

# A PLATFORM FOR GROWTH

Harvey Nash Group plc  
Annual Report & Accounts  
**2018**



**HARVEY  
NASH**

The Power of Talent

Harvey Nash is a complete recruitment solution for the technology and digital sector. Our full service offering links talented individuals with companies in the fast-growing technology sector.

## Our brands

 Read more on page 4



Talent 

Alumni



crimson®

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# FY2018 Performance

## Gross profit

**£100.1m**



## Dividend per share

**4.3p**



## Operational highlights

- Transformation programme on track with expected annualised savings of £2.0m
- Listing successfully moved to AIM to support growth strategy
- Two acquisitions successfully integrated and already delivering synergies
- Robust growth and market share gains in the UK and Ireland
- Strong organic growth reported in Benelux and Nordics with benefits seen from actions taken in Central Europe

## Core\* EPS

**11.4p**



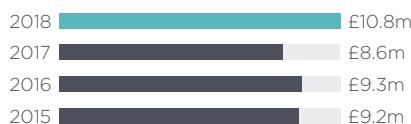
## Statutory EPS

**4.8p**



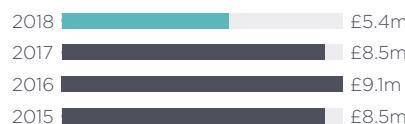
## Core\* profit before tax

**£10.8m**



## Statutory profit before tax

**£5.4m**



\* Core results exclude non-recurring items and the impact of offices closed during the current financial year. The impact of these closed offices is described as 'non-core'. There were no office closures in the year ended 31 January 2017. For further details see note 9 to the consolidated financial statements.

Note: Alternative Performance Measures

The Group uses Alternative Performance Measures ('APMs') as key performance indicators to assess underlying performance. All references to non-recurring items, core operations, or net debt throughout this report meet the definition of an APM. Descriptions of these APMs and a reconciliation to their equivalent statutory measures are provided in note 9 to the consolidated financial statements.

# At a Glance

We are here to make a difference:  
Providing and developing talent  
and leadership for our clients,  
benefiting the society in which  
we live and work.

## KEY FACTS

**80%**

Placements in tech roles or  
tech companies

**15**

Countries across North  
America, Europe and Asia

**9,400**

Contractors currently  
on assignment

**8**

Key brands

## OUR PORTFOLIO OF SERVICES

### Leadership Services

We help our clients build modern, diverse boards and leadership teams through our executive recruitment and assessment services.

#### Executive search

Placing senior leaders into board and executive management roles

#### Interim management

Providing executives on short-term assignments

#### Leadership consulting

Board and leadership assessment and development services

### Technology Recruitment

We place specialist technology and digital professionals on a temporary, permanent or fixed-term basis.

#### Permanent recruitment

Placing digital and technology experts on a permanent basis

#### Contract recruitment

Placing highly skilled technology experts on a shorter-term basis

#### Recruitment solutions

Running large-scale recruitment activities on behalf of clients

### IT Outsourcing

We provide business process outsourcing, application development, third party software maintenance and outsourced software services to clients across the world.

## OUR 30-YEAR STORY

**Founded**  
as an IT  
recruiter  
focusing on  
leadership  
positions and  
specialist  
contracting



1988

**Entered**  
Europe with  
offices in  
Germany and  
Switzerland



1991

**Listed**  
on the  
London Stock  
Exchange



1997

**Expanded**  
into Belgium  
and  
Netherlands



1998

## OUR LOCATIONS

**£19.2m**

### Rest of World

New Jersey	Hanoi
California	Ho Chi Minh City
Illinois	Sydney
New York	Tokyo
Washington	Singapore

**£39.7m**

### UK & Ireland

London	Bristol
Birmingham	Edinburgh
Leeds	Glasgow
Manchester	Dublin
Newcastle	

**£41.2m**

### Mainland Europe

Antwerp	Warsaw
Brussels	Stockholm
Ghent	Gothenburg
Utrecht	Malmö
Groningen	Lund
Düsseldorf	Oslo
Stuttgart	Helsinki
Munich	Copenhagen
Zürich	



**Entered**  
the US  
market, and  
launched  
outsourcing  
business in  
Hanoi,  
Vietnam

**Acquired**  
an Irish  
recruitment  
business and  
Alumni, the  
leading  
executive  
search  
business in  
Sweden

**Entered**  
the Polish  
market.  
Launched  
Inspire - a  
global network  
of senior  
businesswomen

**Alumni**  
enters  
Norwegian  
and Finnish  
markets

**Opened**  
an office in  
Australia and  
acquired  
Talent-IT in  
Belgium

**Opened**  
an office in  
Tokyo  
delivering  
outsourcing  
solutions

**Re-listed**  
on AIM.  
Acquired PAT  
Management in  
Sweden and  
Crimson in UK

2000

2007

2008

2010

2012

2013

2017

# Business Model

We are a leading provider of talent for the digital economy.

We place specialist technology and digital professionals on temporary, permanent or fixed-term flexible contracts for our clients.

We provide business process outsourcing, application development, third party software maintenance and outsourced software services to clients across the world.

We help our clients build modern, diverse boards and leadership teams through our executive search and assessment services.

## OUR VALUE DRIVERS

### People

We are able to attract the very best talent through our strong brand and entrepreneurial culture.

### Technology sector

We primarily focus on the technology sector where investment is growing, new skills are constantly required and a global skills shortage is emerging.

### Financial position

Our size and financial strength attracts clients keen to partner with a stable and secure organisation. Our strong balance sheet allows us to invest in growth, both organically and through acquisitions.

### Services

Our broad mix of services covers the full business cycle. Our portfolio offers a 'one stop shop' for technology talent, from sourcing technology and digital professionals to software development and business process outsourcing to executive recruitment and leadership services.

## OUR BRANDS



The Power of Talent

Our Group brand, and our core brand for the technology recruitment market.



Our leadership services brand in the Nordics, providing executive search and leadership services.



technology talent

Our specialist brand in the UK focused on recruiting cutting-edge technology skills.



The Power to Innovate

Our software development and IT outsourcing brand, with offshoring centres in Vietnam.



harvey nash group

Our interim management brand places senior executives on short-term placements.



Our Belgian brand focused on technology skills and provision of on-client assignments.



Our recently acquired Swedish business with a focus on leadership assessment and board evaluation.



Our recently acquired UK business, focused on IT solutions and technology recruitment.

## ► OUR COMPETITIVE ADVANTAGE

### Client-centric solutions

Our portfolio of services enables us to solve our clients' problems in unique ways, from recruitment of senior leaders to managing entire technology teams on and offshore.

### Innovation

We have evolved alongside the markets in which our clients operate. We provide a platform for our clients' talent needs, offering a range of services and solutions beyond the traditional recruitment model.

### Expertise

We are technology experts. For over 30 years we have provided solutions to our clients' challenges in resourcing specialist technology skills. Clients and candidates alike are drawn to our experience.

### Reputation

We are a recognised leader in the markets in which we operate. Our global thought leadership and research, such as our CIO Survey and Board Report, underpins our strategy for building valued relationships based on insights and knowledge.

## ► VALUE CREATION

### Shareholders

The Group has a strong record of increasing dividends, which have doubled over the last 10 years whilst maintaining good cover. Our transformation programme continues to drive cost savings and top-line growth.

### Clients

Our deep technology expertise and our highly developed portfolio of services means we can address the changing needs of our clients.

### Employees

Our growth and breadth of service offering has enabled our employees to build highly successful careers with us.

### Community

From providing careers advice at schools to supporting local charities, Harvey Nash recognises its important role in our local communities and wider society.

# Our Strategic Objectives

## Initiatives

### 1. Focus on Technology

Leverage the Group's strengths in technology and digital staffing to win further market share.

 Read more on page **12**

### 2. Strengthen portfolio

Strengthen each business through diversification, increasing critical mass and anticipating cyclical.

 Read more on pages **14** to **17**

### 3. Acquisitions

Acquire earnings-enhancing businesses in core markets which reinforce market leadership and deliver synergies.

 Read more on page **11**

### 4. Sustainable returns

Maintain a strong balance sheet and progressive cash returns to shareholders.

 Read more on page **9**

### 5. Talent and development

Attract and retain the very best talent, fundamental to the achievement of long-term sustainable growth.

 Read more on page **24**

## FY2018 progress

During the year the Group continued its focus on technology and digital markets, winning new contracts and increasing revenue in our Technology Recruitment businesses in the UK and Benelux, our Executive Search business in the USA and our Outsourcing business in Vietnam.

Driving growth in annuity revenues has led to a change in mix in favour of Contracting, Recruitment Solutions and Outsourcing.

