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Highlights

The **Harvey Nash Group** is a global professional services organisation with 400 staff worldwide and 26 offices covering the USA, Europe and Asia Pacific. The Group has a unique portfolio of services, designed to solve the tactical and strategic resourcing needs of our clients.

Through our Human Capital Management, Outsourcing and Consulting services, we are developing long term relationships with clients, to help them cost effectively manage, retain and attract outstanding talent.

- **Adjusted operating profit of £2.0m up 70%**
- **All divisions return to profit**
- **Successful turnaround of US business**
- **Further reduction in Group's net debt**
- **Cash generated from operating activities**

	31 January 2004	31 January 2003
Turnover	**£130.9m**	£156.7m
Adjusted operating profit	**£2.0m**	£1.2m
Unadjusted operating loss	**£3.7m**	£6.4m
Adjusted profit before tax	**£1.1m**	£0.1m
Unadjusted loss before tax	**£4.5m**	£7.5m
Cash inflow from operating activities	**£1.9m**	£5.7m

Adjusted means adjusted for goodwill of £2.1m (2003: £2.0m) and exceptional items of £3.5m (2003: £5.6m)

Harvey Nash – Group at a glance

Clients are increasingly demanding access to a broader range of services from their professional partners. Our unique portfolio of services is recognised as one of the most developed both in terms of breadth and balance.

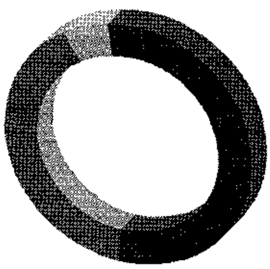
INTERNATIONAL EXECUTIVE SEARCH
With our global office network, we are able to support our clients' international expansion and their search to attract outstanding executives. This business is sector focused, Technology, Financial Services, Healthcare, Retail, Consumer, Commerce and Industry, and Public Sector.

GLOBAL INTERIM MANAGEMENT
Through our market leading Interim Management business "Impact Executives", we provide highly specialist interim executives across a broad range of disciplines to our global clients to resolve their short-term resourcing and project needs.

HR CONSULTING
We have a range of Human Resource services which include Competitor Analysis, Salary Benchmarking, Competency Testing and Training as well as supporting our clients in the attraction, retention and development of key personnel.

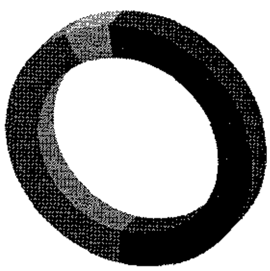
RESOURCING SERVICES
Harvey Nash IT is a professional services supplier, providing specialist technology professionals. Our IT Resourcing Service augments our clients in house resources or specialist skills through the provision of permanent, interim or retained IT consultants.

TURNOVER BY GEOGRAPHICAL AREA
2003



■ 54% UNITED KINGDOM
■ 40% REST OF EUROPE
■ 6% US AND ASIA PACIFIC

TURNOVER BY GEOGRAPHICAL AREA
2004



■ 54% UNITED KINGDOM
■ 40% REST OF EUROPE
■ 6% US AND ASIA PACIFIC

OUTSOURCING SERVICES

We provide application development, third party software maintenance and outsourced software managed services to blue chip clients across all sectors. Using our CMM level 5 accredited software development centre in Asia, we deliver a unique mix of onshore and offshore services to our clients.

PROJECT MANAGEMENT SERVICES

We are able to offer our clients a comprehensive portfolio of end-to-end services, including outsourced field services, specialist training, consultancy services and workforce augmentation.

OUR GLOBAL OFFICES

USA
- Connecticut
- Denver
- New York
- San Francisco
- Seattle

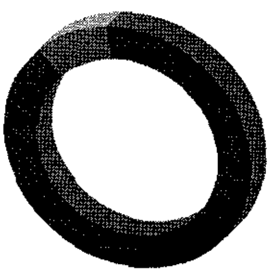
UK
- Birmingham
- Leeds
- London

Europe
- Brussels
- Dusseldorf
- Frankfurt
- Hamburg
- Munich
- Paris
- Stuttgart
- Utrecht
- Zurich

Asia
- Beijing*
- Hanoi
- Hong Kong*

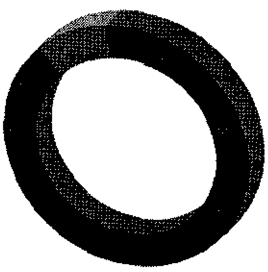
*joint venture

TURNOVER BY MARKET SECTOR
2003



■ **90%** RESOURCING SERVICES
■ **10%** CONSULTING SERVICES

TURNOVER BY MARKET SECTOR
2004



■ **90%** RESOURCING SERVICES
■ **10%** CONSULTING SERVICES

Chairman's Statement

Our market positioning and brand leadership in the IT sector continues to be enhanced by our Outsourcing and Software Development business.

REVIEW OF THE YEAR

I am pleased that the Group has reported an increase in adjusted operating profit of £2.0m for the year compared to £1.2m for the previous year.

For the year ended 31 January 2004, turnover increased 3.5% in the second six months compared to the first half, despite falling 16.5% year on year, from £156.7m to £130.9m.

Adjusted profit before tax of £1.1m (2003: £0.1m) is stated before goodwill amortisation of £2.1m (2003: £2.0m) and an exceptional restructuring charge of £3.5m (2003: £5.6m), mainly relating to the restructuring in Europe and Asia Pacific. This was charged to the profit and loss account in the six months ended July 2003 and there was no additional exceptional charge in the second half of the year. The unadjusted loss before tax was £4.5m (2003: £7.5m).

The adjusted loss per share of 0.74p compares with a loss per share of 0.92p last year (unadjusted loss 8.75p (2003: 14.91p)) and the Board is not recommending the payment of a dividend (2003: nil).

The recovery in the US and UK markets which we first reported on in October 2003 has continued. As a result, the Group's performance in the second half of the year has substantially improved with adjusted operating profits of £1.4m increasing from £0.6m in the first half.

Our market positioning and brand leadership in the IT sector continues to be enhanced by our Outsourcing and Software Development business. This business has had considerable success in winning substantial new projects with blue chip clients in the UK and Europe.

In the first half of the year, in response to difficult trading conditions in continental Europe and Asia Pacific, the Group reduced its fixed cost infrastructure through headcount reduction and consolidating a number of offices. The restructuring ensured Europe remained profitable and that the losses in Asia were eliminated.

The Group's unique portfolio of services has been a major factor in contributing to the success of the Group over the last twelve months. The cash generative nature of the Group remains strong, with our Resourcing businesses generating profits in all its geographical areas and the Consulting business generating positive cash flow to fund future growth.

ACQUISITIONS

In October 2003 the Group acquired Snowdogs LLC, an IT business based in Seattle, US, for an initial consideration of $1.5m in shares. This acquisition gives geographical coverage and critical mass to take further advantage of the economic recovery in the US. This business has performed strongly since acquisition and achieved its first earn-out target resulting in a further consideration of 385,166 shares.

In January 2004 the Group acquired SBS Group Inc, an IT business based on the East Coast of the US, for $2.6m plus costs. The consideration was settled through a placing of 2.1m shares in Harvey Nash Group plc.

Adjusted means adjusted for goodwill of £2.1m (2003: £2.0m) and exceptional items of £3.5m (2003: £5.6m)

BANKING

The Group has continued to generate positive cashflow during the year through a combination of tight cost control, cash management and the unique cash generative nature of the Group's mix of services. As a result, on 30 April 2003, the Group completed the first repayment of £2.0m under the terms of its revolving credit facility and on 26 September 2003 brought forward its second payment of £4.0m due on 30 April 2004. Net borrowings have been reduced by over 13% to £4.8m at 31 January 2004 (2003: £5.6m).

STAFF AND MANAGEMENT

I would like to thank all employees for their contribution to the Group's achievements this year. As a result of their hard work and perseverance the Group has been able to increase its adjusted operating profits by 70%. In spite of the challenging environment, all of the Group's businesses have returned to profits during the year.

The Board would also like to thank Ian Basser for his contribution to the Group's operations in Asia Pacific and the UK. As a result of his relocation back to Australia he has stepped down from the Board but remains involved in the business.

CURRENT TRADING AND PROSPECTS

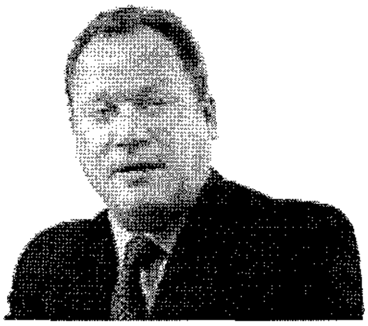
Activity levels in both our UK and US operations improved in the second half of last year. This momentum has continued into the first quarter of this year and we remain optimistic about the prospects for 2004.

In Europe, although trading conditions have been challenging, business sentiment has improved. However, it is too early to predict when the current increase in demand for our services will be translated into increased revenues and profits.

