

The Directors consider that the opportunity to own shares in the Group is a vital part of motivating and retaining employees. Details of the share schemes are included on pages 20 and 21.

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.

Political and Charitable Donations

The Group made no political or charitable donations during the year.

Re-appointment of Auditors

In accordance with Sections 384 and 385 of the Companies Act 1985, a resolution will be put before the shareholders at the Annual General Meeting to re-appoint PricewaterhouseCoopers as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

On behalf of the Board

Albert Ellis Company Secretary

12 April 2002

Corporate Governance

The Group fully supports the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the London Stock Exchange.

Application of Principles of Good Governance

Directors

At 12 April 2002 the Board of Directors comprised two Executive and four Non-Executive Directors.

The Board meets monthly, receives a defined supply of information and has adopted a schedule of matters specifically reserved to itself for decision. In relation to non-reserved matters it is assisted by a number of committees with delegated authority.

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), Gus Moore and David Treacher, all of whom are Non-Executive Directors.

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 Remuneration Committee has responsibility for approving service contracts for all Executive Directors, granting options under share option schemes and setting appropriate performance criteria. It also determines remuneration, including salaries, bonuses and all other benefits for the Executive Directors.

The Remuneration Report is included on pages 18 to 21.

Nomination Committee

The Nomination Committee meets on an ad-hoc basis to review candidates and make recommendations for Board member appointments. The members of the Committee are Ian Kirkpatrick (Chairman), Gus Moore and David Higgins.

Directors' Remuneration

Details of Directors' remuneration and the procedures for developing policy on executive remuneration and for fixing the remuneration of the Board are contained in the Remuneration Report set out on pages 18 to 21.

Relations with Shareholders

The Company maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required. All shareholders are welcome to attend the AGM and private investors are given the opportunity to ask questions.

Accountability and Audit

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

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

Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls and 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 confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and accords with the Turnbull guidance.

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 businesses and their 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.

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 and reporting of monthly actual performance against them; and
- the operation of an Audit Committee, supported by an internal audit function.

The Directors have reviewed the systems of internal financial control in operation during the year.

Compliance with Code Provisions

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

Code Provision A2.1

The Board does not consider it necessary to appoint a senior independent Non-Executive member of the Board in addition to the Company's existing independent Non-Executive Chairman.

Code Provision A3.2

The Company has four Non-Executive Directors, two of whom, David Treacher and Tom Crawford, are considered non-independent.

Going Concern

After having made appropriate enquiries including a review of the 2002/2003 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 accounts.

Albert Ellis Company Secretary

12 April 2002

Remuneration Report

The Remuneration Committee is composed of two independent Non-Executive Directors, Ian Kirkpatrick and Gus Moore. The Committee is chaired by Ian Kirkpatrick. The Committee has been established with written terms of reference approved by the Board.

Compliance

The Company has complied throughout the year ended 31 January 2002 with Section A of the best practice provisions on Directors' remuneration annexed to the Listing Rules of the Stock Exchange.

In framing the Company's remuneration policy, the Remuneration Committee has given full consideration to Section B of the best practice provisions regarding 'Remuneration policy, service contracts and compensation'. The Committee meets when required to consider all aspects of Executive Directors' remuneration.

Details of the remuneration of Executive and Non-Executive Directors for the year are set out below.

Remuneration of Non-Executive Directors

Fees payable to the Non-Executive Directors are determined by the full Board at the beginning of each financial year having given due consideration to market practice. The Non-Executive Directors serve under letters of appointment and their appointment is terminable by either side giving not less than six months' written notice at any time.

Policy on Executive Directors' Remuneration

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 they are supportive of the Group's business objectives and the creation of shareholder value. The components of the Group's remuneration packages are as follows:

Salary

The basic salary of each Director is determined by the Remuneration Committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual bonus

The executive Directors' performance payments are based on Group earnings per share growth and specific business profit targets for the year.

Share options

The Board believes that share ownership by Executive Directors and key staff strengthens the shared interests between employees and shareholders. The Remuneration Committee has a policy of phasing grants under share option schemes rather than awarding them in one large block. The share option schemes are described below.

Pensions

The Group contributes 10% of each Executive Director's annual salary to a pension scheme nominated by the Executive Director.

Terms of engagement

No Director has a notice period in excess of 12 months, which is consistent with Group policy. David Higgins, being the director proposed for re-election at the forthcoming annual general meeting has a letter of engagement that provides for 12 months' notice.

Directors' Remuneration for the year ended 31 January 2002

	Salary £	Car allowance £	Bonus £	Fees £	Total £	Pension and health insurance £	Compensation for loss of office £
David Higgins	205,500	12,000	—	—	217,500	20,993	—
Tom Crawford	—	—	—	15,000	15,000	581	—
Ian Furniss	222,330	2,714	—	—	225,044	4,168	30,000
Albert Ellis	175,500	12,000	—	—	187,500	18,371	—
Ian Kirkpatrick	—	—	—	44,850	44,850	—	—
David Treacher	—	—	—	15,000	15,000	—	—
Gus Moore	—	—	—	19,500	19,500	—	—
	603,330	26,714	—	94,350	724,394	44,113	30,000

Directors' Remuneration for the year ended 31 January 2001

	Salary £	Car allowance £	Bonus £	Fees £	Total £	Pension and health insurance £	Compensation for loss of office £
David Higgins	155,000	12,000	46,500	—	213,500	15,500	—
Tom Crawford	155,000	12,000	46,500	—	213,500	15,500	—
Ian Furniss	155,000	12,000	46,500	—	213,500	15,500	—
Albert Ellis	110,000	12,000	33,000	—	155,000	11,299	—
Ian Kirkpatrick	—	—	—	42,000	42,000	—	—
David Treacher	—	—	—	18,000	18,000	363	—
Gus Moore	—	—	—	18,000	18,000	—	—
Brian Berg	—	—	—	7,500	7,500	—	—
	575,000	48,000	172,500	85,500	881,000	58,162	—

Directors' Interests in Shares and Options as at 31 January 2002

	Ordinary shares	Scheme date	Options			Exercise price (£)
			HNOS	PRS	SS	
David Treacher	4,776,818	April 1997	—	—	12,321	1.40
David Higgins	4,793,157	April 1997	—	—	12,321	1.40
Tom Crawford	4,095,875	April 1997	—	—	12,321	1.40
Ian Kirkpatrick	3,000	—	—	—	—	—
Gus Moore	—	—	—	—	—	—
Albert Ellis	—	July 1998	—	28,776	—	3.475
	—	July 2000	—	78,013	—	7.30
	—	October 2001	—	200,000	—	1.15
	—	July 1999	—	—	6,617	2.55

Post year-end all Directors have exited the Sharesave Schemes.