Two acquisitions were completed, PAT in Sweden and Crimson in the UK, both increasing our market leadership and delivering immediate cost and revenue synergies.

Strong trading cash flow, tight control of working capital and a 5% increase in dividend on the prior year.

Growing headcount in the UK and Europe, attracting the best talent.

## FY2019 priorities

To further develop this into our UK Recruitment Solutions business and our Project and Software Development Services across Europe.

Continued focus on annuity revenues, particularly in the Rest of World geographic segment.

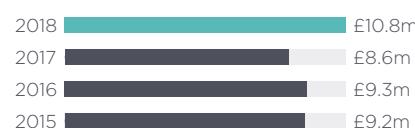
To continue to seek out acquisition opportunities to improve our market position in our core geographic markets.

Deliver increased cash returns from FY2018 acquisitions and the transformation programme.

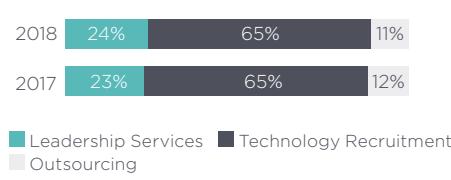
Development of our corporate purpose and continued investment in our employees across the Group.

## KPIs

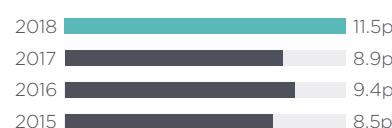
### Core\* profit before tax



### Gross profit mix



### Core\* EPS



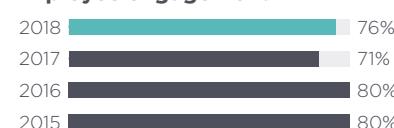
### Total shareholder return\*

**+50.6%**

### Dividend per share



### Employee engagement



## Risk

### Digital disruption

### Loss of key clients

### Political and economic environment

### Foreign exchange

### Margin pressure

### Regulatory environment

### Brand damage

### Data governance



# Chief Executive's Review

I am delighted to report excellent results showing strong organic growth and an encouraging contribution from the two acquisitions made during the year. It is particularly pleasing that these results are ahead of expectations, which were raised four times over the course of the year.

**Albert Ellis**  
**Chief Executive Officer**

## Transformation programme

During the year, management implemented a transformation programme, taking action in the following key areas:

- to focus on our key strength in the technology and digital transformation markets;
- to invest in our market-leading businesses in the UK, Europe and Vietnam;
- to streamline operations by closing underperforming offices, reviewing overheads and driving efficiencies; and
- to re-list on AIM, an environment more appropriate to the Group's acquisition strategy.

The early results of this transformation are very positive, with accelerated profit growth in the second half. This can be clearly seen in the proportion of Group operating profit in the second half of the year, which represented 60.7% of the total. The success of the transformation is also

reflected in the conversion ratio (operating profit as a proportion of gross profit) improving, on a core basis, to 12.6% for the second half of the year. Full-year conversion was 10.7% on a statutory basis (2017: 9.5%).

## Financial performance

The year saw record revenue of £889.3m, up 13.4%, and gross profit of £100.1m, up by 2.2%. Core profit before tax and non-recurring items increased by 24.4% to £10.8m (2017: £8.6m). On a total basis, taking account of the impact of closed offices, profit before tax and non-recurring items was £10.1m. Removing these closed offices reduced the Group's core revenue and gross profit but lifted core operating profit.

Results from the UK & Ireland were excellent, with gross profit increasing by 7.2% and operating profit before non-recurring items and Group costs up 7.6%. The strategy to increase market share by growing the scale of the business through prudent headcount increases, an acquisition and broad geographic coverage, has resulted in a strong set of results.

With the UK market materially affected by the uncertainty surrounding Brexit, the business focused on buoyant demand for technology skills in areas such as the financial services sector, where a combination of compliance challenges and Brexit preparations are creating demand for technology skills and offices outside of London where demand was stronger.

Changes to the tax treatment of freelancers working in the Public Sector (IR35 legislation) resulted in some disruption in the first half of the year, but demand and profits rebounded in the second half. While Executive Search reflected the cautious stance adopted by business with gross profit down by 10.5%, permanent placements in IT recruitment were up 13.8%. Multiple

contract wins in the Recruitment Solutions division during the year lifted organic growth and the total number of contractors at the year end was up 23.0% on the prior year. Gross profit for outsourced IT solutions and software development increased by 10.4%.

In Europe, our market-leading businesses in Belgium, Netherlands, Sweden and Finland delivered strong organic growth. Contractor growth of 20% increased gross profit in Benelux by 16.9%. Growth in Executive Search, including the acquisition of PAT in Sweden, increased gross profit in the Nordics by 5.3%.

Actions were taken to restructure businesses in Norway, Switzerland and Germany, by reducing headcount and property costs. Whilst this was reflected in the 15.8% decline in Central Europe gross profit, operating profit for the second half of the year was £0.4m, more than double that of the first half.

In the Rest of World, an operating profit of £0.9m was achieved compared to £0.2m in the prior year, thanks to record results in US Executive Search and strong profit growth in Vietnam. A key part of the transformation programme included a number of office closures, particularly in Asia. Excluding the results of these locations, core operating profit in the Rest of World was £1.4m.

#### **Dividend**

The Board is recommending a 5.0% increase in the final dividend to 2.652 pence per share (2017: 2.525p) in line with the Group's progressive and sustainable dividend policy. This gives a total dividend for the year of 4.30 pence per share (2017: 4.09p). Subject to approval at the Annual General Meeting on 28 June 2018, the final dividend will be paid on 6 July 2018 to shareholders on the register on 15 June 2018.

#### **Technology**

The Group generates approximately 80% of its gross profit in the technology and digital markets.

The Group's own 2017 global survey of IT leaders identified that four out of ten companies are increasing their investment in digital strategies and two-thirds of CIOs are experiencing skills shortages, driving up demand. Latest research suggests that many jobs in administration, production, retail, logistics and sales will be replaced in the future by robotics or intelligent software automation.

Our global reach of Technology Recruitment and Outsourcing specialisation makes Harvey Nash unique. We are well placed to benefit from the increasing investment in digital and the automation, artificial intelligence and big data analytics trends identified in recent studies.

#### **Strategy**

We have a clear strategic vision. We aim to continue to be one of the market-leading Technology Recruitment, Executive Search and Outsourcing Brands in the UK, Northern Europe and Vietnam, with support from challenger brands in Australia and the USA. Investment is primarily focused in locations where we have scale, a well-recognised brand and opportunities for growth.

We offer a one-stop-shop approach to technology and digital recruitment. Our unique portfolio of services leverages the needs of our clients, from the very top of an organisation down to the operational level, from CIO to developer and offshore project manager. This model is resilient, supporting the Group throughout the business cycle.

Our growth model is founded on two core activities: acquisitions and organic growth.

In July 2017, the Group moved its stock market quotation from the Main Market of the London Stock Exchange to AIM. The purpose of this was to facilitate future acquisitions to complement organic growth in our existing businesses. Critically, owners of businesses which would fit with the Group have been attracted to our strategic platform and management culture. We have been successful over the years in attracting, integrating and retaining entrepreneurs to continue working within the Group long after their earn out is finished.

Attracting the very best employees is critical to driving growth. We invest in our people, fostering an inclusive and collegiate culture. We were the first recruitment business to be awarded the Ernst & Young National Equalities Standard, the accepted standard for inclusiveness in business across the UK and, increasingly, the world. Another attraction for our employees is our corporate purpose.

#### **Board changes**

Mark Garratt joined the Board in April 2017. In the course of the year, he has assumed additional responsibilities to those for which he was recruited, particularly to include much of the Group's IT infrastructure, including cyber security. The Board has decided formally to broaden the scope of Mark's responsibilities, effective 1 May 2018, and to change his title to Chief Financial Officer.

#### **Outlook and current trading**

We are encouraged by the strong trading momentum in the second half of the year to January 2018, which has continued into the current year. As a result, the Board is confident the Group will continue to make further progress in the year ahead and deliver value to shareholders.

**Albert Ellis**  
**Chief Executive Officer**

# Transformation Programme

## Focusing on the core

Since FY2016, the Group has undertaken a major transformation programme, beginning with Phase I, the disposal of non-core subsidiaries in Germany and the exit from markets unrelated to the technology sector. The management team identified loss-making offices and developed a turnaround plan for marginal locations. At that time the Group's acquisition strategy was paused while focusing on the execution of the first phase of the plan. This enhanced management focus protected the balance sheet but had the unavoidable effect of holding back growth.

The decision was made to focus the Group's resources on its market-leading brands and in the niche technology and digital sector where there was considerable expertise and a strong track record.

