

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, independent financial adviser or other person duly authorised under the Financial Services and Markets Act 2000.

Applications made under the Open Offer may only be made on the Application Form, which is personal to the Qualifying Shareholder(s) named thereon and cannot be sold, assigned, transferred or split except to satisfy *bona fide* market claims in relation to purchases of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares are marked "ex" the entitlement to the Open Offer by the London Stock Exchange. If you have sold or otherwise transferred all your Ordinary Shares, please complete the declaration in Box 7 of the Application Form and forward this document and the accompanying Application Form and Proxy Form to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be transmitted or forwarded in, into, or from the United States, Canada, Australia, Japan or the Republic of Ireland or their respective territories or possessions. If you have sold or transferred only part of your holding of Ordinary Shares you should consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

A copy of this document, which comprises a prospectus relating to Harvey Nash Group plc prepared in accordance with the Listing Rules made pursuant to Part VI of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 83 of that Act. Application has been made to the UKLA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 19 March 2002.

Harvey Nash

Harvey Nash Group plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with company number 3320790)



Placing and Open Offer of 22,632,181 New Ordinary Shares at 63 pence per share

Hawkpoint Partners Limited and Cazenove & Co. Ltd, each of which is authorised in the United Kingdom by the Financial Services Authority, are acting exclusively for Harvey Nash Group plc (within the meaning of the Rules of the Financial Services Authority) in connection with the Placing and Open Offer and for nobody else. Hawkpoint Partners Limited and Cazenove & Co. Ltd will not be responsible to anyone other than Harvey Nash Group plc for providing the protections afforded to customers of Hawkpoint Partners Limited and Cazenove & Co. Ltd, nor for providing advice in relation to the Placing or Open Offer or the contents of this document or any other matter referred to herein.

Neither the Existing Ordinary Shares nor the New Ordinary Shares have been or will be registered under the United States Securities Act of 1933 (as amended), or under the securities laws of any state of the United States or any province or territory of Canada, Australia, Japan or the Republic of Ireland. Subject to certain exceptions, the New Ordinary Shares may not, directly or indirectly, be offered, sold, taken up or delivered in or into or from the United States, Canada, Australia, Japan or the Republic of Ireland or their respective territories or possessions and Application Forms are not being posted to any person in the United States, Canada, Australia, Japan or the Republic of Ireland. This document does not constitute an offer to sell or the solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the paragraph headed "Overseas Shareholders" in Part II of this document.

Notice of an Extraordinary General Meeting of Harvey Nash Group plc to be held at 10.00am on 18 March 2002 at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL is set out at the end of this document. Whether or not you intend to attend at the EGM, you are requested to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL as soon as possible and, in any event, so as to be received by no later than 10.00am on 16 March 2002, being 48 hours before the time appointed for the holding of the meeting. A Proxy Form accompanies this document. The completion and return of the Proxy Form will not preclude you from attending the EGM and voting in person should you so wish.

The latest time and date for acceptance and payment in full under the Open Offer is 3.00pm on 15 March 2002. The procedure for application is set out in Part II of this document and in the accompanying Application Form. Application Forms must be completed by Qualifying Shareholders and returned with the appropriate remittance so as to reach Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, as soon as possible and in any event no later than 3.00pm on 15 March 2002.

22/02/02

DIRECTORS AND ADVISERS

Directors	Ian Kirkpatrick, BSc, MBA Thomas Francis Alexander Crawford David Charles Higgins, BSc Albert George Hector Ellis, CA(SA) Peter Augustine Moore David Hedley Treacher, BSc	<i>Non-Executive Chairman</i> <i>Non-Executive Deputy Chairman</i> <i>Chief Executive</i> <i>Group Finance Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
Secretary	Albert George Hector Ellis	
Head Office and Registered Office	13 Bruton Street London W1J 6QA	
Joint Sponsor and Financial Adviser	Hawkpoint Partners Limited 4 Great St Helens London EC3A 6HA	
Joint Sponsor, Broker and Underwriter	Cazenove & Co. Ltd 12 Tokenhouse Yard London EC2R 7AN	
Auditors and Reporting Accountants	PricewaterhouseCoopers No. 1 Embankment Place London WC2N 6NN	
Solicitors to the Company	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL	
Solicitors to the Joint Sponsors and Underwriter	Macfarlanes 10 Norwich Street London EC4A 1BD	
Principal Bank	National Westminster Bank plc 5-10 Great Tower Street London EC2M 3HX	
Registrar	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA	
Receiving Agent	Lloyds TSB Registrars Antholin House 71 Queen Street London EC4N 1SL	

CONTENTS

	<i>Page</i>
Expected timetable of principal events	3
Definitions	4
PART I Letter from the Chairman of Harvey Nash	7
PART II Letter from Hawkpoint and Cazenove	15
PART III Profit estimate and associated letters	25
PART IV Interim results of the Group for the six months ended 31 July 2001	28
PART V Additional information	39
Notice of Extraordinary General Meeting	51

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	18 February 2002
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00pm on 13 March 2002
Latest time and date for receipt of Application Forms and payment in full under the Open Offer	3.00pm on 15 March 2002
Latest time and date for receipt of Proxy Forms	10.00am on 16 March 2002
Extraordinary General Meeting	10.00am on 18 March 2002
Commencement of dealings in the New Ordinary Shares and CREST members' accounts credited (where applicable)	19 March 2002
Despatch of definitive share certificates in respect of the New Ordinary Shares (where applicable)	by 22 March 2002

If you have any questions on the procedure for acceptance and payment under the Open Offer, you should contact the Company's receiving agents in respect of the Open Offer, Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL. Telephone number: 0870 607 0636. Lloyds TSB Registrars will only give advice on matters of procedure and will not give financial advice.

DEFINITIONS

The following definitions apply throughout this document, the Application Form and the Proxy Form, unless the context otherwise requires:

"Act" or "Companies Act"	the Companies Act 1985, as amended
"Admission"	admission of the New Ordinary Shares to the Official List and trading on the London Stock Exchange's market for listed securities becoming effective
"Application Form"	the application form accompanying this document for use by Qualifying Shareholders in connection with the Open Offer
"BEF"	Belgian Francs
"Cazenove"	Cazenove & Co. Ltd of 12 Tokenhouse Yard, London EC2R 7AN
"certificated" or "in certificated form"	a share or other security which is not in uncertificated form
"Committed Shares"	the 1,589,549 Open Offer Shares in respect of which irrevocable undertakings to take up either all or part of their respective entitlements under the Open Offer have been received from certain of the Directors
"Company" or "Harvey Nash"	Harvey Nash Group plc
"CREST"	the computerised settlement system operated by CRESTCo to facilitate the transfer of title to shares in uncertificated form
"CRESTCo"	CRESTCo Limited, the operator of CREST
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
"CREST participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Directors" or "Board"	the board of directors of Harvey Nash, whose names are set out on page 2 of this document
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened in connection with the Placing and Open Offer for 10.00am on 18 March 2002 (or any adjournment thereof), notice of which is set out at the end of this document
"Enlarged Share Capital"	the total issued share capital of Harvey Nash as enlarged by the issue of the New Ordinary Shares
"Existing Ordinary Shares"	the Ordinary Shares in issue at the date of this document

“Firm Placed Shares”	the 8,647,951 Open Offer Shares comprising Open Offer Shares in respect of which irrevocable undertakings not to take up either all or part of their respective entitlements under the Open Offer have been received from certain Directors, together with certain Shareholders associated with them, together with fractional entitlements arising under the Open Offer
“Group” or “Harvey Nash Group”	the Company and its subsidiaries and associated undertakings
“Hawkpoint”	Hawkpoint Partners Limited of 4 Great St Helens, London EC3A 6HA
“Issue Price”	63 pence per New Ordinary Share
“Joint Sponsors”	Hawkpoint and Cazenove
“Listing Rules”	the rules and regulations made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to a member account in CREST
“NatWest”	National Westminster Bank plc
“New Ordinary Shares” or “Open Offer Shares”	the 22,632,181 new Ordinary Shares proposed to be issued pursuant to the Placing and Open Offer
“Official List”	the official list of the UK Listing Authority
“Open Offer”	the invitation to subscribe for Open Offer Shares at the Issue Price made by Hawkpoint and Cazenove, both acting as agent on behalf of the Company, to Qualifying Shareholders on the terms and subject to the conditions set out or referred to in Part II of this document and in the Application Form
“Ordinary Shares” or “Harvey Nash Shares”	ordinary shares of 5 pence each in the capital of the Company
“Overseas Shareholders”	Shareholders on the register of members of the Company on the Record Date who have registered addresses outside the United Kingdom, or who are citizens, residents or nationals of countries other than the United Kingdom
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Placing”	the placing by Cazenove of the Open Offer Shares (other than the Committed Shares), subject to the right to recall such Open Offer Shares to satisfy valid applications made by Qualifying Shareholders under the Open Offer, on the terms and subject to the conditions contained in the Placing and Open Offer Agreement

“Placees”	persons who conditionally agree to subscribe for New Ordinary Shares pursuant to the Placing
“Placing and Open Offer”	the conditional Placing and the Open Offer
“Placing and Open Offer Agreement”	the conditional agreement dated 22 February 2002 between the Company (i), Cazenove (ii) and Hawkpoint (iii) entered into in connection with the Placing and Open Offer, the principal terms of which are summarised in paragraph 9 of Part V of this document
“Proxy Form”	the form of proxy accompanying this document for use by Shareholders in connection with the EGM
“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date other than certain Overseas Shareholders, as described in the paragraph headed “Overseas Shareholders” in Part II of this document
“Record Date”	the record date for the Open Offer, being the close of business on 18 February 2002
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755)
“Resolutions”	the resolutions to be proposed at the EGM and set out in the notice of EGM at the end of this document relating, <i>inter alia</i> , to the Placing and Open Offer
“Share Option Schemes”	the Inland Revenue approved and unapproved Harvey Nash Group plc Performance Related Share Plan, The Harvey Nash Group plc Share Option Scheme 1997, The Harvey Nash Group plc Sharesave Scheme and The Harvey Nash 2000 Executive Share Option Scheme
“Shareholder”	a holder of Existing Ordinary Shares
“Techpartners”	Techpartners International Limited
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA” or “UK Listing Authority”	the Financial Services Authority acting in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction

PART I

LETTER FROM THE CHAIRMAN OF HARVEY NASH

Harvey Nash

(Incorporated under the Companies Act 1985 and registered in England and Wales with company number 332079)

Directors

Ian Kirkpatrick (*Non-Executive Chairman*)
Thomas F A Crawford (*Non-Executive Deputy Chairman*)
David C Higgins (*Chief Executive*)
Albert G H Ellis (*Group Finance Director & Secretary*)
P Gus Moore (*Non-Executive Director*)
David H Treacher (*Non-Executive Director*)

Registered and Head Office

13 Bruton Street
London
W1J 6QA

22 February 2002

To Qualifying Shareholders and, for information only, to the holders of options granted under the Share Option Schemes

Dear Sir/Madam

Placing and Open Offer of 22,632,181 New Ordinary Shares at 63 pence per share

Introduction

It was announced today that Harvey Nash proposes to raise approximately £14.3 million (approximately £12.9 million net of expenses) by the allotment and issue of 22,632,181 New Ordinary Shares at 63 pence per share pursuant to the Placing and Open Offer. The New Ordinary Shares, save for those entitlements which certain of the Directors have committed to take up, are to be placed conditionally with institutional and other investors, subject to the right of Qualifying Shareholders to take up such shares pursuant to the terms of the Open Offer. The Open Offer is being made on the basis of 3 New Ordinary Shares for every 4 Existing Ordinary Shares held on the Record Date. The Placing and Open Offer, in respect of which Hawkpoint and Cazenove are acting as joint sponsors to Harvey Nash, has, save in respect of the Committed Shares, been fully underwritten by Cazenove and is conditional, *inter alia*, on Shareholder approval.

The purpose of this document is to provide you with details of the Placing and Open Offer and to explain why your Board believes that the Placing and Open Offer is in the best interests of the Company and Shareholders and to recommend that Shareholders vote in favour of the resolutions to be proposed at the Extraordinary General Meeting.

Background

Since its listing on the London Stock Exchange in 1997, Harvey Nash has grown significantly, both organically and through acquisition, to become one of the UK's leading resource solutions organisations focusing on the information technology, telecommunications and financial services sectors. Revenues for the year ended 31 January 1997 were £36.3 million, with operating profit before exceptional directors' remuneration of £3.9 million. In the year ended 31 January 2001, revenues had grown to £226.2 million, with operating profit (before goodwill, amortisation and exceptional items) of £15.4 million. During this period, the Group has developed a broad range of services, covering the UK, mainland Europe, the United States and Asia-Pacific, to meet the requirements of its global client base.

Over the past year, the demand for Harvey Nash's services has been adversely affected by the slowdown in the technology and telecommunication sectors combined with the general global economic downturn. As demand in these sectors has declined, hiring freezes and reductions in staffing levels have been widely implemented by many of the Group's clients.

In light of the adverse market background, Harvey Nash's management team brought forward their annual review of the business and concluded that there was a need to:

- reduce Harvey Nash's cost base to reflect market conditions;
- refocus Harvey Nash's business on key geographic markets;
- reassess Harvey Nash's acquisition strategy;
- review downwards their assumptions of market growth rates; and
- seek ways of reducing Harvey Nash's debt burden.

Management has subsequently taken steps to reduce the Group's cost base, including reducing employees' remuneration packages to reflect market conditions, significantly reducing capital expenditure, closing nine offices worldwide and the closure of the Group's resource management business. In addition, the Group has reduced net headcount by approximately 25 per cent. between 31 January 2001 and 31 December 2001, with forecast annualised cost saving of approximately £10.0 million.

Reasons for the Placing and Open Offer

Growth of the business since listing has been achieved both organically and by acquisition, financed by a combination of equity, operating cash flow and debt. The largest of these acquisitions was that of Techpartners, acquired in April 2000 for a total maximum consideration of £49 million, of which £15 million was paid on completion of the acquisition (the initial consideration comprising £5.7 million in Ordinary Shares, £7.5 million in cash and £1.8 million in guaranteed loan notes) with the balance of £34 million, by way of an earn-out over the subsequent three years. This earn-out has been realised in part through the payment by the Company in April 2001 of £3.7 million (which was satisfied as to £1.7 million in cash, £0.2 million in guaranteed loan notes and £1.8 million in Ordinary Shares). The Directors do not expect that any payments under the earn-out will be realised in respect of the twelve months ended 31 December 2001 and the Directors believe that any further amounts payable under the earn-out are likely to be immaterial.