Remuneration Report

(continued)

Directors' Interests in Shares and Options as at 31 January 2001

	Ordinary shares	Scheme date	Options			Exercise price (£)
			HNOS	PRS	SS	
David Higgins	4,206,007	April 1997	—	—	12,321	1.40
David Treacher	4,235,643	April 1997	—	—	12,321	1.40
Tom Crawford	3,661,450	April 1997	—	—	12,321	1.40
Ian Furniss	5,714	April 1997	214,285	—	—	Nil
	—	April 1997	—	16,348	—	1.84
	—	May 1998	—	40,000	—	1.75
	—	July 2000	—	23,668	—	4.225
	—	April 1997	—	111,447	—	7.305
	—	—	—	—	12,321	1.40
Brian Berg	5,714	—	—	—	—	—
Ian Kirkpatrick	3,000	—	—	—	—	—
Gus Moore	—	—	—	—	—	—
Albert Ellis	—	July 1998	—	28,776	—	3.475
	—	July 2000	—	78,013	—	7.305
	—	July 1999	—	—	6,617	2.55

Included in the above, pursuant to the provisions of the Companies Act 1985, DH Treacher, DC Higgins and TFA Crawford, are deemed to be interested, in their capacity as trustees, in the ordinary shares of the Company held by Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme. As at the date of this report and 31 January 2002, the interest was in a total of 1,448,025 ordinary shares.

The market price of an ordinary share at 31 January 2002 was 94p and the range during the year was 785p to 94p.

Share Option Schemes

Under the terms of the Share Option Schemes, and subject, where appropriate, to Inland Revenue approval being obtained, the number of ordinary shares subject to options and/or the exercise price of options will be adjusted as a result of the post balance sheet placing and open offer in such manner as the auditors of the Company certify to be fair and reasonable.

At 31 January 2002, 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 Share Options Scheme 1997

The Harvey Nash Group plc Share Options Scheme holds 249,859 ordinary shares. These shares were gifted to the trust by TFA Crawford, DC Higgins and DH Treacher to the Harvey Nash Group plc Employment Benefit Trust Limited and are shown at nil value in the Group financial statements as they were gifted for nil consideration. Since the scheme was established in 1997 it is an exempt scheme to which membership is conditional upon continued employment.

Number of ordinary shares subject to option	Date granted	Consideration	Exercisable from	Exercisable until	Exercisable price (p)
181,286	25/3/1997	Nil	25/3/2000*	25/3/2004	Nil
25,000	7/12/2000	Nil	1/4/2004*	7/12/2007	Nil
25,000	14/6/2001	Nil	14/6/2004*	14/6/2008	Nil
231,286					

*Exercise on or after such date limited to 25% of grant, with a further 25% exercisable on or after each six month period for the next eighteen months.

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 twelve months. The options granted under the Performance Related Scheme are not exercisable unless Harvey Nash's earnings per ordinary share has increased at an average rate of 10% per annum over any period of three consecutive years commencing on the date of grant of the options. The schemes' exercise price is determined by the Board but will not be less than the middle market quotation of an ordinary share on the dealing day immediately preceding the day on which the option is granted. In this respect no UITF17 charge arises for the Company. The Harvey Nash Group plc Performance Related Share Plan is an Inland Revenue Approved Scheme, however, 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	No. Inland Revenue Approved/ Unapproved options	Exercise price (p)	Exercised	Lapsed	Options at 31 January 2002
8 April 1997	8/4/2000	8/4/2007	217,992	183.5	95,371	76,300	46,321
8 April 1997	8/4/2000	8/4/2004	187,778	175.0	142,328	—	45,450
19 May 1998	19/5/2001	19/5/2008	287,812	422.5	—	155,281	132,531
31 July 1998	31/7/2001	31/7/2008	86,329	347.5	—	47,533	38,776
28 May 1999	28/5/2002	28/5/2009	303,000	298.5	—	172,000	131,000
3 November 1999	3/11/2002	3/11/2009	22,220	427.5	—	7,017	15,203
27 July 2000	27/7/2003	27/7/2010	1,034,689	730.5	—	284,153	750,536
8 August 2000	8/8/2003	8/8/2010	128,819	757.0	—	30,130	98,689
19 October 2001	19/10/2004	19/10/2011	600,000	115.0	—	—	600,000

The Harvey Nash Group plc Sharesave Scheme

On 2 April 1997 options over 319,534 ordinary shares were granted to 78 employees under the Sharesave Scheme at a price of £1.40, 80% of the then market price. The 3 year plan matured in April 2000. Options over 51,748 shares are still held under the 5 year plan.

On 1 July 1999 options over 142,202 ordinary shares were granted to 70 employees under a second Sharesave Scheme at a price of £2.55, 80% of the then market price. Options over 39,042 shares are still held under the 3 year plan and options over 18,528 shares are still held under the 5 year plan.

On 6 November 2000 options over 214,025 ordinary shares were granted to 250 employees under a third Sharesave Scheme at a price of £6.67, 80% of the then market price. Options over 10,737 shares are still held under the 3 year plan and options over 6,068 shares are still held under the 5 year plan.

The Sharesave Scheme is an Inland Revenue Approved Scheme. Furthermore, there is no UITF17 charge to the Company on grant of shares as the scheme is specifically exempted under the abstract.

The Harvey Nash Long Term Incentive Plan

During the year the Plan was terminated and all employee contributions returned to the individuals.

On behalf of the Board

Ian Kirkpatrick Chairman

12 April 2002

Directors' Responsibilities in Relation to the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance of the Group's website, however information published on the internet is accessible in many different countries where legislation governing the preparation and dissemination of financial statements may differ from that applicable in the United Kingdom. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors do not accept responsibility for changes that may have occurred to the financial statements since they were initially presented on the website.