Looking forward, we will continue to invest in the key growth markets of the UK and the US as well as new services, such as our Outsourcing and Software Development business. This approach will enable us to continue to develop our unique portfolio of services and create a solid platform for future growth.

Ian Kirkpatrick
Chairman

Chief Executive's Operational Review



Our strategy going forward is to continue diversification of the sector focus and prudently invest as markets improve.

RESOURCING SERVICES

The Resourcing Division experienced increasing demand in the US and UK and weak demand in Europe. This is reflected in an increase of £2.1m in turnover in the second half of the year, when compared with the first half, despite overall turnover for the full year declining by 17% from £141.7m to £118.1m. The Division reported adjusted operating profits of £1.9m (2003: £4.2m) for the year, with an underlying improvement in the second half compared to the first half.

UK

Turnover from the UK was £59.2m (2003: £73.4m). Adjusted operating profit was £0.8m (2003: £1.3m).

The realignment of all the different services under one brand and management team, has enabled "Harvey Nash IT" to leverage its unique portfolio of services and increase its market share, particularly in the permanent division, where revenues increased by 11%.

Demand for IT consultants strengthened during the year and the number of consultants working at client sites had increased by 5% by the year end. However margins remain under pressure as price continues to be the key factor in winning new business from large users of IT contractors.

Through leveraging our portfolio of services, including our outsourcing capability and added value IT initiatives (Contractor Management System and Assignment Tracker), we have been able to reduce our cost of sale and so maintain gross margins in excess of 20% for the year.

EUROPE

Our European Resourcing business experienced a 15% decline in turnover from £60.4m to £51.5m during the year. Adjusted operating profit of £0.7m compares to £3.1m in the previous year reflecting the weak demand, which impacted all of our offices in Europe, particularly in Germany.

Although the number of Harvey Nash IT Consultants working on client sites declined by only 7% during the year, the difficult market conditions resulted in margin and pricing pressure leading to a 14% decline in turnover. Also, due to the high unemployment rates throughout Europe, we experienced a significant decline in the demand for our file search service, down 32% compared to the previous year. We therefore restructured our operations in the first half of the year, reducing headcount and consolidating the number of offices.

As a result of the actions taken profitability was maintained and the Group's operations in Europe are well positioned to take advantage of the improving business sentiment.

US

The turnover of the US operation was £7.4m compared to £7.9m in the previous year. Adjusted operating profit was £0.4m compared to a loss of £0.2m, as the Group's operations in the US were stabilised and returned to profit. Business investment in the US economy was up 15% in the final quarter of last year, stimulating spend on IT and temporary staff. This clearly had an impact on our business, as organic growth in the number of IT consultants at client sites was 47%. In the second half, the Group began to invest in further fee earners and in line with the Group's strategy of developing new services we have diversified into Financial Recruitment and Executive Search.

During the year the Group acquired three additional offices by way of two acquisitions. Snowdogs LLC, based in Seattle on the West Coast, the first acquisition, performed strongly and achieved its earn-out targets for the period ended 31 January 2004, growing its IT

Adjusted means adjusted for goodwill of £2.1m (2003: £2.0m) and exceptional items of £3.5m (2003: £5.6m)

Consultant numbers by 13%, with further growth following the year end. SBS Group Inc, based on the East Coast, the second acquisition, made on 26 January 2004, is an IT business, focused mainly on the Financial Services sector. This acquisition will contribute to the Group's results in the year ended January 2005.

CONSULTING

Demand for Consulting Services has accelerated in line with improving business confidence. Generally, senior Executive Search activity levels increase at an early stage of a recovery as organisations begin to fill gaps in management created during the downturn. Also, investment and expansion will inevitably follow a pick up in earnings as growth recovers.

We have seen a broad recovery across all of our geographic markets for our Consulting Services, including France, Holland and Germany.

Although turnover declined by 15% to £12.8m (2003: £15.0m), adjusted operating profit of £0.2m (excluding the Asia Pacific loss of £0.2m in the first half) was an excellent result compared to the previous year's loss (2003: £3.0m). The Group continues its strategy of leveraging the Group's services and brand by maintaining critical mass in the UK and a presence in each country in Europe, to enable us to deliver a pan-European service to our international clients.

UK

Revenues in the UK were down 7% year on year to £10.9m (2003: £11.7m) and adjusted profit was £0.3m (2003: loss £1.7m).

Revenues from the Technology Practice reflected the weak demand in the IT sector in general, down 7% compared to the previous year. However, the Consumer, Finance and Healthcare Divisions all reported growth in the year. Interim Management also increased its number of consultants on assignment by 49%. Consulting services' overall headcount was increased by 10% to take advantage of the better than expected growth in the UK economy.

EUROPE

The Group is represented in France, Holland and Germany and generated revenue of £1.4m compared to £2.5m in the previous year. Following restructuring last year, European Consulting has broadened its sector focus and reduced losses from £0.8m to £0.1m. Our strategy going forward is to continue diversification of the sector focus and prudently invest as markets improve.

ASIA PACIFIC

Turnover of the Asia Pacific operations was £0.5m (2003: £0.8m), and the operating loss was £0.2m (2003: £0.6m). These results were included in Consulting in the first half of the year and remain unchanged since the Group has sold its operations in Hong Kong and closed its Sydney office. The related exceptional costs of £0.2m were included in the figures presented for the first half of the year.

David Higgins
Chief Executive

Financial Review

Gross margins remain in excess of 20% and the Group has been cash positive, generating an operating cashflow of £1.9m for the year.

PROFIT AND LOSS ACCOUNT

Turnover declined 16% to £130.9m for the year ended 31 January 2004 (2003: £156.7m). Gross margin of 20% was only slightly below the previous year (2003: 21%) despite continued downward pressure on pricing. The proportion of turnover relating to the Resourcing Division was 90%, consistent with the previous year (2003: 90%).

The cost base of the Group for the year was £24.8m (2003: £32.2m) excluding exceptional charges and goodwill amortisation, reflecting realised cost savings of £7.4m.

Adjusted Group operating profits for the year were £2.0m (2003: £1.2m) from which interest payable of £0.9m (2003: £1.1m), goodwill amortisation of £2.1m (2003: £2.0m) and exceptional items of £3.5m (2003: £5.6m) have been deducted, resulting in a reduced loss before taxation of £4.5m (2003: loss £7.5m).

INTEREST

Net interest payable in the year reduced from £1.1m to £0.9m primarily due to the reduction of debt and the benefit from lower underlying interest rates. The Group's margin on interest and banking charges were reduced following the two repayments made on the revolving credit facility during the year.

EXCEPTIONAL ITEMS

The Group incurred exceptional costs of £3.5m (2003: £5.6m) mainly in relation to the restructuring in Europe and Asia Pacific, but also including further property provisioning in the UK, reflecting the weakness in the London market.

TAXATION

A tax charge of £0.3m for the year has arisen (2003: £nil). This relates to prior year adjustments with a cash effect of £0.1m. A deferred tax asset of £1.2m has been recognised (2003: £0.9m) which represents unrelieved tax losses of £0.9m in Europe and the US recoverable over the next year and short-term timing differences of £0.3m.

BALANCE SHEET

Fixed assets have reduced from £2.2m last year to £1.4m this year as a result of lower levels of capital expenditure and the write off of fixed assets. Debtors have increased to £23.7m (2003: £22.2m) mainly as a result of the acquisitions and the impact of increased turnover compared to the same period in the prior year. This has been partly offset by a further 7% reduction in debtor days.

The provision for liabilities and charges of £1.6m (2003: £1.5m) relates to an estimate of the Group's future property lease obligations, mainly in the UK.

Adjusted means adjusted for goodwill of £2.1m (2003: £2.0m) and exceptional items of £3.5m (2003: £5.6m)

On 17 October 2003 the Group acquired Snowdogs LLC, an IT business based in Seattle USA, for a maximum consideration of \$4.5m. The initial consideration of \$1.5m (£0.9m) was settled by way of a fresh issue of 1,213,788 ordinary shares. The deferred consideration will be satisfied by the issue of shares with an aggregate value of up to a maximum of \$3.0m, based on Snowdogs achieving annualised PBIT of \$0.6m during the period up to and ending on 31 January 2006. The first earn-out target of \$0.3m has already been achieved resulting in a payment of 385,166 shares.

On 26 January 2004 the Group acquired the SBS Group Inc for a consideration of \$2.6m (£1.5m) excluding costs financed by way of a placing of 2.1m shares at 84p raising £1.7m in cash.

Net debt reduced from £5.6m at 31 January 2003 to £4.8m this year.

CASH FLOW

Cash generated from operating activities was £1.9m (2003: £5.7m), which includes the cash element relating to the restructuring and the positive movement on working capital.