Through a combination of the cash cost of the Techpartners and other acquisitions, the difficult trading environment and the exceptional costs associated with the necessary reduction of the Group's cost base, the Group's net debt has increased to a level that the Directors consider represents

an unacceptable risk to Shareholders at this point in the economic cycle. As at 31 July 2001, the Group had net debt of approximately £28 million and the Directors expect that as at 31 January 2002, the Group's net debt position was not materially different.

The Group's current committed banking facilities with NatWest are governed by a repayment schedule and covenants that reflect a more favourable trading climate than is currently being experienced. Consequently, the Group is in breach of certain covenants for which it has sought, and been granted, a waiver by NatWest, conditional upon the passing of the Resolutions and Admission. In addition, revised committed banking facilities have been agreed with NatWest, that, conditional, *inter alia*, upon the passing of the Resolutions and Admission, will replace the Group's existing facilities following the Placing and Open Offer.

The revised committed facilities are for in aggregate, £28.3 million, comprising a revolving credit facility of £16.3 million, having used £6.7 million of the net proceeds of the Placing and Open Offer in permanent reduction from the existing facility level, and a UK invoice discounting facility of £12 million, of which approximately £5 million is currently utilised. NatWest has also agreed to introduce, subject to the satisfactory completion of due diligence, factoring arrangements in respect of the Group's German debtor book, the funds arising from which will be used in further permanent reduction of the Group's revolving credit facility. The Directors believe that this permanent reduction is likely to amount to up to €7.5 million, subject to the actual debtor book at the time, thereby reducing the revolving credit facility to an estimated £11.3 million. The Group has agreed further reductions of the revolving credit facility of £2 million in April 2003 and £4 million in April 2004, with the balance of the facility to be cancelled in April 2005. As part of the revised committed facilities, new covenants, which reflect the current trading environment, have been agreed. Revised interest rates on the Group's credit facility and invoice discounting have also been agreed. Further details of the terms of the revised committed facilities are set out in paragraph 9(f) of Part V of this document.

If the Placing and Open Offer is not concluded, the revised banking facilities will not be available and the Group will be required to renegotiate the terms and conditions of its existing facilities, including seeking NatWest's continued waiver of certain current covenant breaches. The Directors consider that this course of action would not be in the best interests of the Company and its Shareholders as a whole and this has been taken into account by the Directors in arriving at their decision to recommend Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Current trading and prospects

The Group's interim results for the six months ended 31 July 2001 were announced on 15 October 2001 and are reproduced in Part IV of this document. At that time, your Board reported that, due to the slowdown in the technology and telecommunications sectors and downturn in the global economy, demand for the Group's services had weakened considerably. Since then, trading conditions have remained challenging, in part as a result of the events of 11 September 2001 and their subsequent impact on the US and global economy. However, the management team has acted to reduce the Group's cost base in line with its revenues and the current trading climate. The levels of profit before exceptional items during the final half of the financial year ended 31 January 2002 have been in line with the Directors' expectations and the Group has not experienced the sequential declines in revenue seen in the first half of 2001.

Notwithstanding the current climate and limited visibility of recovery in the Group's markets, the Directors believe that information technology remains key to the Group's clients' ability to maintain their competitive advantage and that, while capital expenditure may be frozen or reduced for a period of time, business-critical investment is unlikely to be delayed indefinitely. Therefore,

while trading conditions remain difficult, Harvey Nash's strategy is to consolidate its current market position, maintain critical mass and preserve an appropriate level of investment in its infrastructure, in order to be well positioned to take advantage of any market recovery to grow both revenue and profits.

The Directors believe that, as a result of the actions described in this letter and with the net proceeds of the Placing and Open Offer, Harvey Nash will be well positioned to take advantage of any recovery in its markets and to increase its market share.

Profit estimate

The Directors estimate that for the year ended 31 January 2002 profit before taxation, amortisation of goodwill and exceptional items will be not less than £0.7 million and that exceptional items will be not more than £10.7 million. The exceptional items comprise restructuring and redundancy costs of £3.2 million, provisions associated with the settlement of a contract dispute of £1.5 million, amounts written off investments of £1.0 million and a goodwill impairment charge associated with Techpartners' US business of £5.0 million. The goodwill amortisation charge before the exceptional Techpartners impairment charge for the year ended 31 January 2002 will be £1.4 million.

In view of the estimated results for the year ended 31 January 2002, the Board does not intend to propose a final dividend in respect of the year ended 31 January 2002.

Further details of the profit estimate, including letters from PricewaterhouseCoopers and from Hawkpoint and Cazenove in connection with the profit estimate, are set out in Part III of this document.

Details of the Placing and Open Offer

The Company proposes to raise approximately £14.3 million (approximately £12.9 million net of expenses) by the allotment and issue of 22,632,181 New Ordinary Shares at 63 pence per New Ordinary Share pursuant to the Placing and Open Offer. The Open Offer Shares (other than the Committed Shares) are being conditionally placed by Cazenove at the Issue Price with institutional and other investors subject to and to the extent that valid applications are not made by Qualifying Shareholders under the Open Offer for such Open Offer Shares. The Committed Shares are not being placed under the Placing as irrevocable undertakings have been received from certain Directors to take up part of their entitlements to such New Ordinary Shares under the Open Offer.

Hawkpoint and Cazenove have agreed, both acting as agents on behalf of the Company, to invite Qualifying Shareholders to apply under the Open Offer for up to 22,632,181 Open Offer Shares at the Issue Price on the basis of:

3 Open Offer Shares for every 4 Existing Ordinary Shares

registered in the names of Qualifying Shareholders on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held. Where appropriate, entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of New Ordinary Shares and any fractional entitlements to Open Offer Shares that would otherwise have arisen will be disregarded in calculating Qualifying Shareholders' *pro rata* entitlements. Such fractional entitlements will be aggregated and included within the Placing, with the proceeds retained for the benefit of the Company.

Qualifying Shareholders may apply for any number of Open Offer Shares up to their maximum entitlement as set out in the Application Form. No application in excess of a Qualifying Shareholder's *pro rata* entitlement will be met and any Qualifying Shareholder so applying will be

deemed to have applied for his maximum entitlement. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purposes of calculating *pro rata* entitlements under the Open Offer.

The Open Offer Shares will be offered at the Issue Price to Qualifying Shareholders on a pre-emptive basis under the terms of the Open Offer. Pursuant to the Placing and Open Offer Agreement, Cazenove has conditionally agreed to place with institutional and other investors or, to the extent that it fails to do so, itself to subscribe for the Open Offer Shares (other than the Committed Shares) at the Issue Price, subject to and to the extent that valid applications are not made by Qualifying Shareholders under the Open Offer for such Open Offer Shares. The Placing and Open Offer is, save in respect of the Committed Shares, being fully underwritten by Cazenove on the terms and subject to the conditions set out in the Placing and Open Offer Agreement. A summary of the principal terms of the Placing and Open Offer Agreement is set out in paragraph 9 of Part V of this document.

The New Ordinary Shares will be issued credited as fully paid and will be identical to and rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid on or after Admission in respect of the ordinary share capital of the Company.

The Placing and Open Offer are conditional, *inter alia*, upon:

- (i) the Placing and Open Offer Agreement becoming unconditional in all respects (save for any condition contained therein relating to Admission) and not having lapsed or been terminated in accordance with its terms prior to Admission;
- (ii) the passing, without amendment, of the Resolutions; and
- (iii) Admission having become effective by no later than 8.00am on 19 March 2002 or such later time and/or date as Harvey Nash, Hawkpoint and Cazenove may agree (but, in any event, not later than 8.00am on 26 March 2002).

If Admission does not take place, the New Ordinary Shares will not be issued under the Placing or the Open Offer and all monies received by the Company's receiving agent, Lloyds TSB Registrars will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 19 March 2002.

The Open Offer is not being made to certain Shareholders (including those resident in the United States, Canada, Australia, Japan or the Republic of Ireland) and, accordingly, Application Forms are not being sent to such Shareholders.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in the letter from Hawkpoint and Cazenove in Part II of this document and in the Application Form.

Directors' intentions

Certain of the Directors have irrevocably undertaken to take up part of their respective entitlements to Open Offer Shares, details of which are set out below (the Committed Shares). In order to broaden Harvey Nash's shareholder base, certain Directors, together with certain Shareholders associated with them, have irrevocably undertaken not to take up either all or part of their respective entitlements to Open Offer Shares, details of which are set out below (the Firm Placed Shares). These Firm Placed Shares are to be conditionally placed by Cazenove with institutional or other investors at the Issue Price.

<i>Director (together with associated Shareholders, as appropriate)</i>	<i>Aggregate entitlement under the Open Offer</i>	<i>Open Offer Shares to be taken up</i>	<i>Open Offer Shares not to be taken up</i>
Ian Kirkpatrick	2,250	2,250	–
Thomas Crawford	3,071,903	357,142	2,705,199
David Higgins	3,594,866	793,650	2,801,216
Albert Ellis	nil	–	–
Gus Moore	nil	–	–
David Treacher	3,582,611	436,507	3,141,417

Further details of the interests of the Directors and Shareholders associated with them, in the ordinary share capital of the Company are set out in paragraph 6 of Part V of this document.

All of the 2,801,216 Firm Placed Shares which David Higgins and certain Shareholders associated with him have irrevocably undertaken not to take up have been conditionally placed firm by Cazenove with the David Higgins 2002 Discretionary Trust using funds provided by David Higgins for the purpose of establishing an additional means of incentivising certain senior employees of the Group. David Higgins will remain a beneficiary of this trust.

Taxation

Your attention is drawn to paragraph 12 of Part V of this document which contains information regarding UK taxation in relation to the Placing and Open Offer. **If you are in any doubt as to your tax position in relation to the Placing and Open Offer, you should consult your own professional adviser without delay.**

Overseas Shareholders

The attention of Overseas Shareholders is drawn to the section headed "Overseas Shareholders" in Part II of this document.

Extraordinary General Meeting

You will find set out at the end of this document a notice convening the EGM to be held at 10.00am on 18 March 2002 at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL, for the purpose of considering and, if thought fit, passing three separate conditional resolutions (of which the first and second resolutions will be proposed as ordinary resolutions and the third resolution will be proposed as a special resolution), the details of which are as follows:

Resolution 1

To increase the authorised share capital of the Company from £2,000,000 to £3,750,000 (an increase in authorised share capital of 87.5 per cent.) by the creation of an additional 35,000,000 new Ordinary Shares.

Resolution 2

To authorise the Directors under Section 80 of the Act to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal value of £1,040,981.95 (representing approximately 69.0 per cent. of the existing issued ordinary share capital of the Company), such authority to expire on 17 March 2007.

Resolution 3

To disapply the statutory pre-emption rights contained in Section 89 of the Act in relation to the Placing and Open Offer, pre-emptive issues and issues for cash not exceeding an aggregate nominal value of £132,027.90 (representing approximately 8.7 per cent. of the existing ordinary share capital of the Company), such authority to expire on 17 March 2007.

The purpose of the increase in authorised share capital, the taking of the authority under Section 80 and the disapplication of Section 89 of the Act, in addition to that required for the Placing and Open Offer, is to provide a reasonable margin of authorised but unissued ordinary share capital which is available for allotment by the Directors following the Placing and Open Offer in accordance with the guidelines of the Association of British Insurers. Other than in respect of the Company's obligations under the Share Option Schemes and in connection with any deferred consideration payable in respect of the acquisition of Broadbay Networks Inc, (further details of which are set out in paragraph 9 of Part V of this document) the Directors have no present intention of exercising such authority.

Further information

Your attention is drawn to the further information on the Placing and Open Offer and the Group set out in Parts II to V of this document.

Action to be taken

Shareholders will find enclosed with this document a reply paid Proxy Form for use in connection with the Extraordinary General Meeting.

In addition, Qualifying Shareholders will find enclosed with this document an Application Form to apply for Open Offer Shares under the Open Offer.

(a) Extraordinary General Meeting

Whether or not (if eligible) you intend to apply for any Open Offer Shares under the Open Offer, and whether or not you propose to attend the Extraordinary General Meeting in person, you are requested to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon so as to be received by the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL **as soon as possible and, in any event, by no later than 10.00am on 16 March 2002. Completion and return of the Proxy Form will not preclude you from attending and voting at the Extraordinary General Meeting in person if you wish to do so.**

(b) Open Offer

If you wish to take up any or all of your entitlement to Open Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in Part II of this document and in the Application Form. You should then return the Application Form with the appropriate remittance for the full amount payable to the Company's receiving agent, Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL **so as to arrive as soon as possible and, in any event, by no later than 3.00pm on 15 March 2002. Shareholders who are resident in the UK may use the reply paid envelope provided.**

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Recommendation

Your Board, which has been advised by Hawkpoint, considers the Placing and Open Offer to be in the best interests of Harvey Nash and its Shareholders as a whole. In providing advice to the Board, Hawkpoint has placed reliance on the Directors' commercial assessment of the Placing and Open Offer.

Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their own beneficial holdings of Ordinary Shares (in respect of which they have the power to exercise or direct the exercise of voting rights) which, in aggregate, amount to 13,668,850 Ordinary Shares representing approximately 45.3 per cent. of the existing issued ordinary share capital of the Company.

Yours faithfully

Ian Kirkpatrick
Chairman

PART II

LETTER FROM HAWKPOINT AND CAZENOVE

HAWKPOINT

CAZENOVE

22 February 2002

To Qualifying Shareholders

Dear Sir/Madam

Introduction

Harvey Nash proposes to raise approximately £14.3 million (approximately £12.9 million net of expenses) by way of the allotment and issue of 22,632,181 New Ordinary Shares at 63 pence per New Ordinary Share pursuant to the Placing and Open Offer. The Open Offer Shares will be offered at the Issue Price to Qualifying Shareholders on a pre-emptive basis under the terms of the Open Offer. Pursuant to, and subject to the conditions set out in, the Placing and Open Offer Agreement, Cazenove has conditionally agreed to place with institutional and other investors or, to the extent that it fails to do so, itself to subscribe for the Open Offer Shares other than the Committed Shares, subject to and to the extent that valid applications are not made by Qualifying Shareholders under the Open Offer for such Open Offer Shares. The Placing and Open Offer is, save in respect of the Committed Shares, being fully underwritten by Cazenove on the terms and subject to the conditions set out in the Placing and Open Offer Agreement. The Committed Shares are not being placed under the Placing as irrevocable undertakings have been received from certain Directors to take up either all or part of their respective entitlements to such New Ordinary Shares under the Open Offer.