The first phase entailed making bold decisions, and building the foundations for the following delivery phase. During this phase, management undertook an extensive review of the Group's operational cost base, including central overheads and management costs.

## Streamlining the business, improving margins

Phase II of the transformation programme closed offices which did not have critical mass, or represented a service line which on its own was not considered sustainable. The Executive Search businesses in Hong Kong, Japan and Singapore were closed. Offices in Norway and Germany were downsized to reduce fixed overheads. In the USA, the loss-making Denver office was closed, with the Mid-West covered from the Group's base in Chicago. In the UK and central Group functions, overheads were reduced. Where appropriate, management cost was also reduced in line with the reduction in operational scale.

## Focus on Technology

The Group's main brand in the UK and Northern Europe is identified in the technology and digital sector, with 80% of the Group's executive and professional recruitment and IT outsourcing services in this attractive niche market sector. Having disposed of non-core assets and closed loss-making or unsustainable offices, the Group is now focused on the growing technology recruitment market, including the IT outsourcing market where acute skills shortages and clients' digital transformation programmes are driving demand for people both onshore and in-country, but also augmented with headcount strategically sourced in countries like Vietnam.





### Acquisitions and move to AIM

On 28 July 2017, the Group's shares were admitted to AIM and its listing on the London Stock Exchange's Main Market was cancelled. The move provides an environment more appropriate to the Group's scale and acquisition strategy. With the transformation programme well underway and the Group's profit estimates for the year upgraded, it was time to kick-start inorganic growth alongside the organic growth generated during the year. The Group followed the move to AIM with two acquisition announcements.

Opportunities for efficiencies are being identified where investment in technology can reduce the cost of delivery and longer-term financial planning is underway to remove tax and structural inefficiencies in a geographically diverse Group. This process is anticipated to be completed in the first half of the financial year to January 2019, with benefits to earnings per share expected to be realised both in FY2018 and FY2019.

## TRANSFORMATION PROGRAMME

### FOCUS

Technology market  
Acquisitions  
Organic growth

### EXECUTION

Closing unsustainable offices  
Reducing central overheads and management

2018-2022

### STREAMLINE

Disposal of non-core subsidiaries  
Identify loss-making offices

2018

2014-2017

## Focus on Technology

**Increasing demand for technology as machine learning and automation drives new areas of growth.**

Investment in technology is continuing to grow, with one forecast putting the total worldwide dollar-valued IT spending growth in 2018 at 4.5%.

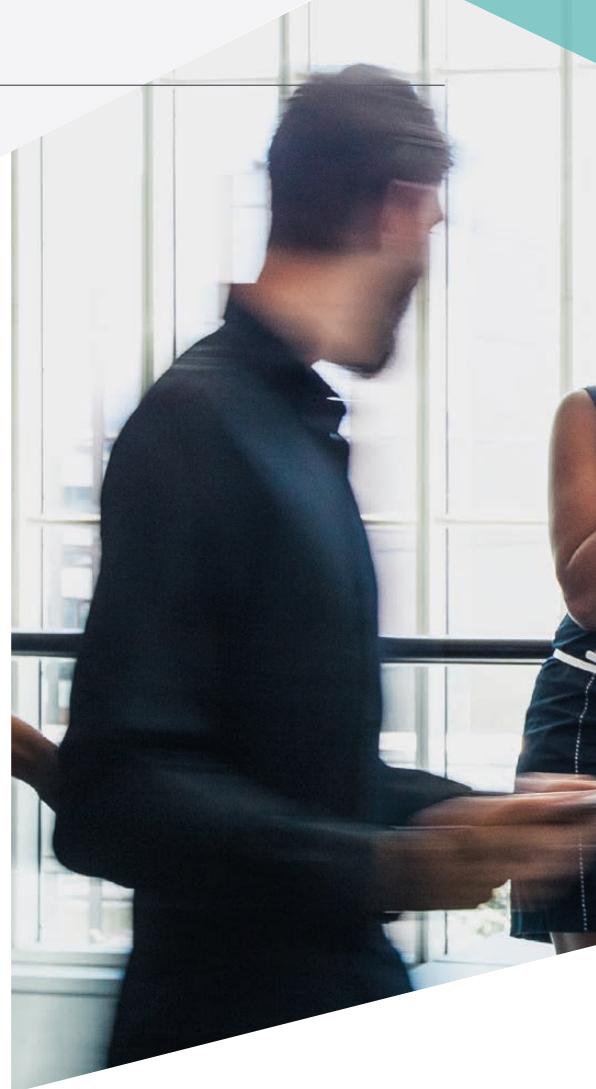
Worldwide spending on information and communications technology ('ICT') will be nearly \$4.0trn in 2018, according to new data from the International Data Corporation ('IDC'). The explosive growth of smartphones in recent years means that consumer spending will account for the largest proportion of that total, but growth will be driven by enterprise spending on cloud, software and infrastructure related to third party solutions.

Banking, manufacturing, telecommunications and professional services will be the four largest industries for ICT spending in 2018 at more than \$900bn combined, with banking investing the most in IT outsourcing and project-oriented outsourcing. The United States is the largest market, forecast to grow at a CAGR of 3.6%, whilst China, Japan, the UK and Germany will round out the top five countries for ICT spending in 2018. The Group is represented in three of those countries, with well-recognised brands in the UK and Germany.

### **Automation, machine learning and artificial intelligence**

Automation, artificial intelligence and machine learning are progressing at a faster pace within the broader project and outsourcing growth albeit from a low base. In the next 12 months Deloitte predicts that machine learning will become more commonly employed in enterprises, but will remain far from ubiquitous. These technologies are being deployed to make existing technology work better and ultimately to succeed some aspects of human labour with software and robotics.

A recent study published by the Oxford Martin Programme on Technology and Employment at Oxford University estimated that 47% of jobs in the US are at risk of being automated in the next 20 years. Industries such as transportation, logistics and administrative support are at highest risk, whereas management, finance, IT and science face a much lower risk. The technology and digital sector, our key market, will benefit from increased computerisation.





### **Harvey Nash Group and technology**

The Group's exposure to technology and digital demand is circa 80% of its net fee income. This has been measured as delivering:

- executive and interim assignments into the technology, media, digital and telecomms sector;
- technology candidates within the IT division of any organisation, from CIO through to help desk;
- IT outsourcing and projects from Vietnam; and
- other roles required as part of digital or change programmes.

The Harvey Nash Group is one of the few technology recruitment and outsourcing businesses to have such a high proportion of revenues derived from the sector and is well placed to benefit from the increasing investment in digital and automation trends identified in recent studies.

The Group's own survey of IT leaders from around the world identified four out of ten companies are increasing their investment in digital strategies and two-thirds of CIOs are experiencing skills shortages.

### **Growing investment in technology**



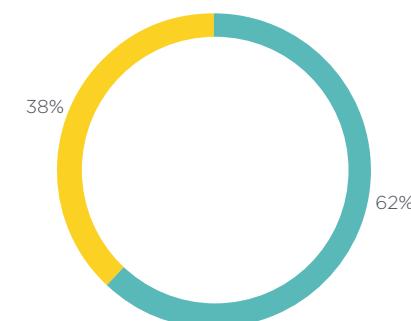
Gartner IT Spending Outlook April 2018

### **Organisations making major investments in digital strategies**



Harvey Nash/KPMG CIO Survey 2017

### **Two-thirds of CIOs experiencing skills shortage**



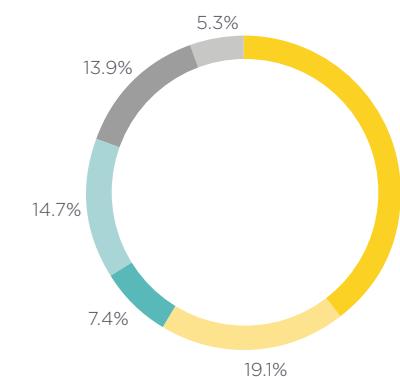
Harvey Nash/KPMG CIO Survey 2017



# Group Finance Director's Review

**Mark Garratt**  
**Group Finance Director**

## Statutory gross profit



UK & Ireland	£39.7m
Benelux	£19.1m
Central Europe	£7.4m
Nordics	£14.7m
USA	£13.9m
Asia Pacific	£5.3m

**£100.1m**

2018	£100.1m
2017	£97.9m
2016	£90.3m
2015	£84.9m
2014	£83.3m

## Overview

I am delighted that in my first year as Group Finance Director the Group has performed so strongly whilst going through significant changes, including acquisitions and the transformation programme.