Interest paid was £0.9m (2003: £1.1m) and taxation paid of £0.5m (2003: £1.0m) mainly relates to the year ending 31 January 2002. Capital expenditure of £0.4m compares to £0.9m last year. The net cash effect of the acquisitions and the related placing of Group shares was an inflow of £0.2m.

Finally, the free cash flow of £0.2m has been applied to reduce net debt before foreign exchange gains of £0.4m and acquired cash balances of £0.1m.

Albert Ellis
Group Finance Director

Directors, Secretary and Advisors

Ian Kirkpatrick, BSc, MBA
Non-Executive Chairman
Ian Kirkpatrick, aged 59, is non-executive Chairman. Following a career in consultancy, stockbroking and commerce, he joined Bank of Scotland and became a director in the banking division of British Linen Bank Limited, its subsidiary. He is currently non-executive Director of Baronsmead VCT plc and a number of other companies. He was appointed Chairman of Harvey Nash in January 1997.

David Higgins, BSc
Chief Executive
David Higgins, aged 45, is Chief Executive and founder of the business and was appointed in February 2000. He was previously Joint Managing Director with responsibility for the Executive Search & Selection Division.

Albert Ellis, BACC, CA (SA)
Group Finance Director
Albert Ellis, aged 40, is Group Finance Director, appointed in February 2000. He joined the Group in July 1998 as UK Finance Director. He was previously a divisional Finance Director with Hays Plc.

Tom Crawford
Non-Executive Deputy Chairman
Tom Crawford, aged 53, is non-executive Deputy Chairman and founder of the business. He was previously Joint Managing Director with responsibility for Group Operations and the IT File Search Division.

David Treacher, BSc
Non-Executive Director
David Treacher, aged 41, is a non-executive Director and founder of the business. He was previously Joint Managing Director with responsibility for the IT Contract Services Division.

Gus Moore
Non-Executive Director
Gus Moore, aged 66, is a non-executive Director. He was appointed in April 1999. He was previously on the Board of Hong Kong Telecom and Managing Director of Hong Kong Telecom CSL. He is currently non-executive Director of a number of companies.

DIRECTORS
Ian Kirkpatrick, BSc, MBA
David Charles Higgins, BSc
Albert George Hector Ellis, BACC, CA (SA)
Peter Augustine Moore
Thomas Francis Alexander Crawford
David Hedley Treacher, BSc

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

REGISTERED OFFICE
13 Bruton Street, London W1J 6QA

REGISTERED NUMBER
3320790

STOCKBROKERS
Cazenove & Co
12 Tokenhouse Yard, London EC2R 7AN

SOLICITORS
Travers Smith Braithwaite
10 Snow Hill
London EC1A 2AL

REGISTRARS
Lloyds Bank Registrars
The Causeway, Worthing
West Sussex BN99 6DA

FINANCIAL ADVISORS
Close Brothers Corporate Finance
10 Crown Place
London EC2A 4FT

AUDITORS
PricewaterhouseCoopers LLP
Chartered Accountants
No 1 Embankment Place
London WC2N 6NN

PRINCIPAL BANKERS
Royal Bank of Scotland
36 St Andrew Square
Edinburgh EH2 2YB

Directors' Report
for the year ended 31 January 2004

The Directors present their annual report and the audited financial statements of the Group and Company for the year ended 31 January 2004.

Principal Activities
The Group's principal activity during the year was the provision of professional recruitment and outsourcing services, in particular providing information technology professionals for permanent and contract positions worldwide. The Group has a branch in Vietnam.

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

Results and Dividends
The Group's loss before tax for the year was £4.5m (2003: £7.5m). No dividends have been declared in the year.

Share Capital
On 10 July 2003 the Company issued 100,000 new ordinary shares, with a nominal value of £5,000 in relation to the share bonus scheme.

On 17 October 2003 the Company issued 1,213,788 new ordinary shares, with a nominal value of £60,690 as consideration in relation to the acquisition of Snowdogs LLC.

On 17 October 2003 the Company issued 80,883 new ordinary shares, with a nominal value of £4,044, in relation to the employee share option scheme.

On 31 October 2003 the Company issued 215,000 new ordinary shares, with a nominal value of £10,750 in relation the share bonus scheme.

On 21 January 2004, the Company issued 2,050,000 new ordinary shares, with a nominal value of £102,500 in relation to the acquisition of SBS Group Inc.

During the year the number of shares in issue increased to 59,682,847 ordinary shares with a nominal value of £2,984,142.

Directors and their Interests
The Directors who held office during the year and at the date of this report are shown on page 10. Ian Basser resigned on 16 October 2003. In accordance with the Company's Articles of Association, David Treacher and Tom Crawford retire by rotation and, being eligible, offer themselves for re-appointment. All Executive Directors have service contracts with the Company terminable by either party giving to the other not less than 12 months' notice.

The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in greater detail in the Remuneration Report.

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

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

Directors' Report continued
for the year ended 31 January 2004

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

Creditor Payment Policy
The Group's creditors are paid in accordance with terms agreed with them prior to the supply of goods or services. The Group pays all contractors providing IT services within 25 days (2003: 22 days) of receipt of their invoice. Other trade creditor days of the Group for the year ended 31 January 2004, were 55 days (2003: 45 days), based on the ratio of Group trade creditors at the year end to the amounts invoiced during the year by trade creditors. The Company has no trading activity.

Substantial Shareholdings
On 1 April 2004 the Company had been notified that, in addition to holdings in which the Directors are beneficially interested, there were holdings of 3% or more in the ordinary share capital of the Company as follows:

	No. of shares	% of total
Unicorn Asset Management	17,580,558	29.23
Aegon Asset Management	4,819,923	8.01
M & G Investment Management	2,669,439	4.44

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

Employee Share Schemes
The Directors consider that the opportunity to own shares in the Group is a vital part of motivating and retaining employees. Details of the share schemes are included on pages 19 and 20.

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

Political and Charitable Donations
The Group made no political or charitable donations during the year (2003: £nil).

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

On behalf of the Board

Albert Ellis
Company Secretary

1 April 2004

Corporate Governance

for the year ended 31 January 2004

The Group fully supports the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the London Stock Exchange. The Board has considered the implications of the new revised Combined Code on the Group's governance and will comply with those provisions considered appropriate for the size of the Group.

Application of Principles of Good Governance

Directors

At 1 April 2004 the Board of Directors comprised two Executive and four Non-Executive Directors. The Board meets monthly, receives a defined supply of information and has adopted a schedule of matters specifically reserved to itself for decision. In relation to non-reserved matters it is assisted by a number of committees with delegated authority.

Audit Committee

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

Remuneration Committee

The Remuneration Committee meets at least twice a year. The members of the Committee are Ian Kirkpatrick (Chairman) and Gus Moore, both of whom are independent Non-Executive Directors.

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

The Remuneration Report is included on pages 16 to 20.

Nomination Committee

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

Directors' Remuneration

Details of Directors' remuneration and the procedures for developing policy on executive remuneration and for fixing the remuneration of the Board are contained in the Remuneration Report set out on pages 16 to 20.

Relations with Shareholders

The Company maintains regular dialogue with its institutional shareholders and City analysts by conducting formal presentations, being readily available for discussion and providing information as required. Shareholder attendance and participation at the AGM is welcomed.

Accountability and Audit

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

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

Internal Control

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

Corporate Governance continued

for the year ended 31 January 2004

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board and accords with the Turnbull guidance.

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

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

- the operation of authorisation procedures
- clearly delegated responsibilities
- close involvement of senior management in day to day activities
- setting of detailed annual budgets and reporting of monthly actual performance against them; and
- the operation of an Audit Committee, supported by an internal audit function.

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

Compliance with Code Provisions

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

Code Provision A3.2

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

Code Provision D3.1

On 29 January 2004, David Treacher resigned from the audit committee leaving only two Non-Executive Directors. David Treacher is considered non-independent and therefore resigned with a view to complying with the revised Combined Code.

The Board has, during the year and in line with the Higg's recommendations, appointed Gus Moore as the senior independent Non-Executive Director in addition to the Company's existing independent Non-Executive Chairman.

Going Concern

After having made appropriate enquiries including a review of the 2004/2005 Group budget, medium term plans and available banking facilities compared to funding requirements, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Albert Ellis
Company Secretary

1 April 2004

Remuneration Report
for the year ended 31 January 2004

This Report, which has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"), outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the various elements of the Company's remuneration policy together with details of Directors' remuneration in respect of the year ended 31 January 2004. In accordance with the Regulations, a resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Regulations require the Auditors to report to shareholders on the information contained in the descriptions 'Directors' Remuneration', 'Interest in Share Options', 'Directors' Pension Entitlement' and the share option scheme sections in this Report ("the auditable parts") and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations).

Remuneration Policy
Executive remuneration packages are designed to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages. These packages are reviewed each year to ensure that they are fair and competitive and reflect the responsibilities, experience of each Director. The Remuneration Committee seeks to ensure that they are supportive of the Group's business objectives and the creation of shareholder value and takes advice from external sources in order to determine and develop its policies. The Group expects to review this policy on an on-going basis. A balanced view is taken of Directors' remuneration split between non-performance related and performance related.