Your attention is drawn to the letter from the Chairman of Harvey Nash in Part I of this document, which sets out, *inter alia*, the background to and reasons for the Placing and Open Offer.

This letter and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

The Open Offer

Subject to the terms and conditions set out herein and in the enclosed Application Form, Hawkpoint and Cazenove, both acting as agent on behalf of the Company, hereby invite Qualifying Shareholders to apply to subscribe for Open Offer Shares at a price of 63 pence per New Ordinary Share, payable in full on application and free of all expenses, on the basis of:

3 Open Offer Shares for every 4 Existing Ordinary Shares

registered in the names of Qualifying Shareholders at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held. Where appropriate, entitlements of Qualifying Shareholders will be rounded down to the nearest whole number and

any fractional entitlements to Open Offer Shares that would otherwise have arisen will be disregarded in calculating Qualifying Shareholders' *pro rata* entitlements. Such fractional entitlements will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating *pro rata* entitlements under the Open Offer. The maximum number of Open Offer Shares for which each Qualifying Shareholder may apply is set out in the Application Form.

Certain Directors have irrevocably undertaken to take up either all or part of their respective entitlements to, in aggregate, 1,589,549 Open Offer Shares under the Open Offer, representing approximately 7.0 per cent. of all the Open Offer Shares and, accordingly, such Committed Shares will not be placed conditionally or otherwise by Cazenove under the Placing and are not being underwritten by Cazenove.

Certain Directors and certain Shareholders associated with them have irrevocably undertaken not to take up either all or part of their entitlements to, in aggregate, 8,647,832 Open Offer Shares. These Firm Placed Shares, together with fractional entitlements under the Open Offer, have been conditionally placed firm by Cazenove with institutional and other investors at the Issue Price and are not subject to clawback by Qualifying Shareholders under the Open Offer.

No application in excess of the maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his maximum entitlement only. Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk and without interest) as soon as possible.

Completed Application Forms, accompanied by payment in full, must be received by the Company's Receiving Agent, Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL by no later than 3.00pm on 15 March 2002.

The New Ordinary Shares will be issued credited as fully paid and will be identical to and rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid on or after Admission in respect of the ordinary share capital of the Company.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Shareholders' entitlements under the Open Offer are not transferable unless to satisfy *bona fide* market claims and the Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that, in the case of the Open Offer, unlike in a rights issue, the Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be placed for the benefit of the Company at the Issue Price pursuant to the terms of the Placing and Open Offer Agreement.

Conditions and further terms of the Open Offer

The Open Offer is conditional upon the Placing and Open Offer Agreement becoming unconditional in all respects by 8.00am on 19 March 2002 or such later date as Hawkpoint, Cazenove and the Company may agree (not being later than 8.00am on 26 March 2002) and not having lapsed or been terminated in accordance with its terms. The Placing and Open Offer Agreement is conditional upon satisfaction of, *inter alia*, the following conditions:

- (i) the passing without amendment of the Resolutions;

- (ii) the agreement relating to the Company's revised committed facilities having become unconditional in all respects (save for any condition contained therein relating to Admission) and not having lapsed or been terminated in accordance with its terms prior to Admission; and
- (iii) Admission having become effective by no later than 8.00am on 19 March 2002 or such later time and/or date as Harvey Nash, Hawkpoint and Cazenove may agree (but, in any event, not later than 8.00am on 26 March 2002).

Further details of the Placing and Open Offer Agreement are set out in paragraph 9 of Part V of this document.

Procedure for application and payment

Each Application Form shows the number of Existing Ordinary Shares registered in the relevant Qualifying Shareholder's name on the Record Date and also shows the maximum number of Open Offer Shares for which such Qualifying Shareholder is entitled to apply under the Open Offer, calculated on the basis set out above. The Application Form incorporates further terms and conditions of the Open Offer. A Qualifying Shareholder may apply for any number of Open Offer Shares up to and including his/her maximum entitlement as shown on the Application Form. No application for Open Offer Shares in excess of this maximum *pro rata* entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his/her maximum entitlement. Any monies received from an applicant in excess of the amount due in respect of his/her application or deemed application will be returned to the applicant (at the applicant's risk and without interest).

Applications for Open Offer Shares under the Open Offer may only be made on an Application Form. Each Application Form is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims in relation to purchases of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares are marked "ex" the entitlement to the Open Offer by the London Stock Exchange, being 22 February 2002. The Application Form represents only a right to apply for Open Offer Shares. The Application Form is not a document of title and cannot be traded.

Any Qualifying Shareholder who wishes to apply for all or any of the Open Offer Shares to which he/she is entitled must complete the Application Form in accordance with the instructions printed thereon and return it by post or by hand (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL with a cheque or banker's draft for the full amount payable on application so as to arrive by no later than 3.00pm on 15 March 2002, at which time the Open Offer will close. A reply paid envelope is enclosed for use by Qualifying Shareholders resident in the UK in connection with the Open Offer.

If an Application Form is being sent by post, Qualifying Shareholders are recommended to allow at least four working days for delivery. Any Qualifying Shareholder who does not wish to apply for any of the Open Offer Shares to which he/she is entitled should not return a completed Application Form to Lloyds TSB Registrars. All Shareholders are nevertheless requested to complete and return the enclosed Proxy Form for use in connection with the EGM.

Applications made under the Open Offer are irrevocable and will not be acknowledged

Payment must be made by cheque or banker's draft, which should be made payable to "Lloyds TSB Bank plc – a/c Harvey Nash Group plc" and crossed "A/C payee only". Cheques or banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the committees of the Scottish or Belfast clearing houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sorting code in the top right hand corner and must be for the full amount payable on application. The Company reserves the right to reject applications unless these requirements are fulfilled.

The Company (and each of Hawkpoint and Cazenove as agents for the Company) reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Lloyds TSB Registrars to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Any person returning an Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. The Company (and each of Hawkpoint and Cazenove as agents for the Company) may elect at its sole discretion to treat as invalid any acceptance in respect of which a remittance is notified to it as not having been so honoured.

If cheques or banker's drafts are presented before the conditions of the Open Offer are fulfilled, the application monies will be held in a separate interest bearing account, with any interest being retained for the benefit of the Company until all conditions are met. If the conditions outlined above are not fulfilled by 8.00am on 26 March 2002 at the latest, the Placing and Open Offer will lapse and application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) through the post at his/her (their) own risk as soon as possible after the lapse of the Placing and Open Offer.

The Company (and each of Hawkpoint and Cazenove as agents for the Company) reserves the right, but shall not be obliged, to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions and is not accompanied by the required remittance or a valid power of attorney (where required) or verification of identity satisfactory to Lloyds TSB Registrars to ensure that the Money Laundering Regulations 1993 (the "Money Laundering Regulations") would not be breached by acceptance of the payment submitted in connection with the Application Form.

The Company (and each of Hawkpoint and Cazenove as agents for the Company) reserves the right, but shall not be obliged, to accept applications accompanied by the required remittances which are received after 3.00pm on 15 March 2002 but not later than 9.00am on 16 March 2002, provided that the cover bears a legible postmark not later than 3.00pm on 15 March 2002. The Company (and each of Hawkpoint and Cazenove as agents for the Company) reserves the right, but shall not be obliged, to accept applications in respect of which remittances are received prior to 3.00pm on 15 March 2002 from an authorised person (as that term is defined in the Financial Services and Markets Act 2000) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. If you are a Qualifying Shareholder completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, English law; and
- (ii) confirm that in making an application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation not so contained.

All enquiries in connection with the procedure for application in connection with the Open Offer and completion of the Application Form should be referred to Lloyds TSB Registrars, which is acting as Receiving Agent and Paying Agent in respect of the Open Offer. The telephone number of Lloyds TSB Registrars is 0870 607 0636.

If you are in any doubt whether or not you should apply for any of the Open Offer Shares, you should consult your independent financial adviser immediately.

Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Lloyds TSB Registrars may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person (the "applicant") who, by lodging an Application Form with payment, applies for Open Offer Shares (the "relevant shares") and any agent lodging such Application Form on his/her behalf shall thereby be deemed to agree to provide Lloyds TSB Registrars with such information and other evidence as Lloyds TSB Registrars may require to satisfy the verification of identity requirements.

If Lloyds TSB Registrars determines that the verification of identity requirements apply to any application, the relevant shares will not be allotted to the applicant (notwithstanding any other term of the Placing and Open Offer) until the verification of identity requirements have been satisfied. If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity, Lloyds TSB Registrars shall, at its sole discretion, be entitled to elect to treat the relevant application as invalid, in which event the monies paid by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Lloyds TSB Registrars shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to any applicant and whether such requirements have been satisfied, and neither Lloyds TSB Registrars nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in an application being treated as invalid or in a delay in the despatch of a share certificate or delivery of the relevant shares in CREST (as applicable).

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (no. 91/308/EEC); or
- (b) if the applicant is a UK or European Community regulated broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations 1993; or
- (c) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or

- (d) if the value of the aggregate subscription price for the relevant shares is less than €15,000 or its equivalent (£8,500 Sterling).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or banker's draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form evidence of his/her name and address from an appropriate third party; for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant's name and address (originals of such documents (not copies) are required which will be returned in due course) and writing their own name and address on the back of the cheque and, in the case of an individual, recording his date of birth against his name;
- (iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Singapore, Switzerland, Turkey and the United States), the agent should provide with the Application Form written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Lloyds TSB Registrars; and
- (iv) if an Application Form is delivered by hand and the accompanying payment is not the applicant's own cheque, the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

If you are making an application as agent for one or more persons and you are not a United Kingdom or European Community regulated person or institution, then, irrespective of the value of the application, Lloyds TSB Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Applicants making such an application as agents should specify on the Application Form if they are a United Kingdom or European Community regulated person or institution (for example a bank or broker).

In order to confirm the acceptability of any written assurances referred to in sub-paragraph (iii) above or in any other case, the applicant should contact Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL. The telephone number of Lloyds TSB Registrars is 0870 607 0636.

CREST

Although the Open Offer will be processed outside CREST, for the purposes of calculating entitlements under the Open Offer, CREST and non-CREST shareholdings will be treated independently and a separate Application Form will be issued in respect of each. If a Qualifying Shareholder has both an uncertificated and certificated shareholding in the Company, there will be two separate Application Forms despatched in respect of such holdings.

Qualifying Shareholders holding their Ordinary Shares in certificated form will be allotted all Open Offer Shares for which they validly apply in certificated form to the extent their entitlement arises as a result of their holding of Ordinary Shares in certificated form. Qualifying Shareholders holding their Ordinary Shares in uncertificated form will be allotted all Open Offer Shares for which they validly apply in uncertificated form to the extent that their entitlement arises as a result of their holding Ordinary Shares in uncertificated form.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the Member Account ID and Participant ID details) are not provided as requested on the Application Form.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Open Offer.

For more information as to the procedure for application in each case, Qualifying Shareholders are referred to the Application Form.

Overseas Shareholders

The making of the Open Offer to persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom may be affected by the laws or regulatory requirements of such relevant jurisdiction. No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him/her and such Application Form could lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

It is the responsibility of any person outside the United Kingdom wishing to apply for any Open Offer Shares under the Open Offer to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required and compliance with any other formalities needing to be observed in such territory and payment of any issue, transfer or other taxes due in such territory.

Persons (including, without limitation, nominees, custodians and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer must not distribute or send either of these documents in or into or from the United States, Canada, Australia, Japan or the Republic of Ireland or their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations (together the "prohibited territories"). If a copy of this document and/or the Application Form is received by a person in any of the prohibited territories or by his/her agent or nominee of such a person, he/she must not seek to take up the Open Offer Shares under the Open Offer. Any person who does forward a copy of this document and/or the Application Form into any prohibited territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this letter.

The Company reserves the right to reject Application Forms received from Shareholders in any prohibited territory or persons it believes are acquiring Open Offer Shares for resale in any such territory. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay. All payments must be made in pounds sterling.

The Company reserves the right to make the Open Offer available to Overseas Shareholders notwithstanding any statement contained in this document if it is advised to its satisfaction that any such Shareholder can properly accept the invitation comprised in the Open Offer without the Company thereby being in breach of any law or regulation and without observance by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome. Equally, the Company reserves without limitation the right to treat an application as invalid if it believes the application may violate applicable legal or regulatory requirements.

In particular, Shareholders should note the following:

United States and Canada

The Open Offer is not being made directly or indirectly, in or into, or by the use of mails, or by any means of instrumentality (including, without limitation, facsimile transmissions, electronic mail, telex or telephone) of interstate or foreign commerce, or of any facility of a national or other securities exchange of the United States or Canada or to or for the account or benefit of any person registered in the United States or Canada.

As the Open Offer Shares are not being registered under the United States Securities Act 1933 (as amended) and as the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada, the Open Offer Shares are not being offered in or for purchase by persons resident in the United States or Canada or any territory or possessions thereof ("North America"). Applications from any North American person who appears to be or whom the Company or Lloyds TSB Registrars has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in North America. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American person or the agent of a North American person so resident, he/she should not apply under the Open Offer.

For the purposes of this document, "North American person" means a citizen or resident of North America including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any political sub-division thereof.

Australia

No prospectus in relation to the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (a) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or
- (b) distribute any draft or definitive document in relation to any such offer, invitation or sale in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia).

Accordingly, this document and the Application Form will not be issued to Shareholders with registered addresses in, or to residents of, Australia.

Japan

The relevant clearances have not been and will not be obtained from the Japanese Ministry of Finance and no prospectus has been or will be lodged with, or registered by, the Japanese Ministry of Finance. Accordingly the Open Offer is not being made in Japan, its cities, prefectures, territories or possessions ("Japan") and the Open Offer Shares will not be available for purchase by any resident of Japan, including any corporations organised under the laws of Japan.

Republic of Ireland

No document in relation to the Open Offer Shares has been, or will be, lodged for registration with the Registrar of Companies in the Republic of Ireland and all subscribers for Open Offer Shares must provide addresses outside the Republic of Ireland for the receipt of certificates for Open Offer Shares. Persons will be deemed to have made an invalid acceptance if their Application Form appears to the Company or its agents to have been executed in or despatched from the Republic of Ireland, or if they provide an address in the Republic of Ireland for registration, or if they are unable to make the representations and warranties set out in the Application Form. Accordingly, in order to comply with the laws of the Republic of Ireland, no Application Forms will be sent to Qualifying Shareholders with registered addresses in the Republic of Ireland.