Independent Auditors' Report to the members of Harvey Nash Group plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Financial Highlights, the Chairman's statement, the Chief Executive's statement, the Operating review, the Finance Director's review, the Directors' report, the Corporate Governance statement and the Remuneration report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 January 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London
12 April 2002

Consolidated Profit and Loss Account

Year ended 31 January 2002

	Notes	Results before amortisation of goodwill and exceptional items 2002 £'000	Amortisation of goodwill and exceptional items 2002 £'000	Results after amortisation of goodwill and exceptional items 2002 £'000	2001 £'000
Turnover					
Continuing operations	2 & 3	233,186	—	233,186	226,249
Acquisitions		2,534	—	2,534	—
		235,720	—	235,720	226,249
Cost of sales		(184,211)	—	(184,211)	(171,108)
Gross profit		51,509	—	51,509	55,141
Administrative expenses					
excluding goodwill amortisation	14	(48,724)	(9,688)	(58,412)	(40,092)
goodwill amortisation	14	—	(1,386)	(1,386)	(2,417)
		(48,724)	(11,074)	(59,798)	(42,509)
Group operating (loss)/profit					
Continuing operations		2,664	(11,074)	(8,410)	12,632
Acquisitions		121	—	121	—
Total operating (loss)/profit	3	2,785	(11,074)	(8,289)	12,632
Profit on sale of investments		—	—	—	2,285
Amounts written off investments		—	(1,026)	(1,026)	(639)
Interest receivable	6	70	—	70	50
Interest payable	6	(2,101)	—	(2,101)	(1,357)
(Loss)/profit on ordinary activities before taxation	4	754	(12,100)	(11,346)	12,971
Taxation on profit on ordinary activities	7	(168)	168	—	(5,606)
(Loss)/profit on ordinary activities after taxation		586	(11,932)	(11,346)	7,365
Equity minority interest	23	(76)	—	(76)	(66)
(Loss)/profit for the financial year		510	(11,932)	(11,422)	7,299
Dividends	8	—	—	—	(1,961)
Retained (loss)/profit for the financial year		510	(11,932)	(11,422)	5,338
Basic (loss)/earnings per share	10			(39.38)p	26.09p
Diluted (loss)/earnings per share	10			(39.38)p	24.63p
Adjusted earnings per share	10			1.75p	33.41p

Consolidated and Company Balance Sheets

as at 31 January 2002

		Group 31 January 2002 £'000	Group 31 January 2001 £'000	Company 31 January 2002 £'000	Company 31 January 2001 £'000
	<i>Notes</i>				
Fixed assets					
Intangible fixed assets	11	30,631	57,744	—	—
Tangible fixed assets	12	5,191	4,661	—	—
Investments	13	178	1,099	51,622	72,900
		36,000	63,504	51,622	72,900
Current assets					
Debtors	15	30,035	50,374	5,385	3,190
Investments		—	96	—	—
Cash at bank		1,587	2,923	23	—
		31,622	53,393	5,408	3,190
Creditors due within one year	16	(28,686)	(39,609)	(821)	(6,488)
Net current assets/(liabilities)		2,936	13,784	4,587	(3,298)
Total assets less current liabilities		38,936	77,288	56,209	69,602
Creditors due after more than one year	17	(16,250)	(36,227)	(21,694)	(27,983)
Net assets		22,686	41,061	34,515	41,619
Capital and reserves					
Share capital	20	1,509	1,478	1,509	1,478
Shares to be issued	21	884	9,462	884	9,462
Share premium account	21	4,897	4,885	4,897	4,885
Capital contribution	21	—	—	20,000	20,000
Other reserves	21	9,538	7,482	7,796	5,740
Profit and loss account	21	5,858	17,485	(571)	54
Equity shareholders' funds		22,686	40,792	34,515	41,619
Equity minority interests	23	—	269	—	—
Capital employed		22,686	41,061	34,515	41,619

The financial statements on pages 24 to 48 were approved by the Board on 12 April 2002 and signed on its behalf by:

Ian Kirkpatrick Chairman

Albert Ellis Group Finance Director

Consolidated Cash Flow Statement

Year ended 31 January 2002

	Notes	2002 £'000	2001 £'000
Net cash inflow from operating activities	24	12,782	9,193
Returns on investments and servicing of finance			
Interest received		70	50
Interest paid		(2,085)	(1,357)
Interest element of finance lease repayments		(16)	—
Net cash outflow from returns on investments and servicing of finance		(2,031)	(1,307)
Tax paid		(3,583)	(3,522)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,090)	(3,263)
Sale of investment		—	3,402
Purchase of fixed asset investments		—	(933)
Purchase of own shares		—	(459)
Net cash outflow from capital expenditure		(2,090)	(1,253)
Acquisitions and disposals			
Purchase of subsidiary undertakings	22	(4,581)	(14,505)
Purchase of a trade		—	(1,534)
Net (overdraft)/cash acquired with subsidiary undertakings		(21)	1,784
Net cash outflow from acquisitions		(4,602)	(14,255)
Equity dividends paid		(1,283)	(1,803)
Financing			
Issue of share capital		—	565
Repayment of loan notes		(1,999)	—
Repayment of acquired debt		(360)	(2,144)
Movement in borrowings		1,376	13,524
Proceeds from sale and finance leaseback		667	—
Capital element of finance lease repayments		(114)	(38)
Net cash (outflow)/inflow from financing		(430)	11,907
Decrease in cash in the year	25	(1,237)	(1,040)

Statement of Total Recognised Gains and Losses

Year ended 31 January 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(11,422)	7,299
Currency translation differences on foreign currency net investments offset in reserves	(205)	457
Total recognised (losses)/gains for the year	(11,627)	7,756

Historical Cost Profits and Losses

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

Reconciliation of Movements in Shareholders' Funds

Year ended 31 January 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(11,422)	7,299
Equity dividends	—	(1,961)
Issue of share capital	31	55
(Reduction)/increase in shares to be issued	(8,578)	9,462
Share premium	12	549
Other reserves	2,056	5,740
Currency translation differences on foreign currency net investments offset in reserves	(205)	457
Net (decrease)/increase in equity shareholders' funds	(18,106)	21,601
Opening shareholders' funds	40,792	19,191
Closing equity shareholders' funds	22,686	40,792

Notes to the Financial Statements

Year ended 31 January 2002

1 Basis of Preparation

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards. Financial Reporting Standard 18 'Accounting Policies', effective for accounting periods ending on or after 22 June 2001 has been adopted. The Directors have reviewed the Group's accounting policies and consider that the accounts are prepared in accordance with FRS 18.

2 Accounting Policies

(a) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and all its subsidiary undertakings made up to the year end using acquisition accounting. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra Group sales and profits are eliminated fully on consolidation.

On the acquisition of a subsidiary all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

(b) Turnover

Turnover is recognised in the consulting business in three stages: placement, shortlist and retainer fees according to the terms of the client. Turnover in the resourcing business is recognised on an hours worked basis.