The remuneration package of each Director is determined by the Remuneration Committee, taking into account the performance of the individual and information from independent sources for similar jobs in comparable companies.

The Executive Director remuneration packages consist of:
- basic salary
- performance-linked bonus
- share options
- company car allowance
- pension contribution
- private healthcare insurance

The performance-linked bonus is payable depending on the level of Group profit for the year. If the maximum bonus became payable it would represent no more than 50% of the Executive's basic salary.

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year having given due consideration to market practice.

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

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

	Contract date	Unexpired term	Notice period	**Contractual termination payments**
Executive				
David Higgins	01.02.01	Continuous	12 months	Unexpired notice period
Albert Ellis	01.02.01	Continuous	12 months	Unexpired notice period
Ian Basser	10.04.02	Resigned 16.10.03	12 months	Unexpired notice period
Non-Executive				
Ian Kirkpatrick	07.08.01	Continuous	6 months	Unexpired notice period
Tom Crawford	07.08.01	Continuous	6 months	Unexpired notice period
Gus Moore	07.08.01	Continuous	6 months	Unexpired notice period
David Treacher	07.08.01	Continuous	6 months	Unexpired notice period

Remuneration Report continued
for the year ended 31 January 2004

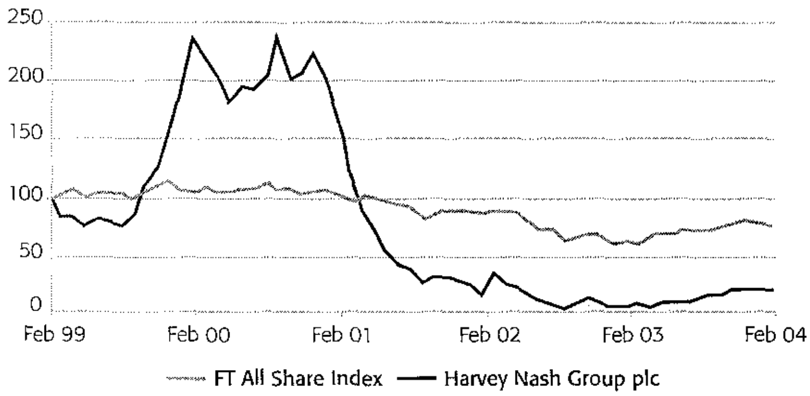
Members of the Remuneration Committee

The members of the remuneration committee during the year were:

Ian Kirkpatrick
Gus Moore

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

Performance Graph



February 1999 = 100
Source: Datastream

In the opinion of the Directors the FT All Share Index is the most appropriate index against which the total shareholder return of Harvey Nash Group plc should be measured considering the variation in market capitalisation of the Group over the period.

Directors' Remuneration

	Salary & fees £	Benefits in kind £	Annual bonus £	31 Jan 2004 Total £	31 Jan 2003 Total £
Executive					
David Higgins	220,000	34,337	70,400	324,737	232,554
Albert Ellis	180,000	30,605	57,600	268,205	192,815
Ian Basser	127,500	31,146	–	158,646	62,353
Non-Executive					
Ian Kirkpatrick	46,000	–	–	46,000	46,000
Tom Crawford	20,000	–	–	20,000	20,000
Gus Moore	20,000	–	–	20,000	20,000
David Treacher	20,000	–	–	20,000	20,000
	633,500	96,088	128,000	857,588	593,722

Benefits in kind include car allowance, medical insurance and a limited contribution to the cost of personal tax advice. At the request of the Group, Ian Basser relocated to the UK from Hong Kong, for a period of one year and his costs are included under benefits in kind.

Following his one year secondment to the UK, Ian Basser returned to Australia, resigning from the Board on 16 October 2003. The table reflects the pro rata remuneration for the period of his directorship.

Remuneration Report continued
for the year ended 31 January 2004

Annual Bonus
Albert Ellis and David Higgins's receive performance payments based on the level of Group profit for the year.

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

	Date of grant	Earliest exercise date	Expiry date	Share price on grant date (p)	Exercise price (p)	No at 31 Jan 2003	Granted in year	Exercised in year	Lapsed in year	No at 31 Jan 2004
David Higgins	12.7.02	12.7.05	12.07.12	54.0	55.0	250,000	–	–	250,000	–
	11.4.03	11.4.06	11.4.13	35.0	30.7	–	180,000	–	–	180,000
Albert Ellis	31.4.03	11.4.06	11.4.13	35.0	30.7	–	180,000	–	–	180,000
Ian Basser	14.6.01	14.6.04	14.6.08	214	Nil	25,735	–	–	–	25,735
	25.10.02	25.10.05	25.10.12	34.0	24	300,000	–	–	–	300,000
	11.4.03	11.4.06	11.4.13	35.0	30.7	–	180,000	–	–	180,000

No other Directors have been granted share options in the shares of the Group or other Group entities. None of the terms and condition of the share options were varied during the year. The remaining options were granted as part of the Harvey Nash 2000 Executive Share Option Scheme. The performance criteria associated with this scheme are given below.

The options were granted at the prevailing market price, calculated as the average of the previous five days mid closing price, at the time of the grant in accordance with the rules of the scheme. There was nil cost to the directors at the date of grant. The market price of the Group shares at the end of the financial year was 96p. The range of market prices during the year was between 27.5p and 104.5p.

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

	31 Jan 2004 Ordinary shares	31 Jan 2003 Ordinary shares
David Higgins	8,982,378	9,032,378
Albert Ellis	–	–
Ian Basser	–	–
Ian Kirkpatrick	5,250	5,250
Tom Crawford	4,576,827	4,619,684
Gus Moore	22,000	22,000
David Treacher	5,329,992	5,379,992

Included in the above, pursuant to the provisions of the Companies Act 1985, DH Treacher, DC Higgins and TFA Crawford, are deemed to be interested in their capacity as trustees, in the ordinary shares of the Company held by Harvey Nash plc Funded Unapproved Pension and Death Benefit Schemes and the Harvey Nash Directors' Retirement and Death Benefit Scheme. As at the date of this report and 31 January 2004, the interest was in a total of 1,488,025 ordinary shares.

Remuneration Report continued

for the year ended 31 January 2004

David Higgins Incentive Trust

Following the placing and open offer in March 2002, 2,801,216 ordinary shares were placed in the David Higgins 2002 Discretionary Trust for the purpose of establishing an additional means of incentivising certain key employees of the Group, using funds provided by David Higgins. David Higgins remains a beneficiary of this trust and these shares are included in his total interest above of 8,982,378.

In addition to the share options disclosed above on 16 December 2002 the David Higgins Discretionary Trust granted options to Albert Ellis and Ian Basser over 700,000 and 1,200,000 Harvey Nash shares respectively. Under the Trust deed these options can be exercised immediately. This Trust is independent of the Company Schemes and granting of options remains at the sole discretion of David Higgins and therefore the Trust is outside the scope of the Remuneration and Audit Committees. These options can be exercising at any time prior to 16 December 2012 for an aggregate exercise price of £1.00. Any income tax or national insurance contributions arising on the exercise of these options will be payable by the option holder. There are no performance criteria associated with the exercise of these options.

Directors' Pension Entitlement

The Group made the following pension contributions during the year to defined contribution schemes nominated by the Executive Director:

	31 Jan 2004 £	31 Jan 2003 £
David Higgins	22,000	22,000
Albert Ellis	18,000	18,000
Ian Basser	12,750	3,784
	52,750	43,784

Share Option Schemes

At 31 January 2004, the following options to subscribe for ordinary shares have been granted to certain employees (including Directors) *under the terms of the Share Option Schemes:*

The Harvey Nash Group plc Share Options Scheme 1997

The Harvey Nash Group plc Share Options Scheme holds 51,470 ordinary shares. These shares were gifted to the trust by TFA Crawford, DC Higgins and DH Treacher to the Harvey Nash Group plc Employment Benefit Trust Limited and are shown at nil value in the Group financial statements as they were gifted for nil consideration. Since the scheme was established in 1997 it is an exempt scheme to which membership is conditional upon continued employment.

Number of ordinary shares subject to option	Date granted	Consideration	Exercisable from	Exercisable until	Exercisable price (p)
25,735	7.12.00	Nil	1.4.04*	7.12.07	Nil
25,735	14.6.01	Nil	14.6.04*	14.6.08	Nil
51,470					

* Exercise on or after such date limited to 25% of grant, with a further 25% exercisable on or after each six month period for the next 18 months.