Other overseas territories

Shareholders resident in other overseas territories should consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

Taxation

The attention of Shareholders is drawn to paragraph 12 of Part V of this document which contains general information about United Kingdom taxation in relation to the Placing and Open Offer. Shareholders who are in any doubt as to their tax position should consult a suitable professional adviser immediately.

Admission, dealings and settlement

Application has been made to the UKLA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. Subject to the Placing and Open Offer Agreement becoming unconditional in all respects, not having lapsed and not having been terminated in accordance with its terms, it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange on 19 March 2002. No further application for admission to CREST is required for the New Ordinary Shares all of which, when issued and fully paid, may be held and transferred by means of CREST.

Subject to the satisfaction of the conditions of the Open Offer, the Open Offer Shares will be registered in the names of the Qualifying Shareholders validly applying for them and issued as applicable either:

- (i) in certificated form, with the relevant share certificate expected to be despatched by first class post, at the applicant's risk, by 22 March 2002; or
- (ii) in CREST, with delivery (to the designated CREST account) of the Open Offer Shares applied for expected to take place on 19 March 2002 unless the Company exercises its right to issue such Open Offer Shares in certificated form.

No temporary documents of title will be issued. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register.

Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form should note that they will not be sent any confirmation of the credit of the New Ordinary Shares to their CREST stock accounts, nor will they be sent any other written communication by the Company in respect of the issue of the New Ordinary Shares.

Holders of options over Ordinary Shares under the Share Option Schemes

The Open Offer is not being extended to holders of options over Ordinary Shares under the Share Option Schemes.

Further information

Your attention is drawn to the additional information set out in Part I and Parts III to V of this document and to the Notice of Extraordinary General Meeting set out at the end of this document and also to the terms and conditions and other information set out in the enclosed Application Form.

Yours faithfully

Graham L Paton
Director
For and on behalf of
Hawkpoint Partners Limited

Nick Garrett
Managing Director
For and on behalf of
Cazenove & Co. Ltd

PART III

PROFIT ESTIMATE AND ASSOCIATED LETTERS

1. Profit estimate

Profit estimate

The Directors estimate that for the year ended 31 January 2002 profit before taxation, amortisation of goodwill and exceptional items will be not less than £0.7 million and that exceptional items will be not more than £10.7 million (the "Profit Estimate"). The exceptional items comprise restructuring and redundancy costs of £3.2 million, provisions associated with settlement of a contract dispute of £1.5 million, amounts written off investments of £1.0 million and a goodwill impairment charge associated with the US business of Techpartners of £5.0 million. The goodwill amortisation charge before the exceptional Techpartners impairment charge for the year ended 31 January 2002 will be £1.4 million.

Basis

The Profit Estimate has been prepared on a basis consistent with the accounting policies normally adopted by the Group. The Profit Estimate has been based on the unaudited interim results of the Group for the six months ended 31 July 2001 set out in Part IV of this document, the unaudited management accounts of the Group for the five months ended 31 December 2001 and the Directors' estimate of the Group's results for the month ended 31 January 2002.

2. Letters

The Directors, who are solely responsible for the Profit Estimate, have received the following letters in connection with the Profit Estimate:

(a) Letter from PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

The Directors
Harvey Nash Group plc
13 Bruton Street
London
W1J 6QA

The Directors
Hawkpoint Partners Limited
4 Great St Helens
London
EC3A 6HA

The Directors
Cazenove & Co. Ltd
12 Tokenhouse Yard
London
EC2R 7AN

22 February 2002

Dear Sirs

We have reviewed the basis of compilation and the accounting policies for the estimate of profit before taxation, amortisation of goodwill and exceptional items of Harvey Nash Group plc ("the Company") and its subsidiaries and associated undertakings (together "the Group") for the year ended 31 January 2002 ("the Profit Estimate"), for which the directors of the Company ("the Directors") are solely responsible, set out in Part III of the prospectus dated 22 February 2002 issued by the Company.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

The Profit Estimate is based on the published unaudited interim results of the Group for the six months ended 31 July 2001, the unaudited management accounts of the Group for the five months ended 31 December 2001 and the Directors' estimate of the Group's results for the month ended 31 January 2002.

In our opinion the Profit Estimate has been properly compiled on the basis stated and the basis of accounting is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6RH. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

(b) Letter from Hawkpoint and Cazenove

HAWKPOINT

CAZENOVE

The Directors
Harvey Nash Group plc
13 Bruton Street
London
W1J 6QA

22 February 2002

Dear Sirs

We refer to the estimate of profit before taxation, amortisation of goodwill and exceptional items of Harvey Nash Group plc (the "Company") and its subsidiaries and associated undertakings (together the "Group") for the year ended 31 January 2002 (the "Profit Estimate") set out in Part III of the prospectus dated 22 February 2002 issued by the Company. The Profit Estimate is based on the published unaudited interim results of the Group for the six months ended 31 July 2001, the unaudited management accounts of the Group for the five months ended 31 December 2001 and your estimate of the Group's results for the month ended 31 January 2002.

We have discussed the Profit Estimate with you and PricewaterhouseCoopers, the reporting accountants. We have also considered the letter dated 22 February 2002 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations underlying the Profit Estimate.

On the basis of these discussions and having regard to that letter, we have satisfied ourselves that the Profit Estimate, for which you are solely responsible, has been made after due and careful enquiry by the Company.

Yours faithfully

Graham L Paton
Director
For and on behalf of
Hawkpoint Partners Limited

Nick Garrett
Managing Director
For and on behalf of
Cazenove & Co. Ltd

PART IV

INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 31 JULY 2001

Set out below is the full text of the announcement of Harvey Nash's unaudited interim results for the six months ended 31 July 2001:

"Harvey Nash, a leading global resource solutions Group, announces its interim results for the six months ended 31 July 2001.

FINANCIAL RESULTS

	31 July 2001	31 July 2000
Turnover	£126.4m	£93.2m
Operating profit*	£1.7m	£7.1m
Profit before tax*	£0.7m	£6.7m
Earnings per share*	0.78p	16.26p

*Before goodwill and exceptional operating items

David Higgins, Chief Executive Officer, said:

"Following the widely reported slowdown in the Technology and Telecomms sectors together with the global economic downturn, the demand for our services has weakened considerably.

"The Board has taken steps to adjust the Group's cost base in line with current trading. This has included the closure of certain offices and a reduction in headcount. The £1.6 million cost of this restructuring is recognised as an exceptional operating item. In the US, we have consolidated our business with the acquisition and integration of Broadbay Networks Inc.

Whilst trading conditions remain difficult, our strategy is to maintain critical mass and preserve our investment in infrastructure, in order to be well positioned to increase revenue and profits when markets recover."

CHAIRMAN'S STATEMENT

In the six months ended 31 July 2001, the Group has experienced one of the most challenging trading periods in its history. The combination of the end of the internet start up boom, the global slowdown in the Technology and Telecomms sectors, together with an economic downturn across all our markets have produced a unique set of circumstances which have affected our business. As markets have declined, hiring freezes and reductions in staffing levels have been implemented by many key clients.

The management has taken steps to adjust the Group's cost base in line with current trading. This included the closure of offices (Austin, Melbourne and Newcastle) and a reduction in the overall headcount of the Group.

GROUP RESULTS

Group turnover increased by 36 per cent. to £126.4 million (2000: £93.2 million) in the six months ended 31 July 2001. Gross profit margins were 22.5 per cent. (2000: 25.5 per cent.) due to the change in mix of revenues. International Search and Selection revenues, which have historically provided higher margins have declined across all markets. Resourcing revenues, as a proportion of the Group's total, increased to 86.0 per cent. (2000: 84.2 per cent.).

Operating profit before exceptional items and goodwill declined by 75 per cent. to £1.7 million (2000: £7.1 million). Our operating margins were affected by trading losses in the US of £1 million and losses in the UK Executive Search and Selection Division of £0.8 million. We also invested £0.4 million in our office in Hong Kong.

The results include an operating exceptional item of £1.6 million relating to the restructuring, which includes redundancy and office closure costs following the implementation of the cost reduction programme.

Interest paid of £1 million (2000: £0.4 million) reduced the profit before tax, before exceptional items and goodwill, to £0.7 million (2000: £6.7 million). Goodwill of £0.3 million was charged in the period, which included a credit to amortisation of goodwill relating to last year of £0.8 million. This was related to the reduction in the estimate of deferred consideration payable on the acquisition of Techpartners and the corresponding reduction in the intangible asset.

Adjusted earnings per share are 0.78 pence, a decline of 95 per cent. (2000: 16.26 pence). In view of these results and the uncertainty over the outlook for next year, the Board has decided it is prudent to forego the interim dividend (2000: 2.40 pence per share).

Net debt was £28.0 million compared to £20.1 million at 31 January 2001. This cash outflow of £7.9 million was mainly as a result of the payment of the first tranche of deferred consideration for Techpartners (£1.8 million), prior year taxation (£2 million), interest paid (£1 million), the final dividend 2001 (£1.3 million) and capital expenditure (£1.5 million).

Capital expenditure mainly relating to commitments made in the latter part of 2000 comprised office furniture, equipment and computer systems for new offices as well as upgrading existing ones.

Consulting Services

The Consulting Division comprises International Search & Selection, Interim Management and On-Line Services.

Following record results last year, the Consulting Division has been severely affected across the board by hiring freezes in key clients and the global slowdown in the Technology and Telecomms sectors. Overall revenues increased by 21 per cent. to £17.7 million (2000: £14.7 million). The acquisition of Impact Executives increased interim management revenue 171 per cent. to £7.0 million (2000: £2.6 million) but International Search revenue was down 19 per cent. to £9.7 million (2000: £12.0 million). The £1.5 million loss was incurred as a result of the time lag between declining revenues and the benefit of cost reductions, combined with the investment in Asia.

Revenues from the Technology and Telecomms sectors represented 47 per cent. (2000: 58 per cent.) of this Division's total revenues. The change in mix is mainly the result of the Impact Executives acquisition, where 84 per cent. of its revenues come from the Financial Services and Industry sectors.

The development of our International Search & Selection business in Germany has been affected by the economic downturn and the cost of three start up offices.

In its first year Impact Executives, our Interim Management business has delivered added value to the Consulting Division. This business has a broad client base in Technology, Finance, Banking and Industry. Our market leading position in the UK has continued and the performance of this business has been particularly commendable in the current economic climate.

The Hong Kong Harvey Nash office was officially launched in June with start up costs of approximately £0.4 million for the period. Investment of just under £0.8 million for the year is expected, with monthly breakeven forecast in the first half of next year.

FirstPersonGlobal, our on-line service has been shortlisted for “recruitment website of the year” and has enjoyed success with net fee income of £1 million for the six months ended 31 July 2001.

Resourcing Services

The Resourcing Division comprises IT Contracts Services, File Search, Resource Management and the Techpartners Group.

Revenues increased by 38 per cent. to £108.6 million (2000: £78.5 million) with profits down 39 per cent. to £2.8 million (2000: £4.7 million). This is largely as a result of an operating loss of £1 million in the US and the declining demand for Techpartners’ Managed Resource services which focus on new Technology companies. Harvey Nash Resource Management, which provides these services to global IT and Telecomms companies, increased turnover by 167 per cent. to £15.0 million (2000: £5.6 million). Our UK and European Resourcing businesses performed strongly, particularly in Europe.

The acquisition of Broadbay Networks in August 2001 is already yielding cross-selling opportunities and infrastructure synergies to Harvey Nash’s US operations. Broadbay Networks Inc is a human resource solutions provider to the broadband industry and has operations based in San Francisco and Denver providing specialist project teams. The integration with Techpartners in the second half of the year is expected to cost approximately £0.3 million.

The proportion of IT consultants on assignment working for our offices outside the UK rose from 48 per cent. last year to 55 per cent. this year. The focus on providing senior consultants continues and, with the addition of Broadbay’s project teams, has enhanced the Division’s overall service offering.

Harvey Nash Resource Management has managed £15 million of client expenditure on contract services in the UK in this period. Offshore development continues to generate over £1 million of annualised revenues and we are confident that this service will become more attractive to clients as they look for opportunities to reduce their costs.

STAFF AND MANAGEMENT

Our staff and management across the Group have been key to the success and achievements of the Group. Our employees have responded positively to worsening market conditions by assisting the Board in implementing a wide range of measures to reduce costs. Their commitment and efforts are much appreciated.

We once again welcome all new employees, including those employed by companies which have joined our Group in the current year and we thank you for your continued support and hard work.

FUTURE PROSPECTS

As we stated at our AGM on 5 June 2001, and also in our pre-close period statement on 15 August 2001, market conditions had deteriorated further in the US and the Group was experiencing softening demand in our UK and continental European operations. We continue to face limited visibility and do not currently see any evidence of recovery in those markets.

Clearly the events of September 11 have affected the US economy and it is too early to assess what impact this will have on the Group’s operations worldwide.

However, information technology is critical to maintaining the competitive advantage of all of our clients and whilst capital expenditure may well be frozen or reduced for a period of time, business critical investment in technology will not be delayed forever.

Our strategy therefore, is to maintain critical mass and preserve our investment in infrastructure, in order to be well positioned to increase revenue and profits when markets recover.