(c) Depreciation

Depreciation is provided on a monthly basis to write off the cost of each asset over its estimated useful life according to the following rates:

Leasehold improvements	over the term of the lease
Office equipment	20% straight line
Furniture, fixtures and equipment	20% straight line
Computer equipment	33 1/3% straight line
Motor vehicles	25% reducing balance

(d) Foreign exchange

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

On consolidation, revenues, costs and cashflows of overseas undertakings are included in the Group profit and loss account 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.

Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

2 Accounting Policies (continued)

(d) Foreign exchange (continued)

The principal exchange rates affecting the Group were:

	2002		2001	
	31 January	Average	31 January	Average
German Mark	3.2107	3.1432	3.0730	3.2043
Swiss Franc	2.4193	2.4279	2.4021	2.5406
Dutch Guilder	3.6176	3.5539	3.4624	3.6104
Belgian Franc	66.2218	65.0552	63.3804	66.0890
French Franc	10.7682	10.5785	10.3061	10.7518
US Dollar	1.4133	1.4388	1.4611	1.4745
Australian Dollar	2.7892	2.8029	2.6607	2.6315
Hong Kong Dollar	11.0224	11.2219	11.3953	11.3141
Euro	1.6416	1.6097	—	—

(e) Leasing and hire purchase

Assets acquired under finance leases and hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding. Profits made on sale and finance leaseback arrangements are deferred and credited to the profit and loss account over the shorter of the lease term and useful life of the asset.

Rentals payable under operating lease and contract hire agreements are taken to the profit and loss account 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 shorter of the lease term and the first rent review date at which it is expected that the prevailing market rental will be payable.

(f) Pensions

Pension costs on defined contribution schemes are charged to the profit and loss account in the year in which they arise.

(g) Goodwill

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over a period up to 20 years.

Currently goodwill arising on acquisitions is amortised over 20 years with the exception of the Procomp NV acquisition in July 2000, which is being amortised over five years. Directors estimate for each individual acquisition the length of time over which the values of the underlying businesses acquired are expected to exceed the value of the identifiable net assets.

Impairments of goodwill are recognised as the difference between the carrying value of the intangible asset and the higher of net realisable value and value in use. Value in use is determined in accordance with FRS 11 by discounting future cash flows at a pre-tax government bond rate, with post five year forecast growth capped at the relevant country's long term average GDP real growth rate.

Goodwill previously eliminated against reserves has not been reinstated. The profit or loss on the disposal or termination of a business includes any goodwill previously eliminated against reserves.

(h) Taxation

Current taxation is applied to taxable profits at the rates ruling in the relevant country. In accordance with Financial Reporting Standard 19 'Deferred 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 Group's results.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

2 Accounting Policies (continued)

(i) Employee Share Ownership plans

Where shares, or options over shares, are issued to employees via an employee share ownership plan at below market value, the economic cost to the Group is recognised as a charge to the profit and loss account at the time awards are granted or where the Group is irrevocably committed to granting the award.

(j) Investments

Own shares held in the Employee Benefit Trust to satisfy potential obligations under share option schemes are carried at cost, less provision for impairment, as part of fixed asset investments. Any differences between the cost of the shares at date of award and anticipated proceeds are written off to the profit and loss account over the period to which the underlying options relate in accordance with UITF17.

Other investments held as fixed assets are shown at cost less provision for impairment.

3 Segmental Reporting

	2002 £'000	2001 £'000
Turnover		
<i>Geographical area by location of Group operations</i>		
United Kingdom	137,815	146,206
Rest of Europe	83,836	66,365
United States	13,211	12,849
Asia Pacific	858	829
	235,720	226,249
<i>Market sector</i>		
Resourcing Services	205,686	186,871
Consulting Services	30,034	39,378
	235,720	226,249

It is considered that turnover by location of client operations is not materially different to turnover by location of Group operations.

3 Segmental Reporting (continued)

	2002 £'000	2001 £'000
Total operating (loss)/profit		
<i>Geographical area</i>		
United Kingdom	(2,700)	8,320
Rest of Europe	2,819	4,028
United States	(7,809)	518
Asia Pacific	(599)	(234)
	(8,289)	12,632
<i>Market sector</i>		
Resourcing Services	(3,697)	8,593
Consulting Services	(4,592)	4,039
	(8,289)	12,632
	2002	2001
	£'000	£'000
Total operating (loss)/profit before goodwill amortisation and exceptional items		
<i>Geographical area</i>		
United Kingdom	1,274	10,510
Rest of Europe	4,037	4,618
United States	(1,991)	518
Asia Pacific	(535)	(234)
	2,785	15,412
<i>Market sector</i>		
Resourcing Services	5,736	11,373
Consulting Services	(2,951)	4,039
	2,785	15,412

Profit and loss account line items contain the following amounts relating to the acquisition in the year: cost of sales £1.9m, gross profit £0.6m, administrative expenses £0.5m.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

3 Segmental Reporting (continued)

	2002 £'000	2001 £'000
Net assets		
<i>Geographical area by location of client operations</i>		
United Kingdom	17,519	37,115
Rest of Europe	8,428	3,328
United States	(2,299)	921
Asia Pacific	(962)	(303)
	22,686	41,061

Since many of the assets within the Harvey Nash Group are shared by the two market sectors, it is considered neither practicable nor meaningful to provide an analysis of the net assets/liabilities by market sector.

4 (Loss)/Profit on Ordinary Activity Before Taxation

(Loss)/profit is stated after charging/(crediting) the following amounts:

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets	2,092	1,351
Amortisation of goodwill	1,386	2,417
Auditors' remuneration		
– audit services parent company	11	10
– audit services other Group companies	211	206
– non-audit services	13	61
Operating lease rentals		
– plant and equipment	769	604
– land and buildings	3,299	2,342
Exchange losses	543	6

£307,000 of foreign exchange loss has been taken to reserves under the hedging offset provisions of SSAP 20.