Remuneration Report continued
for the year ended 31 January 2004

The Harvey Nash Group plc Performance Related Share Schemes
The Performance Related Schemes are administered by the Board under the supervision of the Remuneration Committee. The schemes are open to all full time employees except those who have had a material interest in the Group within the previous 12 months. The options granted *under the Performance Related Scheme are subject to certain performance criteria, including earnings per share growth. The schemes' exercise* price is determined by the Board but will not be less than the average share price for the five days immediately preceding the grant of options. The Harvey Nash Group plc Performance Related Share Plan is an Inland Revenue Approved Scheme, however, the Board is able to grant unapproved options under the scheme. For schemes from July 2000 the Group has obtained agreement from the employee that he or she will settle the employer's national insurance charge in respect of any gain arising on eventual exercise. All options are granted for nil consideration.

Date of grant	Exercisable from	Exercisable to	Exercise price	Options at 1 February 2003	Granted	Lapsed	Exercised	Options at 31 January 2004
8.4.97	8.4.00	8.4.07	£1.783	25,244	–	19,634	–	5,610
8.4.97	8.4.00	8.4.04	£1.700	5,610	–	5,610	–	–
19.5.98	19.5.01	19.5.08	£4.104	92,570	–	69,431	–	23,139
28.5.99	28.5.02	28.5.09	£2.900	3,088	–	3,088	–	–
28.5.99	28.5.02	28.5.06	£2.900	5,147	–	5,147	–	–
27.7.00	27.7.03	27.7.10	£7.096	9,065	–	9,065	–	–
8.8.00	8.8.03	8.8.10	£7.354	2,406	–	2,406	–	–
19.10.01	19.10.04	19.10.11	£1.117	205,886	–	205,886	–	–
1.3.02	1.3.05	1.3.12	£0.590	1,636,776	–	298,561	–	1,338,215
12.7.02	12.7.05	12.7.12	£0.546	250,000	–	250,000	–	–
25.10.02	25.10.05	25.10.12	£0.243	2,206,000	–	220,000	–	1,986,000
11.4.03	11.4.07	11.4.13	£0.307	–	1,190,000	25,000	–	1,165,000

The Harvey Nash Group plc Sharesave Scheme
On 13 May 2002 options over 332,529 ordinary shares were granted to 124 employees under a fourth Sharesave Scheme at a price of 86p. Options over 202,203 shares are still held under the three year plan.

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

On behalf of the Board

Ian Kirkpatrick
Chairman

1 April 2004

Directors' Responsibilities in Relation to the Financial Statements

for the year ended 31 January 2004

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

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

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

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

The Directors consider that they have complied with the above requirements in preparing the financial statements.

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

Independent Auditors' Report to the Members of Harvey Nash Group plc
for the year ended 31 January 2004

Independent Auditors' Report to the Members of Harvey Nash Group plc
We have audited the financial statements which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Independent Auditors' Report to the Members of Harvey Nash Group plc continued

for the year ended 31 January 2004

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 January 2004 and of the loss and cash flows of the Group for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

1 April 2004

Consolidated Profit and Loss Account

for the year ended 31 January 2004

	Notes	Results before amortisation of goodwill and exceptional items 2004 £'000	Amortisation of goodwill and exceptional items 2004 £'000	Results after amortisation of goodwill and exceptional items 2004 £'000	2003* £'000
Turnover					
Continuing operations	2 & 3	**129,783**	–	**129,783**	156,692
Acquisitions		**1,128**	–	**1,128**	–
		130,911	–	**130,911**	156,692
Cost of sales		**(104,175)**	–	**(104,175)**	(123,348)
Gross profit		**26,736**	–	**26,736**	33,344
Administrative expenses					
excluding goodwill amortisation	13	**(24,771)**	**(3,494)**	**(28,265)**	(37,777)
goodwill amortisation	10	–	**(2,123)**	**(2,123)**	(1,972)
		(24,771)	**(5,617)**	**(30,388)**	(39,749)
Group operating profit/(loss)					
Continuing operations		**1,858**	**(5,617)**	**(3,759)**	(6,405)
Acquisitions		**107**	–	**107**	–
Total operating profit/(loss)	3	**1,965**	**(5,617)**	**(3,652)**	(6,405)
Interest receivable	6	–	–	–	61
Interest payable	6	**(884)**	–	**(884)**	(1,146)
Profit/(loss) on ordinary activities before taxation		**1,081**	**(5,617)**	**(4,536)**	(7,490)
Taxation on profit on ordinary activities	7	**(331)**	–	**(331)**	–
Profit/(loss) on ordinary activities after taxation		**750**	**(5,617)**	**(4,867)**	(7,490)
Profit/(loss) for the financial year		**750**	**(5,617)**	**(4,867)**	(7,490)
Basic loss per share	9			**(8.75)p**	(14.91)p
Adjusted loss per share	9			**(0.74)p**	(0.92)p

* The 2003 results include operating exceptional costs amounting to £5,587,000 and goodwill amounting to £1,972,000

Consolidated and Company Balance Sheets

as at 31 January 2004

	Notes	Group 31 January 2004	Group 31 January 2003	Company 31 January 2004	Company 31 January 2003
Fixed assets					
Intangible fixed assets	10	**30,759**	29,250	**–**	–
Tangible fixed assets	11	**1,413**	2,227	**–**	–
Investments	12	**400**	400	**46,917**	46,917
		32,572	31,877	**46,917**	46,917
Current assets					
Debtors	14	**23,662**	22,222	**10,801**	5,767
Cash at bank		**1,613**	6,512	**67**	–
		25,275	28,734	**10,868**	5,767
Creditors due within one year	15	**(20,420)**	(17,532)	**(588)**	(954)
Net current assets		**4,855**	11,202	**10,280**	4,813
Total assets less current liabilities		**37,427**	43,079	**57,197**	51,730
Creditors due after more than one year	16	**(6,333)**	(11,874)	**(10,917)**	(10,527)
Provision for liabilities and charges	17	**(1,641)**	(1,546)	**–**	(1,447)
Net assets		**29,453**	29,659	**46,280**	39,756
Capital and reserves					
Share capital	20	**2,984**	2,801	**2,984**	2,801
Shares to be issued	21	**1,648**	–	**1,648**	–
Share premium account	21	**18,023**	16,445	**18,023**	16,445
Capital contribution	21	**–**	–	**20,000**	20,000
Other reserves	21	**11,736**	10,898	**9,994**	9,156
Profit and loss account	21	**(4,938)**	(485)	**(6,369)**	(8,646)
Equity shareholders' funds		**29,453**	29,659	**46,280**	39,756

The financial statements on pages 24 to 44 were approved by the Board on 1 April 2004 and signed on its behalf by:

Ian Kirkpatrick
Chairman

Albert Ellis
Group Finance Director

Consolidated Cash Flow Statement

for the year ended 31 January 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	22	**1,890**	5,721
Returns on investments and servicing of finance			
Interest received		–	62
Interest paid		**(863)**	(1,106)
Interest element of finance lease repayments		**(21)**	(38)
Net cash outflow from returns on investments and servicing of finance		**(884)**	(1,082)
Tax paid		**(476)**	(1,013)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(400)**	(670)
Purchase of own shares		–	(221)
Net cash outflow from capital expenditure		**(400)**	(891)
Acquisitions and disposals			
Settlement of deferred consideration		–	(166)
Cash acquired with subsidiary undertakings	26	**133**	–
Purchase of subsidiary undertakings (including amounts paid for loan account)		**(1,610)**	–
Net cash outflow from acquisitions		**(1,477)**	(166)
Financing			
Issue of share capital		**103**	1,132
Issue of share premium		**1,619**	13,126
Payment of expenses on issue of equity shares		**(68)**	(1,580)
Movement in borrowings		**(5,176)**	(10,447)
Capital element of finance lease repayments		**(228)**	(210)
Net cash (outflow)/inflow from financing		**(3,750)**	2,021
(Decrease)/increase in cash in the year	23	**(5,097)**	4,590

Statement of Total Recognised Gains and Losses
for the year ended 31 January 2004

	2004 £'000	2003 £'000
Loss for the financial year	**(4,867)**	(7,490)
Currency translation differences on foreign currency net investments offset in reserves	**414**	1,147
Total recognised losses for the year	**(4,453)**	(6,343)

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 January 2004

	2004 £'000	2003 £'000
Loss for the financial year	**(4,867)**	(7,490)
Issue of share capital	**183**	1,292
Increase/(reduction) in shares to be issued	**1,648**	(884)
Share premium on issued shares less share issue costs	**1,578**	11,548
Other reserves	**838**	1,360
Currency translation differences on foreign currency net investments offset in reserves	**414**	1,147
Net (decrease)/increase in equity shareholders' funds	**(206)**	6,973
Opening shareholders' funds	**29,659**	22,686
Closing equity shareholders' funds	**29,453**	29,659

Notes to the Financial Statements
for the year ended 31 January 2004

1 Basis of Preparation
These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

2 Accounting Policies
(a) Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the Company and all its subsidiary undertakings made up to the year end using acquisition accounting. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra Group sales and profits are eliminated fully on consolidation. On the acquisition of a subsidiary all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

(b) Turnover
The Group derives its turnover in the Resourcing business on a time and materials basis. It is recognised as services are rendered as validated by receipt of a client approved timesheet or equivalent. On fixed price development work revenue is recognised on the percentage completion basis, using pre-specified milestones or a client sign off to trigger invoices or the estimate of profit. Suitable accruals are made to estimate ongoing or likely costs to be incurred in order to complete the project and deliver the software product to the client.