The following are the consolidated unaudited interim results of the Group for the six months ended 31 July 2001 as published on 15 October 2001:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months from 1 February to 31 July 2001

		Unaudited 6 months to 31 July 2001 £'000	Unaudited 6 months to 31 July 2000 £'000	Year ended 31 January 2001 £'000
	Note			
Turnover	2	126,359	93,190	226,249
Cost of sales		(97,982)	(69,458)	(171,108)
Gross profit		28,377	23,732	55,141
Administrative expenses		(28,448)	(17,575)	(42,509)
Group operating profit before amortisation of capitalised goodwill and operating exceptional items	2	1,747	7,056	15,412
Goodwill amortised		(265)	(899)	(2,417)
Operating exceptional items	3	(1,553)	—	(363)
Group operating (loss)/profit		(71)	6,157	12,632
Exceptional item – Non-operating		—	—	1,646
Net interest payable		(1,032)	(401)	(1,307)
(Loss)/profit on ordinary activities before taxation		(1,103)	5,756	12,971
Taxation on (loss)/profit on ordinary activities	4	—	(2,146)	(5,606)
(Loss)/profit on ordinary activities after taxation		(1,103)	3,610	7,365
Equity minority interests		(25)	(24)	(66)
(Loss)/profit on ordinary activities for the period		(1,128)	3,586	7,299
Dividends		—	(678)	(1,961)
Retained (loss)/profit for the period		(1,128)	2,908	5,338
(Loss)/earnings per share	8	(3.95)p	13.00p	26.09p
Diluted (loss)/earnings per share	8	(3.79)p	12.25p	24.63p
Adjusted earnings per share	8	0.78p	16.26p	33.41p

CONSOLIDATED BALANCE SHEET

as at 31 July 2001

	<i>Unaudited as at 31 July 2001 £000</i>	<i>Unaudited as at 31 July 2000 £000</i>	<i>As at 31 January 2001 £000</i>
Fixed assets			
Intangible assets	35,697	55,578	57,744
Tangible assets	5,119	3,412	4,661
Investments	1,099	1,792	1,099
	<u>41,915</u>	<u>60,782</u>	<u>63,504</u>
Current assets			
Debtors	44,269	39,932	50,374
Investments	96	1,117	96
Cash at bank	–	1,025	2,923
Creditors due within one year	<u>(31,491)</u>	<u>(33,912)</u>	<u>(39,609)</u>
Net current assets	12,874	8,162	13,784
Total assets less current liabilities	54,789	68,944	77,288
Creditors due after more than one year	<u>(22,643)</u>	<u>(40,267)</u>	<u>(36,227)</u>
	<u>32,146</u>	<u>28,677</u>	<u>41,061</u>
Equity capital and reserves			
Share capital	1,496	1,476	1,478
Shares to be issued	–	–	9,462
Share premium account	4,897	4,847	4,885
Other reserves	9,240	7,482	7,482
Profit and loss account	16,228	14,656	17,485
Equity shareholders' funds	31,861	28,461	40,792
Equity minority interests	285	216	269
	<u>32,146</u>	<u>28,677</u>	<u>41,061</u>

CONSOLIDATED CASH FLOW STATEMENT

Six months from 1 February to 31 July 2001

		Unaudited 6 months to 31 July 2001 £'000	Unaudited 6 months to 31 July 2000 £'000	Year ended 31 January 2001 £'000
	Note			
Net cash (outflow)/inflow from operating activities	5	(272)	1,970	9,193
Returns on investments and servicing of finance				
Interest received		21	21	50
Interest paid		(1,053)	(421)	(1,357)
HP interest		—	(2)	—
Net cash outflow from returns on investments and servicing of finance		(1,032)	(402)	(1,307)
Tax paid		(2,022)	(1,265)	(3,522)
Capital expenditure and financial investments				
Purchase of tangible fixed assets		(1,468)	(1,173)	(3,263)
Sale of tangible fixed assets		—	—	3,402
Purchase of fixed asset investments		—	(933)	(933)
Net cash outflow from capital expenditure and financial investments		(1,468)	(2,106)	(794)
Acquisitions and disposals				
Purchase of subsidiary undertakings		—	(9,947)	(14,505)
Purchase of a trade		—	—	(1,534)
Deferred consideration and loan notes		(3,217)	—	—
Net cash acquired with subsidiary undertaking		—	1,456	1,784
Net cash outflow from acquisition and disposal		(3,217)	(8,491)	(14,255)
Equity dividends paid		(1,283)	(1,125)	(1,803)
Financing				
Issue of share capital		—	527	565
Repayment of acquired debt		—	(1,447)	(2,144)
Purchase of own shares		—	(459)	(459)
Long term borrowings		1,560	9,997	13,524
Capital element of finance lease repayments		—	(15)	(38)
Net cash inflow from financing		1,560	8,603	11,448
Net cash outflow in the period	6	(7,734)	(2,816)	(1,040)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Six months from 1 February to 31 July 2001

	<i>Unaudited to 31 July 2001 £000</i>	<i>Unaudited to 31 July 2000 £000</i>	<i>31 January 2001 £000</i>
(Loss)/profit for the financial period	(1,128)	3,586	7,299
Currency translation differences on foreign currency net investments	(129)	59	457
Total recognised (losses)/gains relating to the period	<u>(1,257)</u>	<u>3,645</u>	<u>7,756</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Six months from 1 February to 31 July 2001

	<i>Unaudited to 31 July 2001 £000</i>	<i>Unaudited to 31 July 2000 £000</i>	<i>31 January 2001 £000</i>
(Loss)/profit for the financial period	(1,128)	3,586	7,299
Dividends payable	–	(678)	(1,961)
Currency translation differences on foreign currency net investments	(129)	59	457
Issue of share capital	18	53	55
Movement in shares to be issued	(9,462)	–	9,462
Share premium	12	510	549
Other reserve	1,758	5,740	5,740
Net movement in shareholders' funds	<u>(8,931)</u>	<u>9,270</u>	<u>21,601</u>
Opening equity shareholders' funds	<u>40,792</u>	<u>19,191</u>	<u>19,191</u>
Closing equity shareholders' funds	<u>31,861</u>	<u>28,461</u>	<u>40,792</u>

NOTES TO THE FINANCIAL STATEMENTS

Six months from 1 February to 31 July 2001

1. Basis of preparation

The unaudited financial information set out in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

Except for the change in accounting for deferred tax, the accounts have been prepared applying the accounting policies described on pages 28-30 of the 2001 Report and Accounts and should be read in conjunction with the Report and Accounts. Following the introduction of FRS19, Deferred tax, full provision is made for deferred tax assets and liabilities arising from timing differences between recognition of gains and losses in the financial statements and their recognition in a tax computation.

2. Analysis of turnover and operating profit by geographical market and activity

	<i>Unaudited 6 months to 31 July 2001 £'000</i>	<i>Unaudited 6 months to 31 July 2000 £'000</i>	<i>Year ended 31 January 2001 £'000</i>
Turnover			
<i>Geographical area by location of client operations</i>			
United Kingdom	75,719	60,161	146,206
Rest of Europe	43,243	28,742	66,365
United States	6,983	4,287	12,849
Asia Pacific	414	—	829
	<u>126,359</u>	<u>93,190</u>	<u>226,249</u>
<i>Market Sector</i>			
Resourcing Services:			
Resourcing	93,594	72,864	167,622
Resource Management	15,017	5,626	19,249
	<u>108,611</u>	<u>78,490</u>	<u>186,871</u>
Consulting Services:			
International Search	9,686	11,978	27,960
Interim Management	6,989	2,583	10,511
On-line Services	1,073	139	907
	<u>17,748</u>	<u>14,700</u>	<u>39,378</u>
	<u>126,359</u>	<u>93,190</u>	<u>226,249</u>

2. Analysis of turnover and operating profit by geographical market and activity (continued)

	Unaudited 6 months to 31 July 2001 £000	Unaudited 6 months to 31 July 2000 £000	Year ended 31 January 2001 £000
Total operating profit before goodwill amortisation and exceptional items			
<i>Geographical area by location of client operations</i>			
United Kingdom	1,487	4,989	10,510
Rest of Europe	1,669	1,766	4,618
United States	(979)	301	518
Asia Pacific	(430)	-	(234)
	<u>1,747</u>	<u>7,056</u>	<u>15,412</u>
<i>Market Sector</i>			
Resourcing Services:			
Resourcing	2,795	4,657	11,300
Resource Management	17	(44)	73
	<u>2,812</u>	<u>4,613</u>	<u>11,373</u>
Consulting Services:			
International Search and Selection	(1,492)	2,815	3,773
Interim Management	472	124	756
On-line Services	(45)	(496)	(490)
	<u>(1,065)</u>	<u>2,443</u>	<u>4,039</u>
	<u>1,747</u>	<u>7,056</u>	<u>15,412</u>
	Unaudited 6 months to 31 July 2001 £000	Unaudited 6 months to 31 July 2000 £000	Year ended 31 January 2001 £000
Total operating profit			
<i>Geographical area by location of client operations</i>			
United Kingdom	533	4,337	8,320
Rest of Europe	1,113	1,519	4,028
United States	(1,259)	301	518
Asia Pacific	(458)	-	(234)
	<u>(71)</u>	<u>6,157</u>	<u>12,632</u>
<i>Market Sector:</i>			
Resourcing Services:			
Resourcing	1,719	3,758	8,520
Resource Management	17	(44)	73
	<u>1,736</u>	<u>3,714</u>	<u>8,593</u>
Consulting Services:			
International Search and Selection	(2,234)	2,815	3,773
Interim Management	472	124	756
On-line Services	(45)	(496)	(490)
	<u>(1,807)</u>	<u>2,443</u>	<u>4,039</u>
	<u>(71)</u>	<u>6,157</u>	<u>12,632</u>

3. Exceptional items

The £1.6 million operating exceptional items relate to redundancy and office closure costs associated with the Group's cost reduction programme.

4. Taxation on profit on ordinary activities

	<i>Unaudited 6 months to 31 July 2001 £'000</i>	<i>Unaudited 6 months to 31 July 2000 £'000</i>	<i>Year ended 31 January 2001 £'000</i>
United Kingdom corporation tax for the period at 30 per cent. (2000: 30 per cent.)	91	1,595	4,842
Deferred tax	(500)	—	—
Overseas tax	409	551	764
	<u>—</u>	<u>2,146</u>	<u>5,606</u>

5. Reconciliation of operating profit to net cash inflow

	<i>Unaudited 31 July 2001 £'000</i>	<i>Unaudited 31 July 2000 £'000</i>	<i>31 January 2001 £'000</i>
Group operating (loss)/profit	(71)	6,157	12,632
Depreciation	1,079	571	1,351
Amortisation	265	899	2,417
Decrease/(increase) in debtors	6,124	(7,708)	(15,623)
(Decrease)/increase in creditors	(7,669)	2,051	8,416
Net cash (outflow)/inflow from operations	<u>(272)</u>	<u>1,970</u>	<u>9,193</u>

6. Reconciliation of net cash flow to movement in net debt

	<i>Unaudited 6 months to 31 July 2001 £'000</i>	<i>Unaudited 6 months to 31 July 2000 £'000</i>	<i>Year ended 31 January 2001 £'000</i>
Decrease in cash during the period	(7,734)	(2,816)	(1,040)
Increase in debt and lease finance	(247)	(10,293)	(11,342)
	<u>(7,981)</u>	<u>(13,109)</u>	<u>(12,382)</u>
Foreign exchange	53	(76)	(760)
Non cash movements	—	—	(1,758)
Loans and finance leases acquired	—	(2,205)	(2,155)
	<u>(7,928)</u>	<u>(15,390)</u>	<u>(17,055)</u>
Increase in net debt during the period	(7,928)	(15,390)	(17,055)
Net debt at the beginning of period	(20,070)	(3,015)	(3,015)
Net debt at end of period	<u>(27,998)</u>	<u>(18,405)</u>	<u>(20,070)</u>
Net cash	(4,917)	1,025	2,923
Borrowings	(23,081)	(19,430)	(22,993)
	<u>(27,998)</u>	<u>(18,405)</u>	<u>(20,070)</u>

7. Analysis of changes in net debt

	<i>1 February 2001 £000</i>	<i>Cash flow £000</i>	<i>Foreign exchange £000</i>	<i>31 July 2001 £000</i>
Cash	2,923	(7,734)	(106)	(4,917)
Debt due after one year	(21,242)	(1,560)	159	(22,643)
Factoring	7	(7)	—	—
Loan notes	(1,758)	1,320	—	(438)
	<u>(22,993)</u>	<u>(247)</u>	<u>159</u>	<u>(23,081)</u>
Total	<u>(20,070)</u>	<u>(7,981)</u>	<u>53</u>	<u>(27,998)</u>

8. Earnings per share

	<i>Unaudited 6 months to 31 July 2001 £000/shares</i>	<i>Unaudited 6 months to 31 July 2000 £000/shares</i>	<i>Year ended 31 January 2001 £000/shares</i>
(Loss)/profit attributable to shareholders	(1,128)	3,586	7,299
Weighted average number of shares	28,540,470	27,583,953	27,973,144
Basic (loss)/earnings per ordinary share	<u>(3.95)p</u>	<u>13.00p</u>	<u>26.09p</u>

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 period, excluding those held in the Employee Benefit Trust, which are treated as cancelled.

(Loss)/profit attributable to shareholders	(1,128)	3,586	7,299
Weighted average number of shares	28,540,470	27,583,953	27,973,144
Effect of dilutive securities	1,199,483	1,683,617	1,659,326
Adjusted weighted average number of shares	29,739,953	29,267,570	29,632,470
Diluted (loss)/earnings per ordinary share	<u>(3.79)p</u>	<u>12.25p</u>	<u>24.63p</u>

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive securities represent share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

(Loss)/profit attributable to shareholders	(1,128)	3,586	7,299
Amortisation	265	899	2,417
Exceptional items	1,553	—	(1,283)
Tax on exceptional items	(466)	—	912
Adjusted profit after tax	224	4,485	9,345
Weighted average number of shares	28,540,470	27,583,953	27,973,144
	<u>0.78p</u>	<u>16.26p</u>	<u>33.41p</u>

Adjusted earnings per share has been calculated before amortisation and exceptional items.

9. Post balance sheet events

On 15 August 2001 Harvey Nash Group plc acquired the Broadbay Networks Inc. for an initial cash consideration of \$0.7 million with further cash consideration of up to \$2.5 million payable in April 2002. Broadbay Networks is a US based human resource solutions provider to the broadband industry."

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names and business addresses are set out in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS

The full names of the Directors and their respective functions are:

Ian Kirkpatrick, BSc, MBA	<i>Non-Executive Chairman</i>
Thomas Francis Alexander Crawford	<i>Non-Executive Deputy Chairman</i>
David Charles Higgins, BSc	<i>Chief Executive</i>
Albert George Hector Ellis, CA(SA)	<i>Group Finance Director</i>
Peter Augustine Moore	<i>Non-Executive Director</i>
David Hedley Treacher, BSc	<i>Non-Executive Director</i>

The business address of each of the Directors is 13 Bruton Street, London W1J 6QA.

3. SHARE AND LOAN CAPITAL

- (a) The authorised, issued and fully paid share capital of the Company (i) as at the date of this document and (ii) following the passing of the Resolutions and completion of the Placing and Open Offer (disregarding any Ordinary Shares which may be issued on the exercise of options under the Share Option Schemes) is as follows:

<i>Authorised</i>		<i>Issued</i>	
<i>Number</i>	<i>Amount (£)</i>	<i>Number</i>	<i>Amount (£)</i>
(i) 40,000,000	£2,000,000	30,178,992	£1,508,949.60
(ii) 75,000,000	£3,750,000	52,811,173	£2,640,558.65

- (b) Save as disclosed in paragraph 4 and paragraph 9 below, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (c) The Ordinary Shares are in registered form and, subject to the provisions of the Regulations, the Directors may permit the holding of any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where shares are held in certificated form, share certificates will be sent to the registered members by first class post. The Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. They are not listed or dealt in on any other recognised investment exchange.
- (d) The Ordinary Shares entitle the holder thereof to attend and vote at general meetings of the Company and each Shareholder shall have one vote on a show of hands and on a poll every Shareholder present in person, by representative (in the case of corporate members) or by proxy shall have one vote for each share of which he is a holder.
- (e) If the Company commences voluntary liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Insolvency Act 1986:
- (i) divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members (in accordance with the existing rights of the members); and
 - (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall with the like sanction determine;

but no member shall be compelled to accept any assets on which there is a liability.