5 Employees

Employee costs (including Directors) were as follows:

	2002 £'000	2001 £'000
Wages and salaries	31,312	31,112
Social security costs	3,759	3,288
Pension costs	701	480
	35,772	34,880

Average monthly staff numbers for the year were as follows:

	No	No
Directors	2	4
Sales	445	469
Administration	230	188
	677	661

6 Interest Receivable/(Payable)

	2002 £'000	2001 £'000
Bank interest receivable	70	50
Interest payable		
Bank loans and overdrafts	(2,085)	(1,357)
Hire purchase interest	(16)	—
	(2,101)	(1,357)
Net interest payable	(2,031)	(1,307)

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

7 Taxation on Profit on Ordinary Activities

Analysis of charge in the year

	2002 £'000	2001 £'000
Corporation tax on profits in the year	738	6,134
Adjustments in respect of prior assessments	(314)	—
Total current tax	424	6,134
Deferred tax	(424)	(528)
Total tax charge	—	5,606

Proof of tax

	2002 £'000	2001 £'000
(Loss)/profit before tax	(11,346)	12,971
Weighted average Group rate	33.9%	30.8%
(Loss)/profit before tax at weighted average rate	(3,846)	3,991
Expenses not deductible	2,330	2,263
Short term timing differences	(18)	(89)
Utilisation of tax losses	(128)	(300)
Tax losses carried forward	2,400	269
Corporation tax on profits in the year	738	6,134

Analysis of deferred tax

	2002 £'000	2001 £'000
Short term timing differences	121	(528)
Deferred tax asset recognised in the year	(545)	—
Deferred tax (credit)/charge	(424)	(528)
Deferred tax asset brought forward	(528)	—
Deferred tax asset carried forward (see note 15)	(952)	(528)

Factors that may affect future tax charges

Based on current capital investment plans, the Group does not expect material timing differences to arise in respect of capital allowances and depreciation.

The Group has recognised deferred tax assets where there are forecast taxable profits from which the future reversal of the underlying timing differences can be deducted.

Unrecognised deferred tax assets in respect of tax losses amount to £1,405,000. Should future profits be higher than those currently forecast, future tax charges will be reduced as a result of tax losses for which a deferred tax asset is currently not recognised.

8 Dividends

	2002 £'000	2001 £'000
Ordinary shares		
Interim dividend paid nil p per share (2001: 2.4p)	—	678
Final dividend proposed nil p per share (2001: 4.5p)	—	1,283
	—	1,961

The Harvey Nash Employee Benefit Trust, which owns 497,709 shares, has agreed to waive its entitlement to dividends for the year.

9 Loss Attributed to the Parent Company

The loss after tax for the year ended 31 January 2002 in the financial statements of Harvey Nash Group plc, the Company, was £625,550 (2001: profit £1,546,449). As allowed by S230 Companies Act 1985, no profit and loss account is presented in respect of the parent company.

10 Earnings Per Share

	31 January 2002 £'000	31 January 2001 £'000
(Loss)/profit attributable to shareholders	(11,422)	7,299
Weighted average number of shares	29,003,638	27,973,144
Basic (loss)/earnings per ordinary share	(39.38)p	26.09p

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 Benefit Trust (note 13), which are treated as cancelled.

The Company has share options and deferred consideration payable in shares which are potential ordinary shares, however, the impact on the net loss of these potential ordinary shares is anti-dilutive and therefore, the diluted earnings per share is the same as the basic earnings per share (2001: 24.63p).

(Loss)/profit attributable to shareholders	(11,424)	7,299
Amortisation of goodwill	1,386	2,417
Exceptional items (see note 14)	10,714	(1,283)
Tax on exceptional items	(168)	912
Adjusted profit attributable to shareholders	508	9,345
Weighted average number of shares	29,003,638	27,973,144
Adjusted earnings per ordinary share	1.75p	33.41p

Adjusted earnings per share has been calculated before amortisation and exceptional items in order that their effect on reported earnings can be fully appreciated.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

11 Intangible Fixed Assets

Group	Goodwill £'000
Cost	
At 1 February 2001	61,316
Additions	1,485
Reversal of deferred consideration	(21,817)
Exchange movements	(409)
At 31 January 2002	40,575
Aggregate amortisation	
At 1 February 2001	3,572
Charge for the year	1,386
Impairment charge	5,000
Exchange movements	(14)
At 31 January 2002	9,944
Net book value	
At 31 January 2002	30,631
At 31 January 2001	57,744

The reversal of deferred consideration relates to the Techpartners deferred consideration, which has been reduced to zero following a review of the trading of this company. The charge for the year includes an amortisation credit for the reduction in deferred consideration of £1,328,000. The impairment charge is a £5,000,000 impairment of goodwill in respect of Techpartners International Inc.

12 Tangible Fixed Assets

The movement of tangible fixed assets for the year was as follows:

Group	Leasehold improvements £'000	Office equipment £'000	Furniture, fixtures & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 31 January 2001	1,605	785	1,147	3,953	97	7,587
Additions	465	103	294	1,587	—	2,449
Acquisitions	1	36	36	298	—	371
Disposals	(8)	(108)	(20)	(43)	(77)	(256)
Exchange movements	17	(10)	(18)	(5)	—	(16)
At 31 January 2002	2,080	806	1,439	5,790	20	10,135
Depreciation						
As at 31 January 2001	194	367	510	1,839	16	2,926
Charge for the period	237	221	316	1,310	8	2,092
Acquisitions	1	5	2	46	—	54
Disposals	(8)	(10)	(12)	(51)	(17)	(98)
Exchange movements	(1)	(5)	(10)	(15)	—	(31)
At 31 January 2002	423	578	806	3,129	8	4,944
Net book value						
At 31 January 2002	1,657	228	633	2,661	12	5,191
At 31 January 2001	1,411	418	637	2,114	81	4,661

The Company held no fixed assets during the year.

12 Tangible Fixed Assets (continued)

Assets held under finance leases and hire purchase contracts (included above)

	Furniture fixtures & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost at 31 January 2002	—	—	—	—
Additions	—	667	—	667
Accumulated depreciation at 31 January 2002	—	(74)	—	(74)
Net book value at 31 January 2002	—	593	—	593
Cost at 31 January 2001	—	—	—	—
Accumulated depreciation at 31 January 2001	—	—	—	—
Net book value at 31 January 2001	—	—	—	—

13 Investments

	Group 31 January 2002 £'000	Group 31 January 2001 £'000	Company 31 January 2002 £'000	Company 31 January 2001 £'000
Investment in subsidiary undertakings	—	—	51,622	72,900
Investment in own shares	178	860	—	—
Other fixed asset investments	—	239	—	—
	178	1,099	51,622	72,900

Investment in own shares

Investment in own shares of £178,676 (2001: £859,640) represents the cost of 437,709 of the Company's shares, acquired by Harvey Nash Employee Benefit Trust Limited to meet obligations under the Harvey Nash Option Scheme (HNOS) and the Harvey Nash Long Term Incentive Plan (LTIP). Details of the shares held by the Trust are shown in the table below:

Date of purchase	Scheme	No. of shares	Nominal value (£)	Cost price (£)	Total cost (£)	Net book value at 31.1.02 (£)	Market value at 31.1.02 (£)
25.3.97	HNOS	249,859	12,493	Nil	Nil ¹	Nil	234,867
3.6.99	— ³	122,850	6,142	3.24	401,000 ²	116,926	116,708
11.7.00	— ³	65,000	3,250	7.00	458,640 ²	61,750	61,100
Total		437,709	21,885		859,640	178,676	412,675

¹The shares under the HNOS were gifted to the Trust by Directors TFA Crawford, DC Higgins and DH Treacher.