Revenue increased by 13.4% to £889.3m (2017: £784.3m) and gross profit increased by 2.2% to £100.1m (2017: £97.9m). On a constant currency basis, revenue grew by 9.2% while gross profit decreased by 0.6%.

Closing fee earner headcount increased by 1.0% on the previous year to 619. Investment in the UK and Benelux and acquisitions was offset by reductions in Germany and the USA. Acquisitions accounted for 25 additional fee earners in the UK and Sweden.

The net finance charge of £0.7m was unchanged on the prior year as average net borrowings remained similar. The cost of acquisitions and the transformation programme were offset by strong trading cash-flows.

Profit before tax and non-recurring items and closed offices increased by 24.4% to £10.8m (2017: £8.6m) whereas the statutory profit after tax fell by 41.6% to £3.5m (2017: £6.0m) once account is taken of the transformation programme and other non-recurring items.

The Group had a net borrowings position at 31 January 2018 of £6.8m (2017: net cash of £5.6m) which relates to the working capital required to fund higher levels of trading, and has no long-term debt. The Group is managed by geography in the main and, in the cases of the UK & Ireland and Benelux, the overall results are very similar to core performance, whereas Nordics, Central Europe and the Rest of World were impacted more by the transformation programme.

**UK & Ireland**

	2018 Core £m	2018 Total £m	2017 Restated* £m	Variance	
				Core %	Total %
Gross profit	<b>39.4</b>	<b>39.7</b>	37.0	6.5%	7.2%
Operating profit	<b>6.8</b>	<b>6.7</b>	6.2	9.0%	7.6%
Group and central service costs	-	<b>(5.7)</b>	(4.8)	-	18.1%
<b>Total operating profit</b>	<b>-</b>	<b>1.0</b>	1.4	-	(28.2%)

\* In the current year, Group and central service costs are presented separately to show underlying trading performance in each segment. The 2017 results have been restated on the same basis.

The UK and Irish businesses performed well, growing revenue and gross profit while the market declined.

The UK & Ireland represented 39.6% of the Group's gross profit in 2018 (2017: 37.8%). The business employs 280 fee earners in ten offices and is recognised as a leading market specialist in executive and specialist technology talent provision. On a core basis, the UK & Ireland represented 40.1% (2017: 38.7%). Executive Search and interim revenue accounted for 10% of gross profit, Technology Recruitment 75% and Outsourcing 15% (2017: 12%, 74% and 14% respectively).

Gross profit of £39.7m was up 7.2% year-on-year, up 6.6% on a constant currency basis. Core operating profit was £6.8m, up 9.0% on the prior year (8.2% on a constant currency basis). Taking account of the closed office in Cork, total operating profit grew 7.6% to £6.7m.

Demand was more robust for IT recruitment outside London, with Scotland, Ireland, the Midlands and Northern England reporting strong growth. Total gross profit from the UK businesses outside London grew by 18.2%, albeit £1.7m related to the Crimson acquisition. London was mixed with strong growth, with financial services clients held back by reduced demand for executive and interim roles.

Group and central service costs include the Group marketing, IT and finance functions as well as listing and Board costs. The Group transformation yielded cost savings of £0.3m in the second half of the year, offset by £1.1m of variable pay accrued on the improved results (2017: £nil).

**Europe**

	2018 Core £m	2018 Total £m	2017 Restated* £m	Variance	
				Core %	Total %
Benelux	<b>19.1</b>	<b>19.1</b>	16.3	16.9%	16.9%
Central Europe	<b>7.2</b>	<b>7.4</b>	8.8	(17.9%)	(15.8%)
Nordics	<b>14.7</b>	<b>14.7</b>	14.0	5.3%	5.3%
<b>Gross profit</b>	<b>41.0</b>	<b>41.2</b>	39.1	4.9%	5.4%
Benelux	<b>7.2</b>	<b>7.2</b>	6.0	20.7%	20.7%
Central Europe	<b>0.6</b>	<b>0.5</b>	0.9	(33.4%)	(42.0%)
Nordics	<b>1.2</b>	<b>1.2</b>	0.8	47.2%	47.2%
<b>Operating profit</b>	<b>9.0</b>	<b>8.9</b>	7.7	16.8%	15.7%

\* In the current year, central costs have been separated out to show underlying trading performance in each segment. The 2017 results have been restated on the same basis.

**Mainland Europe**

Mainland Europe accounts for 41.2% of the Group's total gross profit (2017: 39.9%). The Group employs 230 fee earners in 17 offices in nine countries and benefits from leading market positions.

Revenue in Mainland Europe increased by 14.0% to £529.3m (2017: £464.4m) and gross profit increased by 5.4% to £41.2m (2017: £39.1m). On a constant currency basis, growth was 7.8% and 0.3% respectively. Operating profit increased by 15.7% to £8.9m (2017: £7.7m), up 9.8% on a constant currency basis. Across the region, Technology Recruitment placements accounted for 64.2% of gross profit and Leadership Services placements accounted for 35.8%.

**Benelux**

Results from the Netherlands and Belgium were excellent, with gross profit increasing by 16.9% to £19.1m (10.5% on a constant currency basis). Operating profit increased to £7.2m (2017: £6.0m) up 20.7% (14.1% on a constant currency basis). This was supported by investment in fee earner headcount, which rose from 82 to 88 over the year.

The Netherlands performed very well year-on-year, growing gross profit by 16.7% (10.3% on a constant currency basis) and operating profit by 15.4% (up 9.3% on a constant currency basis) driven by growing contractor numbers. In addition, an accounting estimate for aged accrued liabilities in the Netherlands was re-assessed following a detailed review, resulting in a non-recurring credit to the income statement. In Belgium, the Group continued to make very good progress, with gross profit increasing by 17.0% (10.5% on a constant currency basis) with both the Harvey Nash and Talent IT brands showing double-digit growth in both gross profit and operating profit.

# Group Finance Director's Review

## Rest of World

	2018 Core £m	2018 Total £m	2017 Restated* £m	Variance	
				Core %	Total %
USA	<b>13.8</b>	<b>13.9</b>	16.6	(16.7%)	(16.4%)
Asia Pacific	<b>3.8</b>	<b>5.3</b>	5.2	(26.9%)	2.7%
<b>Gross profit</b>	<b>17.6</b>	<b>19.2</b>	21.8	(19.1%)	(11.9%)
USA	<b>0.4</b>	<b>0.1</b>	0.7	(51.1%)	(80.8%)
Asia Pacific	<b>1.0</b>	<b>0.7</b>	(0.5)	(295.4%)	(239.5%)
<b>Operating profit</b>	<b>1.4</b>	<b>0.8</b>	0.2	487.0%	268.9%

\* In the current year, central costs have been separated out to show underlying trading performance in each segment. The 2017 results have been restated on the same basis.

## Nordics

The Nordics region, comprising Sweden, Norway, Finland and Denmark, also reported encouraging growth. Revenue and gross profit increased by 4.5% and 5.3% respectively (0.2% and 1.1% on a constant currency basis). Operating profit grew by 47.2% to £1.2m (41.6% at constant currency) mainly as a result of transformation actions taken during the year to reduce the cost base in Oslo and Copenhagen. Sweden accounts for 84.7% of gross profit, reported strong financial results, supported by the acquisition of PAT in July 2017. Operating profit grew by 65.7% (62.0% constant currency) and 26.0% excluding the impact of PAT. Norway gross profit was 11.5% lower (16.1% constant currency). Over the year, the management team was strengthened, the office was relocated and performance is improving. Record gross profit was achieved in Finland with an increase of 35.4% (28.8% constant currency) due to growth in Executive Search and Board Services. This resulted in an operating profit compared to a small loss in the prior year.

## Central Europe

The Group's Central Europe region comprises Germany, Switzerland and Poland. Both our German and Swiss operations have been through a period of restructure and transformation, including reductions in management, fee earners and

property overheads. As a result of this restructure, fee earners were reduced by 28% in Germany and 29% in Switzerland. As a result, overall revenue fell in this region by 13.6% (17.9% on a constant currency basis), while gross profit fell by 15.8% (20.0% on a constant currency basis) to £7.4m. Although operating profit fell for the year by 42.0% (43.7% on a constant currency basis) the second half reflected the progress made from the actions taken. In Germany, gross profit was 12.8% lower (17.6% on a constant currency basis). In Switzerland, gross profit was 26.1% lower (28.4% on a constant currency basis). Poland saw strong growth, with gross profit increasing by 23.6% (14.0% on a constant currency basis). The in-country Technology Recruitment business has achieved strong growth and provides nearshore recruiting support for other European IT recruitment businesses.

## Rest of World

Results from the rest of the world were mixed, with strong performances from the remaining offices in Asia Pacific following the effects of the transformation programme.