- (f) Subject to the Act, the Company in general meeting may declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Subject to the Act, the Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company. The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

(g) Transfers of Ordinary Shares

All transfers of Ordinary Shares may be effected by an instrument of transfer in any usual form or in any other form approved by the Board. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The transferor shall be deemed to remain the holder until the name of the transferee is entered on the register. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share which is not fully paid, provided that such refusal does not prevent dealings in the share from taking place on an open and proper basis. Subject to the requirements of the UK Listing Authority, the Board may also refuse to register any instrument of transfer unless:

- (i) it is lodged, duly stamped, at the registered office or at such other place as the Board may appoint, accompanied by the share certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) it is in respect of only one class of share; and
- (iii) it is in favour of not more than four transferees.

If the Board refuses to register a transfer, it shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to the transferees notice of that refusal.

Subject to the Regulations, the Board may permit the holding of shares in any class of share in uncertificated form and the transfer of title to shares in that class by means of a relevant system and determine that any class of shares cease to be a participating security.

- (h) Any unissued share capital of the Company may be allotted and issued by the Directors, subject to the restrictions imposed by sections 80 and 89 of the Act. The provisions of Section 89(1) of the Act (which, to the extent not disappplied, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the Company. The New Ordinary Shares will be created and issued pursuant to the Resolutions and resolutions of the Directors or a duly authorised committee thereof.
- (i) The closing middle-market quotations for an Ordinary Share, derived from the London Stock Exchange Daily Official List for the first dealing day in each of the last six months prior to the date of this document and on 21 February 2002 (being the last dealing day before the announcement of the Placing and Open Offer) were as follows:

<i>Date</i>	<i>Market value of an Ordinary Share (p)</i>
3 September 2001	142.5
1 October 2001	112.5
1 November 2001	125.0
3 December 2001	132.5
2 January 2002	120.0
1 February 2002	94.0
21 February 2002	67.5

4. SHARE OPTION SCHEMES

The following options to subscribe for Ordinary Shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes:

(a) Harvey Nash Group plc Performance Related Share Plan

<i>Number of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Consideration</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
46,321	8/4/1997	Nil	8/4/2000	8/4/2007	183.5
45,450	8/4/1997	Nil	8/4/2000	8/4/2004	175.0
132,531	19/5/1998	Nil	19/5/2001	19/5/2008	422.5
38,776	31/7/1998	Nil	31/7/2001	31/7/2008	347.5
76,775	28/5/1999	Nil	28/5/2002	28/5/2009	298.5
54,225	28/5/1999	Nil	28/5/2002	28/5/2006	298.5
15,203	3/11/1999	Nil	3/11/2002	3/11/2009	427.5
750,536	27/7/2000	Nil	27/7/2003	27/7/2010	730.5
98,689	8/8/2000	Nil	8/8/2003	8/8/2010	757.0
<hr/> 1,258,506 <hr/>					

(b) Harvey Nash Group plc Share Options Scheme 1997

<i>Number of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Consideration</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
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
<u>231,286</u>					

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

(c) Harvey Nash 2000 Executive Share Option Scheme

<i>Number of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Consideration</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
600,000	19/10/2001	Nil	19/10/2004	19/10/2011	115
<u>600,000</u>					

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 in consequence of the Placing and Open Offer in such manner as the auditors of the Company certify to be fair and reasonable.

(d) Harvey Nash Group plc Sharesave Scheme

<i>Number of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Consideration</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
51,748	01/06/1997	Nil	01/06/2002	01/11/2002	140
39,042	01/07/1999	Nil	01/07/2002	01/12/2002	255
18,528	01/07/1999	Nil	01/07/2004	01/12/2004	255
10,737	01/01/2001	Nil	01/01/2004	01/06/2004	667
6,068	01/01/2001	Nil	01/01/2006	01/06/2006	667
<u>126,123</u>					

5. INFORMATION ON THE DIRECTORS

- (a) The companies and partnerships of which each Director has been a director or partner at any time in the previous five years (other than members of the Group) are as follows:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Ian Kirkpatrick	Ian Kirkpatrick Management Services Limited Baronsmead VCT4 PLC Prime Estates Group Limited Semple Cochrane PLC Quantum Energy Group Limited	Court Cavendish Group PLC Datronetech Group PLC Care First Group PLC Saracen Value Trust PLC London Board of Bradford & Bingley Building Society
Gus Moore	Braitrim Holdings Limited Metromain Limited Braitrim Group Limited	The Welcome Group Hong Kong Telecom Group Innovision PLC Hamilton Rentals PLC The Merchants Group Limited Hamilton Rentals Group Limited Beacon Telecommunications Limited Ansamatic Limited Rehvald Limited Blue Star Engineering Limited Compel Group PLC

Mr Kirkpatrick was a director of Saracen Value Trust Public Limited Company when it was placed into members voluntary liquidation on 28 November 1997. At this time, the directors of Saracen Value Trust plc swore a statutory declaration of solvency stating that they had made a full enquiry into the company's affairs and were of the opinion that the company would be able to pay its debts in full within 12 months of the commencement of the winding up. No known claim from creditors remains outstanding against the company.

- (b) None of the Directors:
- (i) has any unspent convictions in relation to indictable offences; or
 - (ii) has been adjudged bankrupt or sequestered in the United Kingdom or elsewhere or been a party to a deed of arrangement or any form of voluntary arrangement (as defined in Part VIII of the Insolvency Act 1986); or
 - (iii) save as disclosed in paragraph 5(a), has been a director with an executive function of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into compulsory liquidation or creditors' voluntary liquidation or had an administrator or administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of creditors; or
 - (iv) has been a partner in any partnership, which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any voluntary arrangement; or
 - (v) has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
 - (vi) has received any public criticisms by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. DIRECTORS' AND OTHER INTERESTS

- (a) The interests, all of which are beneficial unless otherwise stated (not including any of the options referred to in paragraph 6(b) below), of each Director and those of any person connected with him within the meaning of section 346 of the Act (a "Connected Person") in the issued share capital of the Company which:
- (i) have been notified by each Director to the Company pursuant to sections 324 to 328 of the Act; or
 - (ii) are required pursuant to section 325 of the Act to be entered in the register of directors' interests referred to therein; or
 - (iii) are interests of a Connected Person which would, if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

as at 21 February (being the last practicable date prior to the publication of this document) and as they are expected to be following completion of the Placing and Open Offer are as follows:

<i>Director</i>	<i>At present</i>		<i>After Placing and Open Offer*</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of the issued ordinary share capital (%)</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of the issued ordinary share capital (%)</i>
Ian Kirkpatrick	3,000	0.01	5,250	0.01
Thomas Crawford	4,095,875	13.57	4,453,017	8.43
David Higgins	4,793,157	15.88	8,388,023	15.88
Albert Ellis	Nil	—	Nil	—
Gus Moore	Nil	—	Nil	—
David Treacher	4,776,818	15.83	5,213,325	9.87

* Assuming that the Directors take up or do not take up their entitlements to New Ordinary Shares under the Open Offer in accordance with the undertakings referred to in the paragraph headed "Directors' intentions" in Part I of this document.

- (b) The following options to subscribe for Ordinary Shares (all of which have been granted for no consideration) have been granted to Directors under the terms of the Share Option Schemes;

<i>Director</i>	<i>Number of Ordinary Shares subject to option</i>		<i>Date granted</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
Albert Ellis	28,776		31/07/1998	31/07/2001	31/07/2008	347.5
	78,013		27/07/2000	27/07/2003	27/07/2010	730.5
	200,000		19/10/2001	19/10/2004	19/10/2011	115.0

- (c) Save as disclosed in paragraphs 6(a) and 6(b) above, no Director has any interest in the shares or loan capital of the Company or any of its subsidiary undertakings, nor does any Connected Person have any such interests, whether beneficial or non-beneficial.

- (d) In addition to the interests of Directors disclosed in paragraph 6(a) above, as at 21 February 2002 (being the last practicable date prior to the publication of this document), the Directors are aware of the following existing Shareholders who are interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company;

Name	At 21 February 2002		Following the Placing and Open Offer*	
	Number of Ordinary Shares	Percentage of the issued ordinary share capital (%)	Number of Ordinary Shares	Percentage of the issued ordinary share capital (%)
Unicorn Asset Management	3,639,700	12.06	3,639,700	6.89
Fidelity (London)	3,544,843	11.75	3,544,343	6.71
UBS Asset Management	1,079,364	3.58	1,079,364	2.04

* Assuming that these Shareholders do not take up any of the New Ordinary Shares to which they are entitled under the Open Offer.

- (e) The Directors are not aware of any person who will, immediately following Admission, be interested (within the meaning of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.
- (f) No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year of the Group or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- (g) There are no outstanding loans granted by any member of the Group to any Director, nor has any guarantee been provided by any member of the Group for the benefit of the Directors.

7. DIRECTORS' SERVICE AGREEMENTS

- (a) In the financial year ended 31 January 2002, the aggregate of the remuneration paid and benefits in kind granted to the then directors of the Company by all members of the Group was approximately £540,000.
- (b) (i) Ian Kirkpatrick was first appointed as a non-executive Director on 13 February 1997. The current terms of his appointment are set out in a letter of appointment dated 7 August 2001. He receives director's fees at the annual rate of £44,850. The letter of appointment provides for termination by either party on six months' notice and prohibits Mr Kirkpatrick from accepting directorships with competing companies or positions which may lead to a conflict of interest.
- (ii) David Higgins is employed as the Chief Executive of Harvey Nash at a salary of £162,000 under a contract dated 1 February 2001. He is entitled to an annual bonus based on criteria and targets notified to him by the remuneration committee of the Board. He is also entitled to standard executive benefits, including pension contributions, private medical insurance, life assurance and a company car allowance. The contract can be terminated by either party on 12 months' notice.
- (iii) Albert Ellis is employed as the Group Finance Director of Harvey Nash at an annual salary of £162,000 under a contract dated 1 February 2001. He is entitled to a performance-related bonus in respect of the financial year ending 31 January 2002 (subject to meeting bonus targets set for him by the Chief Executive) and in respect of subsequent financial years, an annual bonus calculated by reference to the profitability of the Harvey Nash Group and to any other criteria notified to him by the Chief Executive. He is also entitled to standard executive benefits, including pension contributions, private medical insurance, life assurance and a company car allowance. The contract can be terminated by either party on 12 months' notice.
- (iv) Having served as an executive Director since 10 March 1997, David Treacher was appointed as a non-executive Director on 20 March 2000. The current terms of his appointment are set out in a letter of appointment dated 7 August 2001. He receives director's fees at the annual rate of £15,000. The letter of appointment provides for termination by either party on six months' notice and prohibits Mr Treacher from accepting directorships with competing companies or positions which may lead to a conflict of interest.
- (v) Peter Augustine Moore was first appointed as a non-executive Director on 19 May 1999. The current terms of his appointment are set out in a letter of appointment dated 7 August 2001. He receives director's fees at the annual rate of £19,500. The letter of appointment provides for termination by either party on six months' notice and prohibits Mr Moore from accepting directorships with competing companies or positions which may lead to a conflict of interest.
- (vi) Having served as an executive director since 13 February 1997, Thomas Crawford was first appointed as a non-executive Director on 1 February 2001. The current terms of his appointment are set out in a letter of appointment dated 7 August 2001. He receives director's fees at the annual rate of £15,000. The letter of appointment provides for termination by either party on six months' notice and prohibits Mr Crawford from accepting directorships with competing companies or positions which may lead to a conflict of interest.

8. THE COMPANY AND ITS SUBSIDIARIES

- (a) The Company was incorporated and registered in England on 13 February 1997 with registered number 3320790 as a public limited company with the name Harvey Nash Group plc. The registered and head office of the Company is at 13 Bruton Street, London W1J 6QA.
- (b) The Company is the holding company of the Group and its principal subsidiaries all of which (except where otherwise stated) are wholly owned directly or indirectly are as follows:

<i>Name</i>	<i>Country of incorporation and operation</i>	<i>Principal activity</i>
Broadbay Networks Inc	US	Recruitment consultancy
European Technology Partners Limited	England	Recruitment consultancy
Harvey Nash plc	England	Recruitment consultancy
Harvey Nash (Hong Kong) Limited	Hong Kong	Recruitment consultancy
Harvey Nash Australia Pty Ltd	Australia	Recruitment consultancy
Harvey Nash AG	Switzerland	Recruitment consultancy
Harvey Nash BV	The Netherlands	Recruitment consultancy
Harvey Nash Consulting AG	Switzerland	Recruitment consultancy
Harvey Nash IT Consulting NV (formerly European Experts NV)	Belgium	Recruitment consultancy
Harvey Nash IT Services BV	Belgium	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 NV	Belgium	Holding company
Harvey Nash Luxembourg	Luxembourg	Recruitment consultancy
Harvey Nash SA	France	Recruitment consultancy
Harvey Nash Resource Management Limited	England	Resource management
Interim Management In Information Technology Limited	England	Recruitment consultancy
Impact Executives Ltd	England	Recruitment consultancy
Impact Executives (Germany) GmbH	Germany	Recruitment consultancy
Impact Executives Holdings Ltd	England	Recruitment consultancy
Impact Executives Holdings SA	Switzerland	Holding company
Inston Services BV	The Netherlands	Recruitment consultancy and holding company
Inston Investments BV	The Netherlands	Recruitment consultancy
Methodate Educational Services BV	The Netherlands	Recruitment consultancy
Mortimer Spinks Limited	England	Recruitment consultancy
Nash Direct Limited (formerly Ortus.net Ltd)	England	Recruitment consultancy
Nash Direct GmbH	Germany	Recruitment consultancy
Nash Direct AG	Switzerland	Recruitment consultancy
Pivot Professionals BV	The Netherlands	Recruitment consultancy
Pivot Services BV	The Netherlands	Recruitment consultancy
Techpartners International Ltd	England	Recruitment consultancy
Techpartners International Inc	US	Recruitment consultancy
Vertis Consulting Limited	England	Recruitment consultancy