²The cost of shares acquired for the LTIP includes commission.

³Due to the substantial share price decline since the date of purchase, a permanent diminution in shares previously held for the LTIP scheme has been recognised (valued at the year end closing share price of 94p). The Directors consider that the shares will be used for the continuing benefit of the Group through further share incentive schemes and therefore, continue to reflect the shares as a fixed asset investment.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

13 Investments (continued)

Subsidiary undertakings and branches

The details of the subsidiary companies and branches existing at 31 January 2002 are as follows:

Name of company	Country of incorporation and operation	Principal activity
Broadbay Networks Inc	US	Recruitment consultancy
European Technology Partners Limited	England	Recruitment consultancy
Harvey Nash AG	Switzerland	Recruitment consultancy
Harvey Nash Australia Pty Ltd	Australia	Recruitment consultancy
Harvey Nash BV	The Netherlands	Recruitment consultancy
Harvey Nash Consulting AG	Switzerland	Recruitment consultancy
Harvey Nash GmbH	Germany	IT project services
Harvey Nash Group EBT Limited	England	Trustee of HNG Employee Benefit Trust 1997
Harvey Nash Holdings Inc.	US	Holding company
Harvey Nash (Hong Kong) Limited	Hong Kong	Recruitment consultancy
Harvey Nash IT Consulting NV (formerly European Experts NV)	Belgium	Recruitment consultancy
Harvey Nash IT Services BV	Belgium	Recruitment consultancy
Harvey Nash Luxembourg	Luxembourg	Recruitment consultancy
Harvey Nash NV	Belgium	Holding company
Harvey Nash Off-shore Development Centre	Branch	Recruitment consultancy
Harvey Nash Plc	England	Recruitment consultancy
Harvey Nash Resource Management Limited	England	Resource management
Harvey Nash SA	France	Recruitment consultancy
Impact Executives (Germany) GmbH	Germany	Recruitment consultancy
Impact Executives Holdings Ltd	England	Recruitment consultancy
Impact Executives Holdings SA	Switzerland	Holding company
Impact Executives Hong Kong Ltd	Hong Kong	Recruitment consultancy
Impact Executives Ltd	England	Recruitment consultancy
Inston Investments BV	The Netherlands	Recruitment consultancy
Inston Services BV and subsidiaries	The Netherlands	Recruitment consultancy and holding company
Interim Management In Information Technology Limited	England	Recruitment consultancy
Methodata Educational Services BV	The Netherlands	Recruitment consultancy
Mortimer Spinks Limited	England	Recruitment consultancy
Nash Direct AG	Switzerland	Recruitment consultancy
Nash Direct GmbH	Germany	Recruitment consultancy
Nash Direct Limited (formerly Ortus.net Ltd)	England	Recruitment consultancy
Nash Direct NV	Belgium	Recruitment consultancy
Pivot Professionals BV	The Netherlands	Recruitment consultancy
Pivot Services BV	The Netherlands	Recruitment consultancy
Techpartners International Inc	US	Recruitment consultancy
Techpartners International Ltd	England	Recruitment consultancy
Techpartners International Pty	Australia	Recruitment consultancy
Vertis Consulting Limited	England	Recruitment consultancy

The Company or Harvey Nash Plc owns directly or indirectly 100% of the ordinary share capital and voting rights of all companies.

14 Exceptional Items

Analysis of exceptional items

	2002 £'000	2001 £'000
Operating exceptional items	9,688	363
Non-operating exceptional items	1,026	(1,646)
	10,714	(1,283)

Operating exceptional items

Operating exceptional items comprise the following costs:

	2002 £'000	2001 £'000
Impairment of Techpartners International Inc. goodwill	5,000	—
Provision for client dispute	1,504	—
Restructuring costs	3,184	363
	9,688	363

Non-operating exceptional items

Non-operating exceptional items of £1,026,000 comprise the write down of the investment in Harvey Nash Group plc own shares (£682,000) and the write down of external investments held in other fixed asset investments (£239,000) and current asset investments (£105,000) (2001: a net non-operating exceptional profit of £1,646,000 due to the Group's disposal of its holding in Stepstone ASA, as offset by write downs in other external investments).

15 Debtors

	Group 31 January 2002 £'000	Group 31 January 2001 £'000	Company 31 January 2002 £'000	Company 31 January 2001 £'000
Trade debtors	25,176	41,781	—	—
Amounts owed by subsidiary undertakings	—	—	5,156	3,153
Other debtors	1,295	1,087	78	37
Prepayments and accrued income	3,564	7,506	151	—
	30,035	50,374	5,385	3,190

Within other debtors there are deferred tax assets of £952,000 (2001: £528,000). For details refer to note 7.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

16 Creditors: Amounts Falling Due Within One Year

	Group	Group	Company	Company
	31 January 2002	31 January 2001	31 January 2002	31 January 2001
	£'000	£'000	£'000	£'000
Bank loans – secured	6,667	—	—	—
Trade creditors	10,417	13,188	139	—
Loan notes	—	1,758	—	1,758
Corporation tax	755	4,338	—	—
Other taxes and social security	1,992	4,481	—	—
Accruals and deferred income	7,462	10,445	682	—
Deferred consideration	707	3,447	—	3,447
Other creditors	476	669	—	—
Proposed dividend	—	1,283	—	1,283
Obligations under finance leases and hire purchase contracts	210	—	—	—
	28,686	39,609	821	6,488

17 Creditors: Amounts Falling Due After More Than One Year

	Group	Group	Company	Company
	31 January 2002	31 January 2001	31 January 2002	31 January 2001
	£'000	£'000	£'000	£'000
Bank loans – secured	15,900	21,242	—	—
Deferred consideration	—	14,985	—	13,821
Amounts owed to subsidiary undertakings	—	—	21,694	14,162
Obligations under finance leases and hire purchase contracts	350	—	—	—
	16,250	36,227	21,694	27,983

The bank loan is a multi currency revolving credit facility to a maximum limit of £23m. Interest was charged at 1.25% over LIBOR. From 1 February 2002 interest will be charged at 2.75% over LIBOR. The facility is secured by cross Group guarantees. There is a UK invoice discounting facility secured over the UK debtor book.