## USA

The USA represented 13.9% of the Group's gross profit in 2018 (2017: 17.0%). The USA is the largest market for technology recruitment in the world, and though fragmented, it

offers strong growth potential. The Group has five offices in the USA, with 65 fee earners and 45 offshore recruiters based in Vietnam supporting well-known multinational clients. During the year the loss-making office in Denver was closed. The US Technology Recruitment business has faced acute skills shortages, particularly on the West Coast, which reduced conversion rates from vacancies into placements, reducing contractor numbers and the level of permanent placements compared to the prior year. Gross profit declined by 16.4% to £13.9m, (down 18.9% on a constant currency basis). In the current year, 24% of gross profit related to Executive Search, with 54% Technology Recruitment and 22% Outsourcing (2017: 17%, 59% and 24% respectively). Excluding the impact of the Denver office closure, core operating profit fell to £0.4m, down 51.1% (59.6% constant currency). On a total basis, operating profit was £0.1m (2017: £0.7m).

## Asia Pacific

Management have taken a number of actions in Asia to improve performance in FY2019, including the closure of the Hong Kong office and the Executive Search businesses in Japan and Singapore. The focus in the region is on IT outsourcing from Vietnam and the Australian recruitment and offshore business. Led by a strong performance from Vietnam, Asia Pacific gross profit increased by 2.7% to £5.3m (2017: £5.2m), with an operating profit of £0.7m compared to a loss of £0.5m in the prior year. On a core basis, stripping out these closed offices, operating profit increased to £1.0m (2017: loss of £0.5m).

### Service line

Operating profit in all service lines grew, with IT Solutions and Outsourcing showing the strongest growth in gross profit, with operating profit improved in the UK, and Asia offset weaker lower results from the USA. On a total basis, growth was similar in both the Technology Recruitment and Outsourcing service lines. Executive Search's growth was strong in the USA, stable in the UK and Europe and reduced in Asia due to headcount reductions in offices subject to closure. Excluding the impact of closed offices, Group operating profit before non-recurring items increased by 22.6% to £11.4m (2017: £9.3m). On a statutory basis, Group operating profit before non-recurring items was £10.8m, an increase of 15.4% (9.9% on a constant currency basis). Central costs are discussed above in the UK & Ireland segment.

### Taxation

The overall effective rate of tax is a function of the mix of profits between the various countries in which the Group operates, with higher rates in the USA, Belgium and Germany, offset by lower rates elsewhere.

The tax charge for core operations for the year before non-recurring items was £2.4m (2017: £2.2m) giving an effective rate of tax on core operations of 22.6% (2017: 25.5%). The full charge for the year was £1.9m (2017: £2.2m) yielding an effective rate of tax of 34.9% (2017: 25.9%); this is higher due to the impact of office closures and the accrual release in the Netherlands which have a higher tax rate than the Group average.

The deferred tax asset of £3.8m (2017: £2.8m) relates primarily to accrued Group interest charges payable by the USA business and tax losses.

### Service line

	2018 Core £m	2018 Total £m	2017 Restated* £m	Variance	
				Core %	Total %
Executive Search	<b>21.9</b>	<b>23.5</b>	23.7	(7.4%)	(1.0%)
Technology Recruitment	<b>64.1</b>	<b>64.5</b>	63.1	1.5%	2.3%
Outsourcing	<b>12.1</b>	<b>12.1</b>	11.1	8.8%	8.8%
<b>Total gross profit</b>	<b>98.1</b>	<b>100.1</b>	97.9	0.2%	2.2%
Executive Search	<b>2.3</b>	<b>2.0</b>	0.8	177.0%	143.0%
Technology Recruitment	<b>12.9</b>	<b>12.5</b>	11.4	12.7%	9.3%
Outsourcing	<b>1.9</b>	<b>1.9</b>	1.9	2.3%	2.3%
<b>Total operating profit</b>	<b>17.1</b>	<b>16.4</b>	14.1	21.1%	16.3%
Central costs	<b>(5.7)</b>	<b>(5.7)</b>	(4.8)	18.1%	18.1%
<b>Total operating profit</b>	<b>11.4</b>	<b>10.8</b>	9.3	22.6%	15.4%

\* In the current year, central costs have been separated out to show underlying trading performance in each segment. The 2017 results have been restated on the same basis.

### Earnings per share

Basic earnings per share decreased to 4.80p (2017: 8.70p). EPS for core operations, before non-recurring items, increased to 11.46p (2017: 8.86p).

### Balance sheet

Total net assets at the year end were £60.8m (2017: £62.0m). Property, plant and equipment decreased by £0.6m to £2.6m (2017: £3.2m) with depreciation exceeding new capital spending. Intangible assets increased by £7.3m to £62.4m due to the two acquisitions. Offsetting this was the £0.8m impairment in Japan. An increase in net trade receivables to £120.9m (2017: £102.9m) was due to higher levels of trading in the quarter preceding the year end. Debtor days were 39.5 days at 31 January 2018 compared to 38.0 days in 2017. Accrued income increased by £6.0m, a result of the timing of the weekly invoicing cycle. Trade payables increased by £10.1m to £78.5m in line with higher trading and timings of contractor payrolls. Accruals increased to £56.2m (2017: £52.5m) due mainly to the timing of contractor payments in Benelux. Deferred consideration increased to £4.1m (2017: £0.2m), as a result of the two acquisitions during the year.

### Cash flow

Net cash generated from operating activities was £0.5m (2016: £15.1m). The decrease is due to increased working capital as a result of the higher levels of trading, the costs of transformation (£4.5m) and acquisitions (£8.0m). The overall net debt position at 31 January 2018 was £6.8m (2017: net cash of £5.6m). Other significant cash outflows in the year included dividend payments of £3.0m (2017: £2.8m) and tax payments of £3.3m (2017: £2.9m). Capital expenditure was lower at £0.8m (2017: £1.0m).

### Banking facilities

The Group maintains substantial headroom in its banking facilities. During the year its invoice discounting facilities were increased from £60.0m to £70.0m. The facilities are available in the UK & Ireland, Benelux and the USA. A facility of £2.75m with Close Finance was added to the Group's existing facilities through the UK acquisition of Crimson.

### Mark Garratt

**Group Finance Director**

# Risks and Uncertainties

Risk management is the responsibility of the Board and is integral to the ability of the Group to deliver on its strategic objectives.

The Board holds the principles of good risk management at its core and is focused on continually evolving and enhancing governance and oversight within the business. The Board encourages a continual and responsive approach to risk policy and management at all levels of the business and believes that effective management is based on a combination of a top-down and a bottom-up approach.

## GROUP BOARD

The Board has overall responsibility for the Group's risk appetite, oversight, policy and reporting. Risk management is woven into the fabric of the Board's operational strategy, and risk policy and management is discussed throughout the year.

## AUDIT COMMITTEE

The Audit Committee has responsibility for assessing and challenging the sufficiency of the internal control environment. It directs and reviews local management, internal audit and Group finance reports on internal control and risk management throughout the year and reports the principal risks to the Board.

## EXECUTIVE COUNCIL

The Executive Council meets with the Board at least annually to discuss the Group's strategy, identify the principal risks to the strategy and agree mitigating actions.

## INTERNAL AUDIT

The Group's internal audit function, comprising both outsourced provision and the central Group finance team, performs regular audits across the Group and in-country offices to assess culture, risk management, internal, IT and financial controls and compliance with local regulatory requirements. Further details are included in the Audit Committee Report.

## LOCAL MANAGEMENT

Comprehensive annual risk reviews are performed by local management teams which are then consolidated and reported to the Audit Committee. Regular reviews are performed by teams to assess operational risks and mitigating controls required.

### Principal risks and uncertainties and mitigation strategy

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Risks are categorised as Strategic, Financial or Operational and are reviewed in terms of likelihood of occurrence and potential impact on the Group. The Directors consider that the following comprise the Group's principal risks and uncertainties, together with the associated mitigating actions.