9. MATERIAL CONTRACTS

Save as set out below, no member of the Group has entered into any material contract, not being a contract entered into in the ordinary course of business, within the two years immediately preceding the date of this document and, save as aforesaid, no member of the Harvey Nash Group has entered into any contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Harvey Nash Group at the date of this document:

- (a) a share acquisition agreement between: (1) Brigitte Verbraeken and Werner Goeminne (the "Sellers"), (2) Harvey Nash NV (the "Purchaser"), and (3) the Company dated 12 June 1998 pursuant to which the Sellers agreed to sell the entire corporate capital of European Experts NV to the Purchaser and the Company agreed to guarantee the obligations of the Purchaser under the agreement. Pursuant to the agreement the Purchaser agreed to purchase 90 per cent. of the share capital of European Experts NV, payable in two parts. The first part, representing BEF 316.8 million (£5.2 million) was paid at completion and was made up of 141,785 Ordinary Shares issued at £4.09 each with the remainder of the first part of the consideration being paid in cash. The second part of BEF 79.2 million, was paid on 31 August 1998 after the business achieved a certain level of earnings before interest and tax for the year ended 30 June 1998. It consisted of 35,446 Ordinary Shares issued at £4.09 each with the remainder being paid in cash. The consideration paid to Mrs Verbraeken was made up entirely of cash. Mr Goeminne agreed to retain his Ordinary Shares for a period of at least two years. On 10 December 2001 the Group obtained the remaining 10 per cent. of the share capital for BEF 8.8 million made up of a mixture of Ordinary Shares and cash and based upon the earnings achieved by the business up to that date. The agreement contains certain standard warranties in favour of the Purchaser. The liabilities of the Sellers are subject to a *de minimis* level of BEF 2.5 million in aggregate and are capped at BEF 160 million. All rights to claim under the warranties have now lapsed save for claims alleging fraud in respect of tax or social security matters which must be made by 31 August 2003;
- (b) a share acquisition agreement between: (1) Paul Beeke and others (the "Vendors") and (2) the Company pursuant to which the Company agreed to purchase the entire issued share capital of Techpartners dated 20 April 2000. The initial consideration of £15 million was satisfied by the payment of £7.5 million in cash, £1.7 million by way of the issue of floating rate loan notes due 2005 (guaranteed by National Westminster Bank plc) and by the issue of 755,739 new Ordinary Shares to the Vendors. The key employee Vendors of Techpartners agreed to certain restrictions on the disposal of the new Ordinary Shares issued to them. The new Ordinary Shares issued as part of the initial consideration were identical to and ranked *pari passu* with the existing Ordinary Shares save that they did not rank for the final dividend paid in respect of the year ending 31 January 2000. On 14 August 2001 Techpartners International Holdings, Inc. (now known as Harvey Nash Holdings, Inc), a subsidiary of Harvey Nash Group plc, acquired the outstanding stock of Broadbay Networks, Inc. from Sarah Collins and various others (as described in paragraph 9(d) below). Deferred consideration was also payable in three tranches. By a deed of variation dated 14 August 2001, Harvey Nash, Sarah Collins and the former shareholders in Techpartners agreed to vary the deferred consideration provisions in the Techpartners Share Purchase Agreement so that (1) the profits before exceptional items, interest and tax ("PBIT") of Broadbay would be included when calculating the third tranche of deferred consideration; and (2) Sarah Collins would be permitted to participate in the third tranche of deferred consideration. Deferred consideration of up to a maximum of £34.0 million is payable depending upon Techpartners performance up till 31 December 2002. The first tranche of £3.7 million was paid in April 2001 and consisted of £1.7 million cash, £0.2 million in guaranteed loan notes and £1.8 million in Ordinary Shares. The second and third tranches are payable according to Techpartners performance (as described above) in the years ending 31 December 2001 and 31 December 2002 respectively. They will also be satisfied with a mix of cash, guaranteed loan notes and Ordinary Shares. The liabilities of the Vendors are subject to certain limitations, the principal ones being: (a) individual claims in respect of any breach of the warranty for less than £10,000 are ignored for all purposes; (b) the aggregate claims threshold for breach of warranty is £125,000; (c) the overall cap on liability for each of the warrantors under warranty claims and for claims in respect of tax liabilities would be limited by reference to the aggregate consideration which they receive (although Paul Beeke agreed that his liability cap would be increased by the consideration received by another vendor); and (d) claims in respect of taxation must be made by the date six months after 31 December 2006 and in respect of any other claim, on or before the date three months after the publication of the audited accounts for the financial year ending 31 December 2001;
- (c) an asset purchase agreement between (1) Procomp N.V. ("Procomp"), and (2) Harvey Nash Consulting N.V. (the "Purchaser") dated 14 July 2000 pursuant to which Procomp agreed to sell its business (consisting of certain client contracts, employees and goodwill) to the Purchaser. The initial consideration was BEF 98.5 million (£1.5 million) however, BEF 9 million was later returned to the Purchaser in settlement of a breach of warranty dispute. The agreement contains certain standard warranties, representations and indemnities in favour of the Purchaser. The liability of Procomp under the warranties is subject to a *de minimis* level of BEF 0.5 million per claim or BEF 1m in aggregate and is capped at the total level of consideration received by Procomp. All claims under the warranties must be made by 2 July 2002;
- (d) a stock purchase agreement between: (1) Techpartners International Holdings, Inc. ("TIH") now known as Harvey Nash Holdings, Inc., (2) the Company, (3) Broadbay Networks, Inc. ("Broadbay"), (4) Brian J Healy ("Healy"), and (5) other individual shareholders of Broadbay (the "Shareholders") dated 14 August 2001 pursuant to which the Shareholders agreed to sell all the outstanding shares in, and all rights to acquire shares in, Broadbay to TIH and the Company agreed to guarantee any liability of TIH under the agreement. The initial consideration of \$675,000 was satisfied in cash and was calculated by reference to the net assets of Broadbay at 30 June 2001 of \$2.3 million. Deferred consideration up to a maximum of \$2.5 million will be payable dependent upon the performance of Broadbay over the period August 2001 to January 2002, and will be satisfied by a mixture of cash and shares. The first \$1.25 million of deferred consideration shall be satisfied by

the grant of Ordinary Shares which shall be issued at the average price of Ordinary Shares in the preceding five days before the earnout payment. Any deferred consideration in excess of the \$1.25 million up to the maximum \$2.5 million shall be satisfied in cash. In addition one of the Shareholders, Sarah Collins ("Collins"), was given the opportunity afforded to the vendors of TIH to participate in approximately 25 per cent. of any deferred consideration which becomes payable under the agreement for the acquisition of Techpartners for the year ending 31 December 2002. The deferred consideration will be satisfied by a mixture of cash, loan notes and shares. The number of shares to be issued will vary according to the market price of the shares at the time of issue. The agreement contains certain standard warranties, representations and covenants in favour of TIH and the Company. Healy and Collins agreed to indemnify TIH and the Company for any breach of representation, warranty or covenant given by Broadbay, Healy or the Shareholders. Their liability is subject to a *de minimis* level of \$15,000 in aggregate and is capped at the total amount due to or received by Healy and the Shareholders under the agreement. Such claims must be made by 14 August 2003, except where they relate to warranties, representations or covenants given in respect of capitalisation, ownership or tax or where fraud is alleged: in such cases claims must be made by 14 August 2005;

- (e) a share acquisition agreement between: (1) PA Consulting Group Holdings SA ("PA Consulting"), (2) the Company and (3) PA Holdings Limited dated 9 October 2000 pursuant to which PA Consulting agreed to sell the entire issued share capital of Impact Executives Holdings Limited ("Impact") to the Company and PA Holdings Limited agreed to guarantee PA Consulting's obligations under the agreement. The purchase price of £5.9 million was subject to adjustment by (1) an increase under earn out provisions and (2) revising the value of the assets on the balance sheet of Impact. The net effect of the adjustments translated into a total payment (including the initial £5.9 million) of £7.5 million. All consideration has now been satisfied. The agreement contains certain standard warranties in favour of the Company. The liability of PA Consulting under the warranties is subject to a *de minimis* level of £10,000 per claim or £65,000 in aggregate and is capped at the consideration paid for the shares. Warranty claims must be made by 30 April 2002 except for claims under the tax warranties which must be made by the earlier of ten years and one year after the end of the year in which the tax assessment can no longer be appealed (in respect of claims relating to Impact Executives (Germany) GmbH) and by 30 June 2006 in respect of all other tax claims. In addition, the sum of £0.5 million was placed on escrow by PA Consulting to be paid to the Company in the event that certain tax liabilities of Impact crystallised;
- (f) on 20 April 2000 the Company and Harvey Nash plc ("HN") entered into a credit agreement (as amended by an amendment letter dated 12 July 2001) (the "Credit Agreement") with NatWest whereby NatWest agreed to make available facilities (the "Loan") in a maximum aggregate amount of £23,000,000. As a condition of these facilities being made available, the Company and certain of its subsidiaries executed security documents in favour of NatWest and, save for some overseas subsidiaries, all subsidiaries of the Company have entered into, or are to enter into, a cross guarantee structure in favour of NatWest.

On 22 February 2002, the Company and HN entered into an amendment and restatement agreement with NatWest pursuant to which the terms of the Credit Agreement have been amended (the "Amendment and Restatement Agreement"). The effect of these amendments are principally as follows:

- (i) the financial covenants (cash flow cover, EBITDA cover and minimum tangible net worth) set out in the Credit Agreement have been reset to levels which the Group feels enable it to carry out its business efficiently;
- (ii) it has been agreed that the sum of £6,667,203 from the proceeds of the Placing and Open Offer will be used to prepay and permanently reduce the Loan made available by NatWest under the Credit Agreement;
- (iii) in consideration for NatWest agreeing to reset the financial covenants, the interest rate margin (the "Margin") under the Credit Agreement will be reset to a higher level, 3.00 per cent. per annum, with provision for this rate to reduce as follows. If, in accordance with the arrangements described in (ii) above, at least £5.0 million of the Proceeds are used to permanently prepay the Loan the Margin shall reduce to 2.75 per cent. per annum, if at least £7.0 million of the Proceeds are used to permanently prepay the Loan the Margin shall reduce to 2.625 per cent. per annum and if at least £9.0 million of the Proceeds are used to permanently prepay the Loan then the margin shall reduce to 2.50 per cent. per annum;
- (iv) also in consideration for NatWest agreeing to reset the financial covenants certain subsidiaries of the Company have agreed to provide further security over their assets in favour of NatWest;
- (v) the terms of repayment of the Loan under the Amendment and Restatement Agreement have also been restructured. The first repayment of £2.0 million falls due on 30 April 2003, the second of £4.0 million on 30 April 2004 with the balance outstanding repayable on 30 April 2005; and
- (vi) NatWest has also agreed that on the Amendment and Restatement Agreement becoming effective, NatWest will waive all breaches of the Credit Agreement disclosed to it by the Company.

At the end of December 2001, The Royal Bank of Scotland Commercial Services Limited made available to the Group a UK invoice discounting facility (the "UK Invoice Discounting Line") of a maximum amount of £12.0 million. Interest is to be charged on amounts drawn under the UK Invoice Discounting Line at 2.00 per cent. over LIBOR per annum. The Amendment and Restatement Agreement sets out the terms of a repayment mechanism, whereby on 31 January of each year, part of the headroom available under this facility is to be used to prepay and permanently reduce the Loan.

As at 21 February 2002, negotiations are continuing between Euro Sales Finance and the Company with a view to entering into a German invoice discounting agreement (the "German Factoring Line") which it is anticipated will make facilities available to the Group of approximately £5.0 million. All proceeds from the German Factoring Line will be used in permanent reduction of the Loan under the Credit Agreement. Interest would be charged on the German Factoring Line of 2.00 per cent. over LIBOR per annum; and

- (g) The Placing and Open Offer Agreement dated 22 February 2002 and made between the Company (1); Cazenove (2) and Hawkpoint (3) pursuant to which, *inter alia*:
 - (i) the Company appoints Hawkpoint and Cazenove to act as Joint Sponsors for the purposes of the applications for Admission;
 - (ii) the Company has agreed, subject to certain conditions, to allot and issue, at the Issue Price, the New Ordinary Shares to be allotted and issued in connection with the Placing and Open Offer;
 - (iii) Cazenove, as agent of the Company, agrees to use reasonable endeavours to procure subscribers (or, failing which, itself to subscribe) for the New Ordinary Shares (other than the Committed Shares) pursuant to the Placing, subject to and to the extent that valid applications are not made by Qualifying Shareholders under the Open Offer for such New Ordinary Shares;
 - (iv) the Company will pay Cazenove the following fees and commissions: (a) an underwriting commission equal to 0.5 per cent. of the amount which is equal to the Issue Price multiplied by the number of New Ordinary Shares excluding the Committed Shares; (b) a distribution commission equal to 0.5 per cent. of the amount which is equal to the Issue Price multiplied by the number of New Ordinary Shares; (c) a Placees commitment commission equal to 0.5 per cent. of the amount which is equal to the Issue Price multiplied by the number of New Ordinary Shares excluding the Firm Placed Shares and the Committed Shares; (d) a further Placees commitment commission of 0.125 per cent. of the same amount described in (c) for each period of 7 days (or part thereof), if any, from (and including) 24 March 2002 until (and including) the earlier of the (i) the actual date of Admission (if not 24 March 2002); or (ii) the date on which the obligations of Cazenove under the Placing and Open Offer Agreement either cease or are terminated pursuant to its terms; and (e) a Placees completion commission equal to 0.75 per cent. of the amount which is equal to the Issue Price multiplied by the number of New Ordinary Shares excluding the Firm Placed Shares and the Committed Shares. The Placees commissions (other than the Placees completion commission) shall be payable in any event including, without limitation, whether or not the respective obligations of Cazenove and Hawkpoint hereunder become unconditional, or are terminated, with the Placees completion commission being payable on 21 March 2002;
 - (v) the obligations of the Company and the obligations of Cazenove and Hawkpoint under the Placing and Open Offer Agreement are, subject to certain conditions. These conditions include Admission having occurred on or before 8.00am on the 19 March 2002 (or such later time and/or date as to the Company, Cazenove and Hawkpoint may agree, being not later than 8.00am on 26 March 2002);
 - (vi) Cazenove and/or Hawkpoint have the right to terminate the Placing and Open Offer Agreement in certain circumstances, including where (i) the Company fails to comply (in any material respect in the opinion of Hawkpoint and/or Cazenove) with any of its obligations under the Placing and Open Offer Agreement; (ii) any of the conditions to the Placing and Open Offer Agreement (which, if capable of waiver, are not waived) are not satisfied or become incapable of being satisfied; (iii) any of the warranties in the Placing and Open Offer Agreement is not, or has ceased to be, true and accurate by reference to the facts and circumstances subsisting at the time when notice to terminate the Placing and Open Offer Agreement is given, or if it should otherwise come to the notice of Cazenove and/or Hawkpoint that any statement contained in this document has become untrue, incorrect or misleading or that statements have been omitted from this document which, in any such case, Cazenove and/or Hawkpoint consider to be material or; (iv) Cazenove and/or Hawkpoint are of the opinion that there has occurred or come into effect any adverse change in national or international financial, economic, market or political conditions and/or in the financial position or prospects of the Company as a result of, directly or indirectly, force majeure (as defined in the Placing and Open Offer Agreement) and that the effect of such change makes the success of the Placing and/or the Open Offer doubtful or would render proceeding with the Placing and/or the Open Offer impracticable or inadvisable;
 - (vii) the Company has agreed to pay all costs, charges and expenses arising out of, or incidental to, the issue of New Ordinary Shares and of the Placing and Open Offer, and the arrangements referred to in or contemplated by the Placing and Open Offer Agreement including (without limitation) the fees and expenses of Lloyds TSB Registrars and other professional advisers, printing and advertising expenses and other duties and taxes;
 - (viii) the Company has given certain warranties to each of Cazenove and Hawkpoint including as to the accuracy of the information contained in this document and in relation to other matters relating to the Group and its business; and
 - (ix) the Company has given certain indemnities in favour of each of Cazenove and Hawkpoint relating to certain liabilities connected with the Placing and Open Offer.