	£'000
Maturity dates of bank loan	
Due within one year	6,667
Due within two to five years	15,900
	22,567

18 Obligations Under Hire Purchase Contracts and Finance Leases

	Group 31 January 2002 £'000	Group 31 January 2001 £'000
Repayable within one year	249	—
Repayable between one and five years	373	—
Total gross payments	622	—
Less finance charges and interest allocated to future periods	(62)	—
	560	—
Due within one year	210	—
Due after more than one year	350	—
	560	—

Harvey Nash Group plc, the Company, has no obligations under hire purchase contracts and finance leases.

19 Operating Lease Commitments

The Group has annual commitments under operating leases which expire as follows:

	Group 31 January 2002 £'000	Group 31 January 2001 £'000
Land and buildings		
Leases expiring within one year	111	99
Leases expiring between one and five years	1,208	822
Leases expiring in more than five years	1,835	1,682
	3,154	2,603
Other operating leases		
Leases expiring within one year	148	157
Leases expiring between one and five years	590	446
Leases expiring in more than five years	—	27
	738	630

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

20 Share Capital

	Group 31 January 2002 £'000	Group 31 January 2001 £'000	Company 31 January 2002 £'000	Company 31 January 2001 £'000
Authorised				
40,000,000 ordinary shares of 5p each	2,000	2,000	2,000	2,000
Allotted and fully paid				
30,178,992 ordinary shares of 5p each (2001: 29,552,602)	1,509	1,478	1,509	1,478

Shares issued during the year related to the Techpartners and European Experts NV acquisitions and exercise of share options. See note 22. Full details of shares issued are given in the Directors' report on page 14.

21 Reserves

Group	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
1 February 2001	9,462	4,885	7,482	17,485
Reversal of shares to be issued	(8,578)	—	—	—
Premium on shares issued	—	12	2,056	—
Retained loss for the year	—	—	—	(11,422)
Exchange loss	—	—	—	(205)
31 January 2002	884	4,897	9,538	5,858

Company	Shares to be issued £'000	Share premium account £'000	Capital contribution £'000	Other reserves £'000	Profit and loss account £'000
1 February 2001	9,462	4,885	20,000	5,740	54
Reversal of shares to be issued	(8,578)	—	—	—	—
Premium on shares issued	—	12	—	2,056	—
Retained loss for the year	—	—	—	—	(625)
31 January 2002	884	4,897	20,000	7,796	(571)

Shares to be issued relate to the value of the deferred consideration shares that are estimated will be issued under the terms of the sale and purchase agreement for the acquisition of Broadbay Networks Inc. The reduction in shares to be issued in the year relates to the reversal of the Techpartners International Inc. deferred consideration.

22 Acquisitions

Broadbay Networks Inc

On 15 August 2001 the Group acquired 100% of the share capital of Broadbay Networks Inc, a US based human resource solutions provider to the broadband industry, for a maximum consideration of \$3.15m (£2.3m). The initial consideration of \$0.7m (£0.5m) was satisfied in cash. Deferred consideration of up to \$1.3m (£0.9m) will be paid dependent on the performance of the business in the period from August 2001 to January 2002. This will be satisfied by a mixture of cash and shares.

European Experts NV

On 10 December 2001 the Group acquired the final 10% of European Experts NV. Consideration of BEF 60m (£0.9m) was satisfied by cash of BEF 40m (£0.6m) and by the issue of 249,082 new Harvey Nash Group plc ordinary shares.

22 Acquisitions (continued)

Impact Executives Limited

The Group paid the final deferred consideration of £1.7m under the terms of the agreement for the acquisition of the Impact Executives Group. This was satisfied wholly in cash.

	Broadbay Networks 15 August 2001 £'000	Purchase 10% European Experts NV 10 December 2001 £'000	Techpartners deferred consideration 23 April 2001 £'000	Impact Executives deferred consideration October/ December 2001 £'000	Total £'000
Fixed assets	319	129			
Debtors	1,312	533			
Cash	(21)	27			
Creditors	(490)	(305)			
Loans	(360)	—			
Value of net asset acquired	760	384			
Cash	614	620	1,676	1,671	4,581
Loan notes	—	—	241	—	241
Share capital	—	311	1,776	—	2,087
Deferred consideration	29	—	—	—	29²
Shares to be issued	884	—	—	—	884
Value of consideration and capitalised acquisition costs	1,527	931	3,693	1,671	7,822
Goodwill addition	767	547	—	171¹	1,485

¹The final deferred consideration paid in respect of the Impact Executives acquisition exceeded the initial deferred consideration accrued at the end of the prior year.

²In addition to accrued deferred consideration for the Broadbay Networks acquisition, as at 31 January 2002 there is also accrued deferred consideration of £678,000 in respect of prior period acquisitions.

The period of amortisation for Broadbay Networks Inc. is considered to be 20 years in accordance with the Group's policy.

Deferred consideration represents the Directors' estimate of the actual amounts expected to be paid at the end of the relevant performance period.

The profits of the acquired company up to the date of the acquisition and for the prior year was as follows:

	Broadbay Networks 1 January 2001 – 14 August 2001 £'000
Turnover	5,254
Operating profit	(720)
Profit before taxation	(742)
Profit after taxation	(753)
	Year ended 31 December 2000 £'000
Profit after taxation	770

The above numbers have been extracted from Broadbay Networks' management accounts.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

23 Analysis of Minority Interest

	£'000
Balance at 1 February 2001	269
Minority interest in profit on ordinary activities after tax	76
Purchase of minority interest	(345)
Balance at 31 January 2002	—

24 Reconciliation of Operating (Loss)/Profit to Net Cash Inflow

	2002 £'000	2001 £'000
Group operating (loss)/profit	(8,289)	12,632
Depreciation	2,092	1,351
Amortisation	1,386	2,417
Impairment of intangible fixed assets	5,000	—
Decrease/(increase) in debtors	21,508	(15,623)
(Decrease)/increase in creditors	(8,915)	8,416
Net cash inflow from operating activities	12,782	9,193