Permanent placement fees in the consulting business are recognised as services are provided, and typically in three stages: placement, shortlist and retainer fee.

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

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

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

On consolidation, revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date.

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

The principal exchange rates to Sterling affecting the Group were:

	2004 31 January	Average	2003 31 January	Average
Swiss Franc	**2.2743**	**2.2002**	2.3204	2.2502
US Dollar	**1.8202**	**1.6525**	1.6471	1.5182
Australian Dollar	**2.3918**	**2.4823**	2.8055	2.7663
Hong Kong Dollar	**14.1521**	**12.8595**	12.8473	11.8413
Euro	**1.4652**	**1.4395**	1.5317	1.5828

Notes to the Financial Statements continued

for the year ended 31 January 2004

2 Accounting Policies *continued*

(e) Leasing and hire purchase

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

Rentals payable under operating lease and contract hire agreements are taken to the profit and loss account on a straight line basis over the lease term. Reverse premiums and lease incentive benefits are recognised as a reduction in rental expense. The benefit is allocated on a straight line basis over the shorter of the lease term and the first rent review date at which it is expected that the prevailing market rental will be payable.

(f) Pensions

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

(g) Goodwill

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

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

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

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

(h) Taxation

Current taxation is applied to taxable profits at the rates ruling in the relevant country. Deferred taxation is provided in full for material timing differences except where recoverability of a deferred tax asset is considered to be remote in the foreseeable future. Deferred tax balances are not discounted unless the effects are considered to be material to the Group's results.

(i) Investments and Share Schemes

Own shares held in the Employee Benefit Trust to satisfy potential obligations under share option schemes are carried at cost less provision for impairment, as part of fixed asset investments. Any differences between the market value of shares at the date of award and the anticipated proceeds from options granted are written off to the profit and loss account over the period to which the underlying options relate, in accordance with UITF17. In accordance with The Harvey Nash Group plc Performance Related Share Schemes, market value is calculated as being the average share price for the five days immediately preceding the grant of options.

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

(j) Related Party Transactions

The Group has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose intra-group transactions.

Notes to the Financial Statements continued

for the year ended 31 January 2004

3 Segmental Reporting

	2004 £'000	2003 £'000
Turnover		
Geographical area by location of Group operations		
United Kingdom	**70,093**	85,095
Rest of Europe	**52,915**	62,940
United States	**7,449**	7,900
Asia Pacific	**454**	757
	130,911	156,692
Market sector		
Resourcing Services	**118,088**	141,684
Consulting Services	**12,823**	15,008
	130,911	156,692

The Directors consider that turnover by location of client operations is not materially different to turnover by location of Group operations.

	2004 £'000	2003 £'000
Total operating profit/(loss)		
Geographical area		
United Kingdom	**(629)**	(3,640)
Rest of Europe	**(2,893)**	486
United States	**283**	(2,584)
Asia Pacific	**(413)**	(667)
	(3,652)	(6,405)
Market sector		
Resourcing Services	**(2,278)**	(2,627)
Consulting Services	**(1,374)**	(3,778)
	(3,652)	(6,405)

	2004 £'000	2003 £'000
Total operating (loss)/profit before goodwill amortisation and exceptional items		
Geographical area		
United Kingdom	**1,136**	(344)
Rest of Europe	**625**	2,345
United States	**369**	(236)
Asia Pacific	**(165)**	(611)
	1,965	1,154
Market sector		
Resourcing Services	**1,912**	4,197
Consulting Services	**53**	(3,043)
	1,965	1,154

Profit and loss line items contain the following amounts relating to the acquisitions in the year: Cost of sales £0.8m, Gross profit £0.4m, administrative expenses £0.3m.

Notes to the Financial Statements continued

for the year ended 31 January 2004

3 Segmental Reporting continued

	2004 £'000	2003 £'000
Net assets		
Geographical area by location of client operations		
United Kingdom	**31,147**	30,159
Rest of Europe	**2,381**	5,478
United States	**(2,168)**	(4,425)
Asia Pacific	**(1,907)**	(1,553)
	29,453	29,659

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

4 Loss on Ordinary Activity Before Taxation

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

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets	**1,322**	2,147
Amortisation of goodwill	**2,123**	1,972
Auditors' remuneration		
– audit services parent company	**12**	12
– audit services other Group companies	**148**	205
– non-audit services	–	10
Operating lease rentals		
– plant and equipment	**685**	748
– land and buildings	**2,509**	2,254
Exchange (gain)/loss	**(81)**	(50)
Loss on disposal of tangible fixed assets	**50**	1,109

£200,154 of foreign exchange loss has been taken to reserves under the hedging offset provisions of SSAP 20.

In addition, amounts paid to the auditors of £27,459 have been capitalised in relation to the acquisitions in the year.

5 Employees

Employee costs (including Directors) were as follows:

	2004 £'000	2003 £'000
Wages and salaries	**16,705**	20,069
Social security costs	**2,114**	2,501
Pension costs	**455**	613
	19,274	23,183

Notes to the Financial Statements continued

for the year ended 31 January 2004

5 Employees continued

Average monthly staff numbers for the year were as follows:

	2004 No.	2003 No.
Executive Directors	**3**	2
Sales	**234**	289
Administration	**137**	168
	374	459

6 Interest Receivable/(Payable)

	2004 £'000	2003 £'000
Bank interest receivable	–	61
Interest payable		
Bank loans and overdrafts	**(863)**	(1,108)
Hire purchase interest	**(21)**	(38)
	(884)	(1,146)
Net interest payable	**(884)**	(1,085)

7 Taxation on Loss on Ordinary Activities

	2004 £'000	2003 £'000
United Kingdom		
Corporation tax at 30% (2003: 30%)	–	(91)
Adjustments in respect of prior years	**501**	(400)
Foreign tax		
Corporation taxes	**76**	469
Adjustment in respect of prior years	**40**	(7)
Total current tax	**617**	(29)
Deferred tax		
Origination and reversal of timing differences	**48**	76
Utilisation of tax losses	**(334)**	(47)
	(286)	29
Representing:		
United Kingdom	**(105)**	(49)
Foreign tax	**(181)**	78
Total deferred tax	**(286)**	29
Tax on profit on ordinary activities	**331**	–

Notes to the Financial Statements continued

for the year ended 31 January 2004

7 Taxation on Loss on Ordinary Activities continued

The tax for the period is higher (2003: higher) than the Group's weighted average rate of corporation tax applied to the pre-tax losses. The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	**(4,536)**	(7,490)
Weighted average tax rate	**31.4%**	32.5%
Loss on ordinary activities before tax multiplied by the Group weighted tax rate	**(1,423)**	(2,431)
Expenses not deductible	**59**	739
Short term timing differences	**613**	252
Tax losses carried forward	**827**	1,818
Adjustments in respect of prior years	**541**	(407)
Total current tax charge	**617**	(29)

Analysis of deferred tax	2004 £'000	2003 £'000
Short term timing difference	**48**	76
Tax losses carried forward	**(334)**	(47)
Deferred tax (credit)/charge	**(286)**	29
Deferred tax asset brought forward	**(923)**	(952)
Deferred tax asset carried forward (see note 14)	**(1,209)**	(923)
Short term timing difference	**(283)**	(331)
Tax losses carried forward	**(926)**	(592)
Deferred tax asset carried forward	**(1,209)**	(923)

Factors that may affect future tax charges

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

The Group has recognised deferred tax assets where there are forecast taxable profits in the next 12 months from which the future reversal of the underlying timing differences can be deducted.

Unrecognised deferred tax assets in respect of tax losses amount to £2,289,000 (2003: £2,196,000). Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised.

8 Profit Attributed to the Parent Company

The profit after tax for the year ended 31 January 2004 in the financial statements of Harvey Nash Group plc, the Company, was £2,277,000 (2003: loss £8,075,000). As allowed by S230 Companies Act 1985, no profit and loss account is presented in respect of the parent company.

Notes to the Financial Statements continued

for the year ended 31 January 2004

9 Earnings Per Share

	31 January 2004	31 January 2003
Loss attributable to shareholders (£'000)	**(4,867)**	(7,490)
Weighted average number of shares	**55,600,842**	50,241,818
Basic loss per ordinary share	**(8.75)p**	(14.91)p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Employee Benefit Trust which are treated as cancelled.

The Company has share options which are potential ordinary shares, however, the impact on the net loss of these potential ordinary shares is anti-dilutive and therefore, the diluted earnings per share is the same as the basic earnings per share.