Risk	Description	Mitigation	Change in mitigated risk level in FY2018
<b>Strategic risks</b>			
1 <b>Political and economic environment</b>	Performance of the Group is impacted by the economic cycles and the political environment of the markets and countries in which it operates; for example, uncertainty of the terms and timescale of the UK's departure from the EU.	<ul style="list-style-type: none"> <li>- The Group continues to develop its broad portfolio of services to support clients at all stages of the economic cycle.</li> <li>- The Group is also geographically diversified, which reduces reliance on any particular markets.</li> <li>- The Group's cost base is predominantly variable and closely managed.</li> <li>- The global economic and political outlook has improved over the year. However, political uncertainty continues in the UK and senior management continue to monitor the impact of Brexit and to assess how best to mitigate the associated risks.</li> </ul>	▼
2 <b>Data governance</b>	The Group business model relies on the use of personal data. A data breach or loss could expose the Group to financial penalties, reputational damage and loss of business.	<ul style="list-style-type: none"> <li>- The Group is well advanced in its preparations for the introduction of EU General Data Protection Regulations and is confident that it will be ready in time for May 2018.</li> <li>- The Group has comprehensive data protection policies and procedures in place for the management of sensitive data. These are regularly tested both internally and by external advisers as part of our IT security strategy of continuous improvement.</li> <li>- The Board receives regular updates on this strategy.</li> </ul>	▼

### Risk Outlook

■ Unchanged

▲ Increasing

▼ Decreasing

# Risks and Uncertainties

Risk	Description	Mitigation	Change in mitigated risk level in FY2018
<b>3 Retention and succession</b>	<p>The Group's growth strategy is reliant on the recruitment, development and retention of high calibre managers and staff. Failure to attract and retain individuals with the appropriate skill set could adversely affect performance.</p>	<ul style="list-style-type: none"> <li>- The recruitment and retention plans of the Group are reviewed by the Board with input from the Head of Talent and country leadership teams.</li> <li>- As set out in the Directors' Remuneration Report, an element of Executive Directors' remuneration is linked to the retention of key employees.</li> <li>- The Group has a policy of linking bonuses to profitability in individual business units, which encourages the retention of key staff.</li> <li>- The Group has an established learning and development strategy and has rolled out an online Learning Management System during the year.</li> </ul>	
<b>4 Brand damage</b>	<p>The Group's brand, reputation and financial performance could be impacted by a service failing or an act by an individual that leads to reputationally damaging media.</p>	<ul style="list-style-type: none"> <li>- The Group protects its reputation for professionalism and quality through its staff recruitment, training and development practices.</li> <li>- Client and candidate satisfaction surveys are carried out.</li> <li>- Robust internal controls ensure elevated levels of compliance in relation to legal and contractual risks and obligations.</li> <li>- We are supported by external advisers who provide ongoing advice on the protection and management of our brand.</li> <li>- We actively monitor social media to identify references to Harvey Nash brands and have a clear escalation path to effectively manage potential incidents.</li> </ul>	
<b>5 Loss of key clients</b>	<p>The Group is not overly reliant on any one client; however, there is a risk that business performance may be impacted if a number of clients were lost.</p>	<ul style="list-style-type: none"> <li>- The Group's client-centric strategy places great emphasis on sustaining the relationship.</li> <li>- A diversified geographical footprint and sector focus also reduces the risk of key client losses affecting the overall Group due to adverse national or sector-specific conditions.</li> </ul>	

## Change in mitigated risk level in FY2018

Risk	Description	Mitigation	Change in mitigated risk level in FY2018
<b>Financial risks</b>			
<b>6 Margin pressure</b>	Increased pressure, particularly on temporary recruitment margins in maturing markets facilitated by digital dynamics and use of social media.	<ul style="list-style-type: none"> <li>- The Group goes to great lengths to differentiate itself and deliver a high-quality service to clients.</li> <li>- The Group's balance of permanent, contracting and outsourcing revenues creates a sustainable mix of one-off higher profitability income alongside recurring revenues, which builds sustainable profits in competitive markets.</li> </ul>	<span style="color: #ccc;">■</span>
<b>7 Foreign exchange</b>	Most of the Group's operations are not denominated in sterling, which leads to exposure to foreign exchange translation risk. The volatility in sterling due to the uncertainty regarding the UK's departure from the EU could have a material effect on the Group's financial performance.	<ul style="list-style-type: none"> <li>- The majority of the Group's trading is in-country so costs are aligned with revenues in the same currencies.</li> <li>- Exposure on equity investments in overseas subsidiaries is mitigated by having foreign currency borrowing facilities.</li> <li>- Cash gains or losses are limited through active treasury management of inter-company loans, working capital and the application of appropriate accounting policies and financial controls.</li> </ul>	<span style="color: #ccc;">■</span>
<b>Operational risks</b>			
<b>8 Regulatory environment</b>	The recruitment industry is frequently impacted by changes in tax authority requirements and other legal compliance, which varies from country to country and market to market. The potential consultation regarding IR35 in the private sector will be monitored carefully. The Group is known to be at the leading edge of compliance, as demonstrated through its strong relationships with local tax authorities.	<ul style="list-style-type: none"> <li>- Directors and compliance experts ensure that they maintain their understanding and expertise as regulations and laws that impact the Group are changed, through training courses and meetings with the regulators and experts.</li> <li>- Staff receive induction training and regular technical updates covering changes to legislation.</li> <li>- The Group utilises high-quality external professional advice to provide advice and to reduce risks in this area.</li> <li>- Robust internal controls and governance frameworks ensure high levels of compliance.</li> </ul>	<span style="color: #ccc;">■</span>

# Risks and Uncertainties

Risk	Description	Mitigation	Change in mitigated risk level in FY2018
<b>9 Digital disruption</b>	<p>Innovative ways of working pose a threat to the traditional business model for recruitment companies. Artificial intelligence, machine learning and other low-cost online operations pose a threat of disintermediation.</p>	<ul style="list-style-type: none"> <li>- The Group ensures that both at Board level and in the operational context it is constantly in touch with developments in this area so it can design suitable strategies to take advantage of the benefits of the current disruption and mitigate potential erosion of the Group's market share.</li> <li>- With the wide portfolio of services that the Group offers, there are many ways that this risk is mitigated, including the consultancy and relationship-led approach of its recruitment divisions together with the strong and innovative IT development capabilities within its IT outsourcing operations.</li> <li>- Development of strong and long-standing commercial relationships with clients enables the Group to win and maintain contracts and revenues.</li> <li>- The Group continues to invest in its in-house expertise in utilising AI, bots and social media to accelerate and drive efficiencies in both sourcing and recruiting.</li> </ul>	 
<b>10 Cyber threats</b>	<p>Malicious acts from either internal or external sources could disrupt the Group's ability to operate or provide its services.</p>	<ul style="list-style-type: none"> <li>- The Group has appropriate IT architecture, software and processes in place to mitigate these risks.</li> <li>- The Group continues to work towards achieving ISO27001 and Cyber Essentials accreditation.</li> <li>- The Group has a separate segregated network for the NashTech business which means that no incident could impact the whole Group at once.</li> <li>- Active and passive monitoring of internet traffic and network performance ensures prompt action can be taken should any attack take place.</li> </ul>	 



### Going concern

In assessing the going concern of the business, the Board reviewed the budget for the year ending 31 January 2019 and the longer-term strategic plan. In considering the going concern of the Group, the Board also gives consideration to the principal risks to the business as presented in the Strategic Report on pages 2 to 27 and the liquidity of the Group as shown in note 28 to the consolidated financial statements and other sources of funding that would be available if necessary.

After consideration of these factors, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Viability Statement

In making the assessment, the Directors took account of the Group's current financial and operational positions, contracted expenditure and availability of financing. They also assessed the potential financial and operational impacts on the Group's strategic plan over a three-year period, considering severe but plausible scenarios of the principal risks and uncertainties set out above and the likely degree of effectiveness of current and available mitigating actions. The impact of most of the principal risks would be to lower revenues, profit margins and cash generation in the near term, which may have a longer-term impact. The Group's strong leadership and recruitment revenue streams, flexible cost base and sustainable dividend policy mean that it is well placed to withstand the longer-term impact of the principal risks.

Each Director was satisfied that they had sufficient information to judge the viability of the Group. Based on the assessment described above, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to 31 January 2021.

# Our People and Culture

**We are here to make a difference:**  
 Providing and developing talent and leadership for our clients, benefitting the society in which we live and work.

## People

**People are at the heart of our business and the Board takes a keen interest in how we engage with and develop our employees. We foster employee engagement through building:**

- the chance to grow and develop within the organisation;
- respect for the organisation and its leaders; and
- understanding of, and opportunities to influence, the Group's strategy and performance.

Progress is measured in an annual Employee Engagement Survey. In FY2018, 81% of employees felt they made a difference working at Harvey Nash, and 82% had a strong sense of pride.

In January 2018 we celebrated our 30th anniversary, with celebrations taking place across all our geographies; the promotional video being watched and shared widely across the organisation.

The Group's internal communications, such as the monthly 'HN Insider', are designed to build awareness of the full breadth of the Group's activities and performance, and in 2018 we launched a series of video podcasts with CEO Albert Ellis covering a wide range of topics, from the Future of Work, to Harvey Nash's strategy for the future. Employees are consulted regularly so that their views can be taken into account when decisions are made that affect their interests.