25 Reconciliation of Net Cash Flow to Movement In Net Debt

	31 January 2002 £'000	31 January 2001 £'000
Decrease in cash during the year	(1,237)	(1,040)
Decrease/(increase) in debt and lease finance	56	(11,342)
	(1,181)	(12,382)
Non-cash movements	—	(1,758)
Loans and finance leases acquired	—	(2,155)
Issue of loan notes	(241)	—
Foreign exchange	(48)	(760)
	(1,470)	(17,055)
Increase in debt during the year	(1,470)	(17,055)
Net debt at beginning of year	(20,070)	(3,015)
Net debt at end of year	(21,540)	(20,070)
Net cash	1,587	2,923
Borrowings	(23,127)	(22,993)
	(21,540)	(20,070)

25 Reconciliation of Net Cash Flow to Movement in Net Debt (continued)

Analysis of changes in net debt

	1 February 2001 £'000	Cash flow £'000	Acquisitions £'000	Foreign exchange £'000	31 January 2002 £'000
Cash	2,923	(1,237)	—	(99)	1,587
Debt due after one year	(21,242)	(1,376)	—	51	(22,567)
Factoring	7	(7)	—	—	—
Loan notes	(1,758)	1,999	(241)	—	—
Finance leases	—	(560)	—	—	(560)
	(22,993)	56	(241)	51	(23,127)
Total	(20,070)	(1,181)	(241)	(48)	(21,540)

26 Directors

	2002 £'000	2001 £'000
Total emoluments of the Directors		
Fees	94	85
Basic salaries, allowances and taxable benefits	603	575
Car allowance	27	48
Bonuses	—	173
Aggregate emoluments	724	881
Pension contributions	44	58
Compensation for loss of office	30	—
Emoluments of Chairman	45	42
Emoluments of highest paid Director (including pension contributions)	259	229

Company policy on the remuneration of Directors and details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 18 to 21.

27 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 and Legal and General, and a stakeholder scheme with Legal and General 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.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

27 Pensions (continued)

The retirement scheme is provided on a defined contribution basis. The contributions in the period were £20,550 (2001: £31,000).

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by National Provident Institution and Legal and General. 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. There is one member in respect of whom only the Company makes contributions. The Group's total contribution to the Plan for the period to 31 January 2002 was £266,965 (2001: £194,920). Contributions in respect of Director Albert Ellis were £17,550 (2001: £11,000).

28 Related Party Transactions

There were no related party transactions in the year.

29 Financial Instruments

Treasury management

Treasury policy and significant treasury transactions are approved by the Board.

Financing

The Group's principal financial instruments are bank loans, bank overdrafts, cash and short term deposits. The Group has other financial instruments such as trade debtors and trade creditors that arise directly from its operations. Acquisitions are financed through a mixture of equity and medium term borrowings. Working capital finance for day-to-day requirements is provided through operating cash generation supported by short term overdraft facilities. All of the Group's long term loans are raised centrally and lent down to subsidiaries.

Objectives, policies and strategies

The most significant treasury exposures faced by Harvey Nash are raising finance, managing interest rate and currency positions and 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.

Interest rate risk management

The Group's policy is to minimise interest charges. Harvey Nash uses interest rate caps to manage its interest rate exposure on its debt position.

Currency 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.

As permitted by FRS 13 short term debtors and creditors have been excluded from disclosure of financial liabilities and financial assets.

29 Financial Instruments (continued)

Currency and interest rate composition of financial assets and liabilities.

Financial assets

As at 31 January 2002

	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	998	—	998
Euros	—	3,096	3,096
Swiss Franc	—	1,586	1,586
US Dollar	—	917	917
Australian Dollar	—	58	58
Hong Kong Dollar	—	—	
	998	5,657	6,655

As at 31 January 2001

	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	618	3,478	4,096
German Mark	—	1,973	1,973
Swiss Franc	—	451	451
Dutch Guilder	—	129	129
Belgian Franc	—	574	574
French Franc	—	52	52
US Dollar	—	435	435
Australian Dollar	—	63	63
Hong Kong Dollar	—	33	33
	618	7,188	7,806

Financial liabilities

As at 31 January 2002

	Floating rate £'000	No interest paid £'000	Total £'000
Sterling	14,181	—	14,181
Euros	9,335	—	9,335
US Dollar	3,549	—	3,549
Australian Dollar	91	—	91
Hong Kong Dollar	479	—	479
	27,635	—	27,635

As at 31 January 2001

	Floating rate £'000	No interest paid £'000	Total £'000
Sterling	12,684	—	12,684
Euros	10,043	—	10,043
US Dollar	3,400	—	3,400
	26,127	—	26,127

The floating rate financial liabilities comprise bank loans and overdrafts bearing interest rates based on local money market rates.

Notes to the Financial Statements

Year ended 31 January 2002 (continued)

29 Financial Instruments (continued)

Maturities of financial liabilities

Total borrowings are repayable as follows:

	2002 £'000	2001 £'000
Within one year	11,735	4,885
Due within two and five years	15,900	21,242
	27,635	26,127

The maturities of other financial liabilities are as follows:

	2002 £'000	2001 £'000
Within one year	707	5,205
Due within two and five years	—	14,985
	707	20,190

Other financial liabilities comprise acquisition liabilities due within one year.

Committed undrawn facilities

The maturities of the committed undrawn bank facilities available to the Group are as follows:

	2002 £'000	2001 £'000
Between one and two years	—	—
Between two and five years	—	—
	—	—

Fair value

In the opinion of the Directors there is no material difference between the fair value of the Group's financial instruments and their carrying value.

Currency risk

The currency exposure of the Group net monetary assets/(liabilities) is shown below. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating company involved.

Functional currency of Group company	Net foreign currency monetary assets/(liabilities)					Total £'000
	US Dollar £'000	Euro £'000	Swiss Franc £'000	Australian Dollar £'000	Hong Kong Dollar £'000	
Sterling						
Cash	37	1,278	569	—	—	1,884
Intercompany	3,625	(1,598)	(2,528)	303	400	202
Loans	(3,549)	1,974	—	(91)	(273)	(1,939)
	113	1,654	(1,959)	212	127	147

30 Post Balance Sheet Events

On 22 February 2002 the Group announced the Placing and Open Offer of 22,632,181 new ordinary shares at an issue price of 63p. Full details are given in the Finance Director's review.

**Harvey
Nash**

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