	31 January 2004 £'000	31 January 2003 £'000
Loss attributable to shareholders	**(4,867)**	(7,490)
Amortisation of goodwill	**2,123**	1,972
Exceptional items	**3,494**	5,587
Tax on exceptional items	**(1,163)**	(532)
Adjusted loss attributable to shareholders	**(413)**	(463)
Weighted average number of shares	**55,600,842**	50,241,818
Adjusted loss per ordinary share	**(0.74)p**	(0.92)p

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

10 Intangible Fixed Assets

Goodwill	£'000
Cost	
At 1 February 2003	41,334
Additions	3,505
Exchange movements	278
At 31 January 2004	**45,117**
Aggregate amortisation	
At 1 February 2003	12,084
Charge for the year	2,123
Exchange movements	151
At 31 January 2004	**14,358**
Net book value	
At 31 January 2004	**30,759**
At 31 January 2003	29,250

Notes to the Financial Statements continued

for the year ended 31 January 2004

11 Tangible Fixed Assets

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

Group	Leasehold improvements £'000	Office equipment £'000	Furniture fixtures & equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 February 2003	1,328	710	1,257	5,103	45	8,443
Additions	5	19	25	352	–	401
Acquisitions	3	8	68	–	–	79
Disposals	(113)	(33)	(73)	(80)	–	(299)
Exchange movements	8	9	22	34	–	73
At 31 January 2003	1,231	713	1,299	5,409	45	8,697
Depreciation						
As at 1 February 2003	809	643	914	3,833	17	6,216
Charge for the year	88	88	267	876	3	1,322
Disposals	(105)	(24)	(56)	(64)	–	(249)
Exchange movements	5	(4)	8	(14)	–	(5)
At 31 January 2004	797	703	1,133	4,631	20	7,284
Net book value						
At 31 January 2004	434	10	166	778	25	1,413
At 31 January 2003	519	67	343	1,270	28	2,227

Included in depreciation charged in the year are write downs of £216,000.

The Company held no fixed assets during the year.

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

	Computer equipment £'000
Cost	
As at 1 February 2003	667
Additions	–
Accumulated depreciation at 31 January 2004	(519)
Net book value at 31 January 2004	**148**
Cost at 31 January 2003	667
Accumulated depreciation at 31 January 2003	(297)
Net book value at 31 January 2003	370

12 Investments

	Group 31 January 2004 £'000	Group 31 January 2003 £'000	Company 31 January 2004 £'000	Company 31 January 2003 £'000
Investment in subsidiary undertakings	–	–	**46,917**	46,917
Investment in own shares	**400**	400	–	–
	400	400	**46,917**	46,917

Notes to the Financial Statements continued

for the year ended 31 January 2004

12 Investments continued

Investment in own shares

Investment in own shares of £400,343 (2003: £400,343) represents the cost of 738,420 of the Company's shares, acquired by Harvey Nash Employee Benefit Trust Limited to meet obligations under the Harvey Nash Option Scheme (HNOS). Details of the shares held by the Trust are shown in the table below:

Date of purchase	Scheme	Number of shares	Nominal value (£)	Cost price (£)	Total cost (£)	Net book value at 31 January 2004 (£)	Market value at 31 January 2004 (£)
25.3.97	HNOS[1]	198,717	12,493	Nil	Nil	Nil	190,768
3.6.99	–	122,850	6,142	3.24	401,000	116,926	117,936
11.7.00	–	65,000	3,250	7.00	458,640	61,750	62,400
19.3.02	–	351,853	17,593	0.63	221,667	221,667	337,779
		738,420	**39,478**		**1,081,307**	**400,343**	**708,883**

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

Subsidiary undertakings and branches

The details of the principal subsidiary companies and branches existing at 31 January 2004 are as follows:

Name of company	Country of incorporation and operation	Principal activity
Harvey Nash AG	Switzerland	Recruitment consultancy
Harvey Nash BV	The Netherlands	Recruitment consultancy
Harvey Nash GmbH	Germany	Recruitment consultancy
Harvey Nash IT Consulting NV	Belgium	Recruitment consultancy
Harvey Nash NV	Belgium	Recruitment consultancy
Harvey Nash Offshore Development Centre	Branch – Vietnam	Recruitment consultancy
Harvey Nash plc	England	Recruitment consultancy
Harvey Nash SA	France	Recruitment consultancy
Impact Executives Ltd	England	Recruitment consultancy
Mortimer Spinks Limited	England	Recruitment consultancy
Harvey Nash Inc	US	Recruitment consultancy
Snowdogs LLC	US	Recruitment consultancy
SBS Group Inc	US	Recruitment consultancy

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

13 Exceptional Items

Operating exceptional items comprise the following costs:

	2004 £'000	2003 £'000
Provision for client dispute	–	(921)
Restructuring costs	**1,840**	1,887
Provision for onerous property leases and asset write downs	**1,654**	4,621
	3,494	5,587

Details of the provision for property leases are given in note 17.

Restructuring costs represent redundancy and related office closure costs.

Notes to the Financial Statements continued

for the year ended 31 January 2004

14 Debtors

	Group 31 January 2004 £'000	Group 31 January 2003 £'000	Company 31 January 2004 £'000	Company 31 January 2003 £'000
Trade debtors	**19,797**	17,994	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**10,484**	5,637
Other debtors	**1,455**	1,749	**2**	80
Prepayments and accrued income	**2,410**	2,479	**315**	50
	23,662	22,222	**10,801**	5,767

Within other debtors there are deferred tax assets of £1,209,000 (2003: £923,000). For details refer to note 7.

Restructuring costs represent redundancy and related office closure costs.

15 Creditors: Amounts Falling Due Within One Year

	Group 31 January 2004 £'000	Group 31 January 2003 £'000	Company 31 January 2004 £'000	Company 31 January 2003 £'000
Bank overdraft	**–**		**–**	24
Trade creditors	**10,533**	9,750	**154**	104
Corporation tax	**933**	691	**–**	–
Other taxes and social security	**1,603**	296	**–**	–
Accruals and deferred income	**6,828**	5,289	**434**	826
Other creditors	**402**	1,277	**–**	–
Obligations under finance leases and hire purchase contracts	**121**	229	**–**	–
	20,420	17,532	**588**	954

16 Creditors: Amounts Falling Due After More Than One Year

	Group 31 January 2004 £'000	Group 31 January 2003 £'000	Company 31 January 2004 £'000	Company 31 January 2003 £'000
Bank loans – secured	**6,333**	11,753	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**10,917**	10,527
Obligations under finance leases and hire purchase contracts	**–**	121	**–**	–
	6,333	11,874	**10,917**	10,527

The bank loan is a multi currency revolving credit facility to a maximum limit of £6.9m. Interest was charged at a margin of 2.75% over LIBOR. The facility is secured by cross Group guarantees. There is a UK invoice discounting facility secured over the UK debtor book. In Germany, certain of the Harvey Nash GmbH debtors are subject to a debt factoring facility secured by a guarantee issued by Harvey Nash Group Plc.

	Group 31 January 2004 £'000	Group 31 January 2003 £'000
Maturity dates of bank loans		
Due within two to five years	**6,333**	11,753
	6,333	11,753

Notes to the Financial Statements continued
for the year ended 31 January 2004

17 Provision for Liabilities and Charges
The provision for liabilities and charges at 31 January 2004 comprises the provision for future lease rental obligations on onerous leases.

The movement in provision in the year is as follows:

	Group 31 January 2004 £'000
Provision at 1 February 2003	**1,546**
Charge for property provision	
Rest of Europe	**907**
Utilisation of provision	**(812)**
Provision at 31 January 2004	**1,641**

18 Obligations Under Hire Purchase Contracts and Finance Leases

	Group 31 January 2004 £'000	Group 31 January 2003 £'000
Repayable within one year	**124**	248
Repayable between one and five years	–	127
Total gross payments	**124**	375
Less finance charges and interest allocated to future periods	**(3)**	(26)
	121	349
Due within one year	**121**	228
Due after more than one year	–	121
	121	349

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

19 Operating Lease Commitments
The Group has annual commitments under operating leases which expire as follows:

	Group 31 January 2004 £'000	Group 31 January 2003 £'000
Land and buildings		
Leases expiring within one year	**319**	132
Leases expiring between one and five years	**921**	1,099
Leases expiring in more than five years	**1,466**	1,083
	2,706	2,314
Other operating leases		
Leases expiring within one year	**125**	166
Leases expiring between one and five years	**308**	460
	433	626

Notes to the Financial Statements continued

for the year ended 31 January 2004

20 Share Capital

	Group 31 January 2004	Group 31 January 2003	Company 31 January 2004	Company 31 January 2003
Authorised				
75,000,000 (2003: 75,000,000) ordinary shares of 5p each	**3,750**	3,750	**3,750**	3,750
Allotted and fully paid				
59,682,847 ordinary shares of 5p each (2003: 56,023,176)	**2,984**	2,801	**2,984**	2,801

Details of the shares issued in the year are given in the Directors' Report.