Harvey Nash is a meritocracy, where talent and contribution come first. An attractive culture and strong, commercial corporate values are at the heart of what we do. Integrity, transparency, fairness, passion and excellence in delivery to our clients are just some examples of the professional attributes to which we all aspire. We always aim to work in the longer-term interests of our clients and candidates and we know that this, in turn, will be in the interests of our shareholders. We offer our employees the opportunity to participate in share incentive plans to help align their interests with shareholders and reward contribution to the Group's performance. Our commitment is reflected in our membership of the Recruitment and Employment Confederation, which requires us to observe the highest principles of ethics, integrity, professional conduct and fair practice.

Harvey Nash is the first recruitment firm to be fully certified with Ernst & Young's National Equality Standard ('NES'). See further details on page 26.



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**Harvey Nash is a global Group and we recognise the benefits that a diverse workforce brings. We have a strong commitment to attracting, developing and retaining employees with different backgrounds, knowledge and experience.**

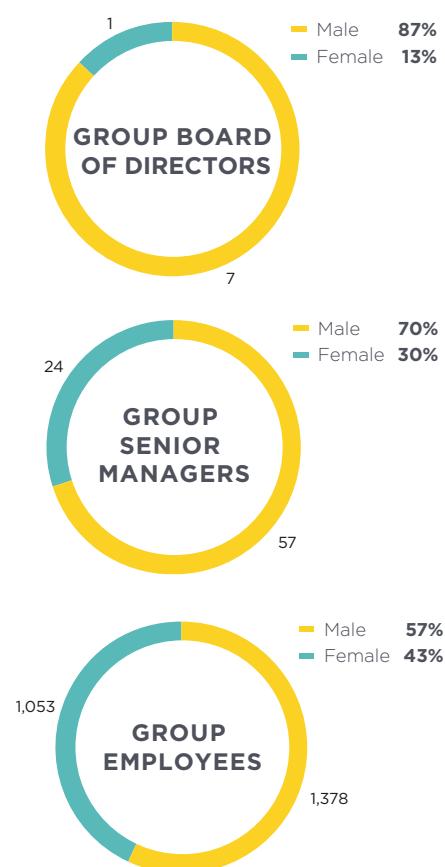


Harvey Nash not only ensures that employment decisions are consistent with equal opportunities legislation in each country, but also actively encourages diversity consciousness among its management, staff and clients. The launch of the 'Inclusive @ Harvey Nash' programme supported by an external advisory company has increased awareness and understanding of diversity and inclusion among employees. One of our key principles is that in each country in which we operate the senior management includes nationals of that country, as they understand their market and are naturally integrated in the local business culture.

# 81%

of employees felt they made a difference working at Harvey Nash.

Employee Engagement Survey in FY2018



## OUR CULTURE AND VALUES

- Professional: we are focused on quality, putting our clients' needs first
- Collegiate: we work together across offices, countries and businesses
- Passionate: we are passionate about going the extra mile for clients and candidates
- Entrepreneurial: we take calculated risks, we innovate and seize opportunities

# Corporate Social Responsibility

## Health, safety and equal opportunities

The Group is committed to providing for the health, safety and welfare of all employees. Harvey Nash is the first recruitment firm to be fully certified with Ernst & Young's National Equality Standard ('NES'), one of the UK's most respected, rigorous and prestigious standards in diversity and inclusion. This helps Harvey Nash to assess and improve its inclusivity, from education, to culture to processes.

Across the world, the Group is committed to achieving equal opportunities and complying with anti-discrimination legislation. Group policy is to offer the opportunity to benefit from fair employment without regard to gender, sexual orientation, race, religion or belief, age or disability. Every effort is made to ensure compliance with national health and safety legislation, regulations or similar codes of practice.

## Human rights

The Group respects all human rights and undertakes appropriate checks on suppliers, clients and candidates to ensure, as far as possible, that none are breached. The Board ensures that its policies encourage respect for individuals and that no discrimination arises. These policies are communicated to all employees through the Human Resources Policies Manual.

## Environment

The Board is conscious that the business has an environmental impact, particularly in terms of energy consumption and business travel. Julie

Baddeley has been nominated to lead the Board in conversations on climate change and carbon footprint, to encourage innovation, improve energy efficiency and mitigate greenhouse gas ('GHG') emissions.

The Harvey Nash Environmental Strategy aims to reduce the Group's carbon footprint and follows recommendations from the Carbon Trust and industry best practice on Environmental Social Governance ('ESG') principles. A carbon footprint describes the quantity of GHG emissions produced by an organisation's operations, measured in tonnes of carbon dioxide equivalent ('tCO<sub>2</sub>e').

The Group aims to reduce its carbon emissions per head each year and continues to actively reduce its carbon footprint. Where possible, the Group leases office space in buildings with ISO14001 accreditation. A current focus area is IT, where increased virtualisation of servers and systems lowers energy consumption. We also continue to reduce our motor fleet.

To survey its environmental impact, Harvey Nash engaged Energise Ltd to calculate the organisational carbon footprint of its global operations, a change from Sustain Ltd, who were engaged in the prior year. In total, 93% of data required for the calculation of total carbon footprint was collected direct from sites, with the remainder estimated based on the principles of the Greenhouse Gas Protocol 2011. This is significantly higher than the prior year, when only 78% of the data was collected.



The calculation covers all material sources of emissions for which the Group is responsible. The GHG emissions reporting period for the 2018 financial year was revised to match better availability of data and ran from 1 January to 31 December 2017 (2017: 1 November 2015 to 31 October 2016). As a result of the change in provider and a revised basis of calculation, additional carbon emissions were captured, predominantly surrounding the Group's outsourcing business. This comprised an additional 381 tCO<sub>2</sub>e of Scope 2 purchased energy for the office space of 1,200 employees and an additional 467 tCO<sub>2</sub>e relating to business air travel. This also led to the inclusion of natural gas consumption for UK offices (114 Scope 1 tCO<sub>2</sub>e), previously not included. Finally, including direct data for a larger sample of offices elsewhere in the Group led to a further 195 tCO<sub>2</sub>e of Scope 2 purchased energy.



## CO<sub>2</sub> EMISSIONS

	Emissions source	FY18 tCO <sub>2</sub> e	FY17 tCO <sub>2</sub> e
<b>1</b>	Fuel combustion and facilities operation	253	147
<b>2</b>	Electricity and heat	1,068	493
<b>3</b>	Business travel	978	619
<b>Total</b>		2,299	1,259
	Emissions per employee	0.95	0.47

The methodology used was that of the GHG Protocol. Responsibility for emissions sources was determined using the operational control approach. All emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 are included.

The estimate covers all operations that are consolidated within the financial statements and the offices leased to conduct these operations.

Data was also collected for the Group's transport activity and converted to

greenhouse gas estimates using the UK government's 2017-18 GHG Conversion Factors for Company Reporting and the International Energy Agency's Overseas Electricity Generation Emissions Factors.

### Charitable contributions

Many of our staff around the world engage in activities which support charities and their local communities. This is encouraged by senior management and the Board.

Here are a few examples: Harvey Nash London, Birmingham, Newcastle and Crimson staff have again raised money for Byte Night, in aid of Action for Children, with bake sales and a 'sleep out' on the street. Harvey Nash Birmingham also took part in a 100-mile bike ride (The Birmingham Velo) for Motor Neurone Disease, and in a regional Dragon Boat race in support of Birmingham-based blood cancer charity, Cure Leukaemia.

Mortimer Spinks supported School of Hard Knocks, a social inclusion charity which uses sport to tackle issues surrounding unemployment, anti-social behaviour and crime, with a 'Race the Sun' challenge comprising of a 7km canoe, 15km cycle and finally a climb and descent of Scafell Pike, all before sunset.

Our NashTech London business cycled the Palace to Palace route - 45 miles from

Buckingham Palace to Windsor Castle - to raise money for The Prince's Trust.

In Norway, staff supported Gate Juristen, which provides legal services to homeless people, and staff in Sweden donated to breast cancer charities.

In Belgium, staff in Brussels donated €1,500 to Levensloop and €1,000 to Lolands, medical research charities. Employees of Talent-IT and Team4Talent ran 10 miles for PH, a Belgian Pulmonary Hypertension charity. Each person donated €2 per mile, collecting €1,600 in total.

Harvey Nash USA and its employees donated a total of \$2,780 to various disaster relief organisations for Hurricane Harvey, which impacted the southern United States in August 2017.

In the Netherlands, staff participated for the seventh year in the Unicef run in Breukelen.