10. LITIGATION

- (a) Save as set out below, no member of the Harvey Nash Group is or has been involved in any legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document, a significant effect on the Harvey Nash Group's financial position nor are there any such proceedings pending or threatened by or against any member of the Group of which the Company is aware.
- (b) The Group has received a claim by Intellicruit Limited for approximately £155,000 (plus interest) in relation to a service and licence agreement. The Group has instructed solicitors to defend the claim and to make a counterclaim for damages in respect of the services provided by Intellicruit Limited under the agreement. The Directors consider that it is too early in the proceedings to comment on the likely outcome of the claim and counterclaim.
- (c) On 21 February 2002, the Group agreed, subject to the approval of the Employment Tribunal, the settlement of a claim by a former employee. The settlement sum and the associated costs of the Group incurred in connection with the claim amount, in aggregate, to approximately £300,000. The Directors are in discussions with their insurers in connection with this claim and believe that a proportion of this settlement sum and the associated costs will be satisfied under Group's insurance arrangements.

11. WORKING CAPITAL

The Company is of the opinion that, taking into account available banking facilities and the net proceeds of the Placing and Open Offer receivable by the Company, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

12. UK TAXATION

The following statements are intended as a general guide only to current United Kingdom tax legislation and to what is understood to be the current practice of the United Kingdom Inland Revenue and may not apply to certain classes of shareholder. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

(a) Taxation of chargeable gains

(i) *Open Offer Shares acquired pursuant to the Open Offer*

(aa) *General*

For the purposes of United Kingdom taxation of chargeable gains, the issue of Open Offer Shares to Qualifying Shareholders up to and including their pro-rata entitlement under the Open Offer should be treated as a reorganisation of the share capital of the Company.

On the above basis and to the extent that a Qualifying Shareholder applies for Open Offer Shares up to and including his or her entitlement, the Open Offer Shares so acquired and the existing holding in respect of which they are issued will, for the purposes of the taxation of chargeable gains, be treated as the same asset as the existing holding and as having been acquired at the same time as the existing holding (other than for the purposes of computing, where relevant, indexation allowance). The amount paid for the Open Offer Shares will be added to allowable expenditure and constitute an addition to the base cost of the enlarged holding when computing the gain on any disposal of the increased holding.

(bb) *Indexation Allowance*

Qualifying Shareholders within the charge to United Kingdom corporation tax will, for the purposes of computing gains but not losses, be allowed to claim an indexation allowance in respect of the amounts they have paid for their Open Offer Shares.

Although the Open Offer Shares will be treated as acquired at the same time as the Qualifying Shareholder's existing holding of Harvey Nash Shares as described above, for the purposes of computing indexation allowance, amounts paid for the Open Offer Shares will be regarded as incurred on the date when such amounts are paid or fall due for payment.

(cc) *Taper Relief*

For Qualifying Shareholders within the charge to United Kingdom capital gains tax, indexation allowance has been frozen as at April 1998 and so such Qualifying Shareholders will not be able to claim an indexation allowance in respect of the amounts paid for Open Offer Shares.

Taper relief now applies and reduces the percentage of any gain that is chargeable to capital gains tax, depending on how long the relevant shares have been held before disposal. Open Offer Shares acquired pursuant to the Open Offer will be treated for these purposes as having been acquired at the same time as the original holding of Harvey Nash Shares to which they relate.

(ii) *Open Offer Shares acquired pursuant to the Placing*

The issue of Open Offer Shares under the Placing will not constitute a reorganisation of share capital for the purposes of the taxation of chargeable gains. Accordingly, any such Open Offer Shares will constitute a new holding separate from any existing shareholding in the Company.

(b) Taxation of dividends

(i) Company

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders.

(ii) United Kingdom resident shareholders

An individual shareholder who is resident in the United Kingdom for tax purposes and receives a dividend from the Company will be entitled to a tax credit in respect of that dividend, currently equal to one-ninth of the cash dividend received or 10 per cent. of the aggregate of the cash dividend received and the related tax credit (the "gross dividend"). The related tax credit can be set against the individual shareholder's liability to income tax on the dividend received.

An individual shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of 10 per cent. on the gross dividend and so the tax credit will satisfy in full the individual shareholder's liability to income tax on the dividend received.

An individual shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will therefore not fully satisfy the individual shareholder's liability to income tax on the gross dividend and the shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend or 25 per cent. of the cash dividend received.

United Kingdom resident shareholders who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company, although charities will be entitled to a transitional relief in lieu of repayable tax credits until 5 April 2004.

Tax credits on dividends paid by the Company in respect of shares held in Personal Equity Plans or Individual Savings Accounts will be repayable on dividends paid on or before 5 April 2004.

Subject to certain exceptions for traders in securities, a corporate shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax on dividends received from the Company.

(iii) Non-United Kingdom resident shareholders

A shareholder who is not resident in the United Kingdom for tax purposes and who receives a dividend from the Company will generally not be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company and any ability to do so will depend on the terms of any applicable double tax treaty between the United Kingdom and the country in which the shareholder is resident. A shareholder who is not resident in the United Kingdom may be subject to foreign taxation on dividend income under local law and should consult his own tax adviser concerning his liabilities to tax on dividends received from the Company.

(c) Stamp duty and stamp duty reserve tax ("SDRT")

Except in relation to depositary receipt arrangements or clearance services, where special rules apply, under current United Kingdom legislation relating to stamp duty and SDRT:

- (i) the acquisition of Open Offer Shares under the Open Offer will be free of stamp duty and SDRT where the Open Offer Shares are registered in the names of the Qualifying Shareholders taking up their rights under the Open Offer;
- (ii) no liability to stamp duty or SDRT should arise on the allotment of Open Offer Shares by the Company under the Placing where they are registered in the names of the original offerees;
- (iii) a subsequent transfer or sale of Open Offer Shares otherwise than pursuant to the Placing will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 0.5 per cent. of the amount or value of the consideration (with duty rounded up to the nearest £5). A charge to SDRT (generally at the same rate and generally collected through CREST for shares within that system) may arise on any unconditional agreement to transfer such shares although any liability will be cancelled and any SDRT already paid will be repaid, provided that an instrument of transfer is executed and stamp duty is paid on that instrument within six years after the date on which the liability to SDRT arises. SDRT is generally payable by the purchaser except where the purchase is effected through a stockbroker or other financial intermediary, in which case such person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. Stamp duty is generally payable by the purchaser or transferee; and
- (iv) special rules apply to market makers, broker dealers and certain other persons.

13. GENERAL

- (a) Save as disclosed or referred to in the sections headed "Background", "Reasons for the Placing and Open Offer", "Current trading and prospects" and "Profit estimate" in Part I of this document, there has been no significant change in the financial or trading position of the Group since 31 July 2001, the end of the financial period for which the latest unaudited interim consolidated accounts of the Group have been published.

- (b) The total costs (including fees and commissions) and expenses (exclusive of VAT) payable by the Company in connection with the Placing and Open Offer are estimated to amount to approximately £1.25 million. The total costs and expenses of renegotiating the banking facilities are estimated to amount to approximately £172,500 (exclusive of VAT).
- (c) Hawkpoint and Cazenove have given and have not withdrawn their written consent to the issue of this document with the inclusion in it of their respective names and letters set out in Part II and in paragraph 2(b) of Part III of this document and the references to their respective names and such letters in the form and context in which they appear in this document. Hawkpoint and Cazenove have furthermore authorised the contents of their letters in Part II and paragraph 2(b) of Part III of this document for the purposes of regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- (d) PricewaterhouseCoopers have given and not withdrawn their written consent to the inclusion in this document of their letter reproduced in Part III of this document and the references to their name in the form and context in which they appear in this document. PricewaterhouseCoopers have authorised the contents of their letter for the purposes of regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- (e) The consolidated accounts of the Group for the three years ended 31 January 2001 were audited without qualification by PricewaterhouseCoopers, No.1 Embankment Place, London WC2N 6NN.
- (f) The Company's registrar and paying agent for the payment of dividends is Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.
- (g) The Issue Price of each New Ordinary Share of 63 pence represents a premium per share of 58 pence over its nominal value of 5 pence.
- (h) The Ordinary Shares are, and the New Ordinary Shares will be, in registered form. The New Ordinary Shares will be identical to and rank *pari passu* in all respects with the Existing Ordinary Shares.
- (i) The New Ordinary Shares are not being marketed or made available to the public in whole or in part other than in connection with the Placing and Open Offer.
- (j) There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL up to and including 15 March 2002:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for the two years ended 31 January 2001 and the interim accounts for the Group for the six months ended 31 July 2001;
- (c) the letter from PricewaterhouseCoopers relating to the profit estimate set out in paragraph 2(a) of Part III of this document;
- (d) the letter from Hawkpoint and Cazenove relating to the profit estimate set out in paragraph 2(b) of Part III of this document;
- (e) the service agreements and letters of appointment referred to in paragraph 7 of Part V of this document;
- (f) the material contracts referred to in paragraph 9 of Part V of this document;
- (g) the letters of consent referred to in paragraphs 13(c) and 13(d) of Part V of this document;
- (h) the irrevocable undertakings of the Directors, together with certain Shareholders associated with them, referred to in the paragraph headed "Directors' intentions" in Part I of this document;
- (i) the rules of the Share Option Schemes; and
- (j) this document.

Dated 22 February 2002

NOTICE OF EXTRAORDINARY GENERAL MEETING

HARVEY NASH GROUP PLC

(Registered in England with registered number 3320790 and referred to in this notice as the "Company")

NOTICE IS HEREBY GIVEN that an **EXTRAORDINARY GENERAL MEETING** of the Company will be held at 10.00am on 18 March 2002 at the offices of Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL to consider and, if thought fit, pass the following resolutions:

Ordinary Resolutions

1. THAT, subject to and conditional upon the Placing and Open Offer Agreement dated 22 February 2002 between the Company, Hawkpoint Partners Limited and Cazenove & Co. Ltd becoming unconditional, save for any condition contained therein relating to (i) the passing of the resolutions proposed in the notice convening this meeting (the "Notice of EGM") attached to the circular comprising a prospectus dated 22 February 2002 relating to the Company (the "Prospectus"); (ii) the allotment of the New Ordinary Shares; (iii) Admission (each as defined in the Prospectus) and not having lapsed or been terminated in accordance with its terms, the authorised share capital of the Company be and is hereby increased from £2,000,000 to £3,750,000 by the creation of an additional 35,000,000 ordinary shares of 5p each in the capital of the Company.
2. THAT, subject to the resolution numbered 1 set out in the Notice of EGM being passed and becoming unconditional in accordance with its terms, the directors of the Company (the "Directors") be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (in substitution and as a replacement for any existing authority) to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal value of £1,040,981.95 during the period commencing on the passing of this resolution and, unless renewed, varied or revoked in general meeting expiring on 17 March 2007 (both dates inclusive) but so that this shall allow the Company to make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

3. THAT, subject to the resolutions numbered 1 and 2 set out in the Notice of EGM being passed and becoming unconditional in accordance with their terms, the Directors be and are empowered in accordance with section 95 of the Act (in substitution and as a replacement for any existing power under that section) to allot equity securities (as defined in section 94 of the Act) of the Company for cash pursuant to the authority conferred on them by resolution numbered 2 above as if sub-section 89(1) of the Act did not apply to such allotment and references in this resolution to the allotment of equity securities shall include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as defined in section 94 of the Act), provided that the power conferred by this resolution shall be limited to:
 - (a) the allotment of equity securities with an aggregate nominal value of £1,131,609.05 on the terms of the Placing and Open Offer (as defined in the Prospectus);



- (b) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory; and
- (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) above) of equity securities up to an aggregate nominal value not exceeding £132,027.90

and this power, unless renounced, varied or revoked by the Company in general meeting, shall expire on 17 March 2007 but shall extend to the making, before such expiry, of an offer or agreement which would, or which might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby has not expired.

Dated: 22 February 2002

By Order of the Board
Albert Ellis
Secretary

Registered Office
13 Bruton Street
London, W1J 6QA

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. A form of proxy accompanies this notice of Extraordinary General Meeting. Lodgement of this form of proxy will not preclude a member from attending and voting in person at the meeting if he or she wishes to do so.
2. To be valid, the enclosed form of proxy must be completed and lodged, together with the power of attorney or other authority (if any) under which it is signed, or duly certified copy of such authority, with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL so as to arrive not later than 48 hours before the time fixed for the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time at which a person must be entered on the Register of Members in order to have the right to vote at the meeting is 10.00am on 18 March 2002. If the meeting is adjourned, the time by which a person must be entered on the Register of Members in order to have the right to attend and vote at the adjourned meeting will be 48 hours before the time fixed for the adjourned meeting. Changes to entries on the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.