21 Reserves

Group	Shares to be issued £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
1 February 2003	–	16,445	10,898	(485)
Shares to be issued	1,648	–	–	–
Premium on shares issued less share issue costs	–	1,578	838	–
Retained loss for the year	–	–	–	(4,867)
Exchange gain	–	–	–	414
31 January 2004	**1,648**	**18,023**	**11,736**	**(4,938)**

Company	Shares to be issued £'000	Share premium account £'000	Capital contribution £'000	Other reserves £'000	Profit and loss account £'000
1 February 2003	–	16,445	20,000	9,156	(8,646)
Shares to be issued	1,648	–	–	–	–
Premium on shares issued less share issue costs	–	1,578	–	838	–
Retained loss for the year	–	–	–	–	2,277
31 January 2004	**1,648**	**18,023**	**20,000**	**9,994**	**(6,369)**

Shares to be issued relates to the value of the deferred consideration shares estimated to be issued under the terms of the sale and purchase agreement for the acquisition of Snowdogs LLC.

22 Reconciliation of Operating Loss to Net Cash Inflow

	2004 £'000	2003 £'000
Group operating loss	**(3,652)**	(6,405)
Depreciation	**1,322**	2,147
Amortisation	**2,123**	1,972
Loss on disposal of fixed assets	**50**	1,109
Decrease in debtors	**611**	9,292
Increase/(decrease) in creditors	**1,436**	(2,394)
Net cash inflow from operating activities	**1,890**	5,721

Notes to the Financial Statements continued

for the year ended 31 January 2004

23 Reconciliation of Net Cash Flow to Movement in Net Debt

	31 January 2004 £'000	31 January 2003 £'000
(Decrease)/increase in cash during the year	**(5,097)**	4,590
Decrease in debt and lease finance	**5,404**	10,657
	307	15,247
Foreign exchange movement	**442**	702
Decrease in debt during the year	**749**	15,949
Net debt at beginning of year	**(5,591)**	(21,540)
Net debt at end of year	**(4,842)**	(5,591)
Net cash	**1,613**	6,512
Borrowings	**(6,455)**	(12,103)
	(4,842)	(5,591)

Analysis of Changes in Net Debt

	1 February 2003 £'000	Cash flow £'000	Foreign exchange movements £'000	**31 January 2004 £'000**
Cash	6,512	(5,097)	198	**1,613**
	6,512	(5,097)	198	**1,613**
Debt due after one year	(11,753)	5,176	244	**(6,333)**
Finance leases	(350)	228	–	**(122)**
	(12,103)	5,404	244	**(6,455)**
Total	**(5,591)**	**307**	**442**	**(4,842)**

24 Directors

Total emoluments of the Directors	**2004 £'000**	2003 £'000
Fees	**106**	106
Basic salaries, allowances and taxable benefits and car allowance	**752**	488
Aggregate emoluments	**858**	594
Pension contributions	**53**	44
Emoluments of Chairman	**46**	46
Emoluments of highest paid Director (including pension contributions)	**347**	255

Company policy on the remuneration of Directors and details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Remuneration Report on pages 16 to 20.

Notes to the Financial Statements continued

for the year ended 31 January 2004

25 Pensions

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

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

The retirement scheme is provided on a defined contribution basis. The contributions in the year were £22,000 (2003: £22,000).

The Group Personal Pension Plan (the 'Plan') is a defined contribution scheme provided by National Provident Institution and Legal and General. The Group's normal policy is to invite employees to join the Plan automatically on completion of three years' qualifying service, although senior employees may be invited to join earlier at the discretion of the Directors. The Group contributes 5% and the employee contributes 3% of the employee's basic earnings (excluding bonuses) to the Plan. There is one member in respect of whom only the Company makes contributions. The Group's total contribution to the Plan for the period to 31 January 2004, was £191,774 (2003: £259,421). Contributions in respect of Director Albert Ellis were £18,000 (2003: £18,000). In addition the Company contributed to a superannuation scheme in Australia nominated by the Director, Ian Basser, the amount relating to the period in which he was a Director was £12,750 (2003: £3,784).

26 Acquisitions

Snowdogs LLC

On 17 October 2003, the Group acquired 100% of Snowdogs LLC, an IT business based in Seattle for an initial consideration of £1.0m ($1.5m), satisfied by the issue of £0.9m ($1.5m) of Harvey Nash shares and £0.1m ($0.1m) in cash. Deferred consideration of up to £1.8m ($3.0m) is payable in shares in 3 instalments over the next 2 years subject to certain profit targets being achieved.

SBS Group Inc

On 26 January 2004, the Group acquired 100% of SBS Group Inc, an IT business based in New York and Connecticut for a cash consideration of £1.5m ($2.7m). Consideration comprised two parts: £0.2m ($0.4m) was paid for the share capital and £1.2m ($2.3m) for the loan account. The consideration was funded by way of a placing of 2.1m new Harvey Nash Group shares. There are no earnout arrangements.

	Snowdogs *Book and* Fair value £'000	*SBS* Book value £'000	*Fair Value* adjustment £'000	*Final* Fair value £'000	*Total* Fair Value £'000
Fixed assets	17	177	(115)	62	79
Debtors	284	1,860	–	1,860	2,144
Cash	91	42	–	42	133
Creditors	(11)	(2,502)	–	(2,502)	(2,513)
	381	(423)	(115)	(538)	(157)
Value of consideration and capitalised costs					
Cash	160			354	514
Shares	1,047			–	1,047
Deferred consideration	1,787			–	1,787
	2,994			354	3,348
Goodwill	2,613			892	3,505

Fair value adjustment represents the write down of purchased goodwill and fixed assets of £82,000 and £33,000 respectively.

The period of amortisation for both acquisitions is 20 years.

Notes to the Financial Statements continued

for the year ended 31 January 2004

26 Acquisitions continued

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

	Snowdogs 1 January 2003 to 17 October 2003 £	SBS 1 September 2003 to 26 January 2004 £
Turnover	2,404	3,995
Operating profit	255	(91)
Profit/(loss) before taxation	255	(91)
Taxation	–	1
Profit/(loss) after taxation	255	(90)
Prior year result		
Profit/(loss) after taxation	288	(1,536)

27 Financial Instruments

Treasury management

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

Financing

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

Objectives, policies and strategies

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

Interest rate risk management

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

Currency risk management

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

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

Currency and interest rate composition of financial assets and liabilities.

Notes to the Financial Statements continued

for the year ended 31 January 2004

27 Financial Instruments continued

Financial assets

As at 31 January 2004	Floating rate £'000	Non interest bearing £'000	**Total £'000**
Sterling	315		**315**
Euros	–	1,199	**1,199**
Swiss Franc	–	2,620	**2,620**
US Dollar	–	621	**621**
Australian Dollar	–	13	**13**
Hong Kong Dollar	–	57	**57**
	315	4,510	**4,825**

As at 31 January 2003	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	479	–	479
Euros	–	3,073	3,073
Swiss Franc	–	4,045	4,045
US Dollar	–	112	112
Australian Dollar	–	19	19
Hong Kong Dollar	–	42	42
	479	7,291	7,770

Financial liabilities

As at 31 January 2004	Floating rate £'000	Non interest bearing £'000	**Total £'000**
Sterling	1,258	–	**1,258**
Euros	951	–	**951**
Swiss Franc	275	–	**275**
US Dollar	7,065	–	**7,065**
	9,549	–	**9,549**

As at 31 January 2003	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	3,952	–	3,952
Euros	2,900	–	2,900
US Dollar	5,040	–	5,040
Australian Dollar	535	–	535
Hong Kong Dollar	584	–	584
	13,011	–	13,011

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

Notes to the Financial Statements continued
for the year ended 31 January 2004

27 Financial Instruments continued
Maturities of financial liabilities
Total borrowings are repayable as follows:

	2004 £'000	2003 £'000
Within one year	**3,216**	1,258
Due within two and five years	**6,333**	11,753
	9,549	13,011

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

	2004 £'000	2003 £'000
Within one year	–	2,000
Between two and five years	**600**	2,580
	600	4,580

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

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

Functional currency of Group company	Net foreign currency monetary assets/(liabilities)					
	US Dollar £'000	Euro £'000	Swiss Franc £'000	Australian Dollar £'000	Hong Kong Dollar £'000	Total £'000
Sterling						
Cash	(689)	715	(275)	–	–	(249)
Trading and intercompany	100	(594)	532	47	148	233
Loans – intercompany	6,103	(939)	–	806	814	6,784
Loans – Bank	(6,333)	–	–	–	–	(6,333)
	(819)	(818)	257	853	962	435

28 Related party transactions
As a result of the Snowdogs LLC acquisition referred to in note 26, certain senior employees are entitled to receive deferred consideration payable in shares in Harvey Nash Group plc as a result of their prior year equity interest in Snowdogs. See note 26 for further details.