### Strategic Report approval

The Strategic Report on pages 2 to 27 was approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

**Albert Ellis**  
**Chief Executive Officer**

# Meet the Board



**Julie Baddeley**  
Chairman



**Albert Ellis**  
Chief Executive Officer



**Mark Garratt**  
Group Finance Director



**Simon Wassall**  
European Managing  
Director

Julie was appointed as Non-Executive Chairman of the Board in September 2011 and as Chairman of the Nomination Committee in June 2013.

Julie has extensive experience as both executive and non-executive directors of UK quoted companies and public sector organisations. Previous roles include Partner at Accenture, Executive Director of Woolwich plc, Non-Executive Director of the BOC Group plc, Greggs plc, Camelot Group plc, Yorkshire Building Society and the Department of Health.

Julie is also a Non-Executive Director of AIM-listed marketing analytics company Ebiquity plc and Senior Independent Director of Marshall of Cambridge, where she is leading a programme to engage business leaders in tackling climate change.

Albert was first appointed to the Board as Group Finance Director in February 2000 and subsequently as Chief Executive Officer in June 2005.

Albert has been a Director in the Company for nearly 20 years, he has an immense understanding of the Harvey Nash business and culture. Albert is also a Trustee of Asia House and was previously Finance Director at Hays plc.

Mark was appointed to the Board as Group Finance Director in April 2017.

Mark has worked in the finance sector for over 30 years, with experience in M&A, financing, IT change programmes and central service leadership. Previous roles include: Global CFO - Ingeus Group, Group Finance Director - National Fostering Agency Group (PE backed) and Group Corporate Finance Director and Divisional CFO at Cordant Group plc.

Presently, Mark is in his second three-year term as Independent Expert Member of the London School of Economics Audit Committee.

Simon was appointed to the Board as European Managing Director in October 2005.

Simon has worked for Harvey Nash for nearly 25 years and is responsible for UK and European technology recruitment operations.



**Ian Davies**  
**Senior Independent Director, Chairman of the Audit Committee**

Ian was appointed as a Non-Executive Director and Audit Committee Chairman in September 2010. Since June 2013 Ian has been Senior Independent Director of the Board.

Ian has significant listed Board experience, and was formerly an Audit Partner at Coopers & Lybrand.

Ian is deputy Chairman for BMT Group Limited.

Ian is a Chartered Accountant and member of the ICAEW Council.



**David Bezem**  
**Non-Executive Director, Chairman of the Remuneration Committee**

David was appointed as a Non-Executive Director in June 2013 and as Chairman of the Remuneration Committee in September 2014.

Previously, David was an investment banker for more than 25 years, advising both quoted and private companies, with a focus on the support services sector including staffing and recruitment businesses.

David is also a Non-Executive Director, Chairman of the Remuneration Committee and Chairman of the Nomination Committee of Focusrite Plc. David qualified as a chartered accountant with Arthur Andersen & Co in London.



**Kevin Thomas**  
**Non-Executive Director**

Kevin was appointed as Non-Executive Director to the Board in May 2014.

Kevin has broad outsourcing industry experience, across both public and private sectors. His previous roles include: Chief Executive – Support Services Division, Babcock International, Business Development Director, Unicorn/Service Group International ('SGI') and Managing Director, Facilities Management Division, Serco Group plc.

Kevin is a Member of the Council of Brunel University, Chairman of the Capital Projects Committee and member of the Nomination, Remuneration and Finance Committees.



**Adrian Gunn**  
**Non-Executive Director**

Adrian was appointed as Nominee Non-Executive Director to the Board in September 2017.

Adrian has over 30 years' experience in the recruitment industry. He was previously CEO of Gattaca plc (formerly Matchtech Group).

Adrian is currently working as a Non-Executive Director for Reach South Academy Trust and provides advisory support to two private recruitment firms.

## Meet the Executive Council

The Executive Council consists of Group Board members Albert Ellis, Mark Garratt and Simon Wassall as well as the following executives:



**Ronny Lommelen**  
Managing Director,  
Harvey Nash Belgium



**Magnus Tegborg**  
Responsible for the  
Group's Nordic business  
and Chair of the  
Leadership Service Board



**Jan-Leen 't Jong**  
Managing Director,  
Harvey Nash Netherlands



**Rob Mallaband**  
Managing Director,  
Crimson



**Robert Miano**  
President and CEO,  
Harvey Nash USA



# Chairman's Introduction to the Corporate Governance Report

**Julie Baddeley**  
**Chairman**

**Dear Shareholders,**

You will see from earlier sections of our report covering Group performance, the transformation programme and our strategic developments, that this was a very busy year for the Company. During our strategic review in the summer of 2016 we decided to sharpen the Company's focus on technology talent, our most profitable geographic markets and a set of complementary service lines which deliver the maximum value to our customers.

In the 2018 financial year we have continued implementing those decisions, including completing the move to AIM to simplify the execution of our acquisition strategy – successfully adding Crimson to our UK business and PAT in Sweden. We achieved organic growth in the markets we have identified as core to our future, alongside some significant simplification of our corporate structure and resulting cost savings.

As we said at the time of our move to AIM, we have not relaxed the high standards of corporate governance to which we have aspired in the past whilst quoted on the Main Market, and the report which follows will set out how we continue to apply these standards to our business in whatever country we operate.

## BOARD

### Attendance

Total number of meetings	13
Julie Baddeley (Chairman)	13
David Bezem	12
Ian Davies	13
Kevin Thomas	13
Albert Ellis	13
Simon Wassall	13
Mark Garratt <sup>(1)</sup>	11
Richard Ashcroft <sup>(2)</sup>	3

#### Notes

1. Mark Garratt joined the Board on 3 April 2017.
2. Richard Ashcroft stepped down from his role as Group Finance Director on 27 April 2017.

The Board has seen some changes during the year, with the appointment of Mark Garratt as Group Finance Director and the addition of Adrian Gunn as a nominee of our biggest shareholder. Richard Ashcroft stepped down as Group Finance Director in April and I would like to record our thanks to Richard for more than 10 years' service to the Harvey Nash Group.

The Directors recognise that you have entrusted us with the stewardship of the Company and its undertakings and at all times strive to carry out our responsibilities with honesty, integrity and commitment. This underpins the Board's ability to set the overall strategic direction of Harvey Nash and support its core values.

We have reviewed the statements in this report to ensure that they comply with the spirit as well as the letter of the UK Corporate Governance Code, and that they are fair, balanced and understandable. We believe that the Strategic Report as set out on pages 2 to 27 provides the information necessary for you to assess the Group's results, operating model and strategy, and is consistent with our understanding of the business' performance and financial position. We have highlighted the risks that we perceive the Company faces and how they are mitigated, and have conducted a robust assessment of the risk management process and the underlying internal control environment to ensure they are effective.

The Audit Committee also reviewed the annual financial statements to ascertain whether they were fair, balanced and understandable, considering in particular the reasonableness of accounting judgements and estimates, and the selection and application of suitable accounting policies.

On the following pages we describe our corporate governance framework in more detail.

### Statement of compliance with the UK Corporate Governance Code

The Company remains committed to the principles of corporate governance contained in the UK Corporate Governance Code that was published in April 2016 by the Financial Reporting Council ('the Code'). The Group complied with all sections of the Code throughout the financial year and to the date of this report. Further explanation of how the main principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report.

**Julie Baddeley**  
**Chairman**

# Corporate Governance

For the year ended 31 January 2018

## Leadership

### The Board and its role

The Board is collectively responsible to shareholders for the long-term success of the Company. It sets the Company's strategic objectives and determines the risk appetite and the control framework within which those objectives are achieved. The Board also provides leadership and direction for management, ensuring that the necessary resources are in place to enable the objectives to be met. The Board oversees the Company and its businesses within a robust governance structure to deliver sustainable shareholder value.

Throughout the financial year there were three Executive Directors. Mark Garratt took over from Richard Ashcroft as Group Finance Director on 27 April 2017 as part of a planned succession. Adrian Gunn was nominated by the Group's largest shareholder and joined the Board on 1 October 2017, increasing the number of Non-Executive Directors from four to five. A list of Directors, their biographies and roles is set out on pages 28 and 29. The Board members with executive responsibility were the Chief Executive Officer, Group Finance Director and European Managing Director.

The Board meets at least eight times a year and has a fixed schedule for reviewing the Group's operating performance. Additional meetings are arranged as required to deal with specific issues or transactions.

The Board has a schedule of matters and responsibilities specifically reserved to itself, the main items of which include:

- setting the Group's strategic aims and corporate objectives;
- approval of the published financial results and other external reporting;
- approval of Nomination Committee recommendations;
- annual approval of the Group Strategic Plan and budget;
- approval of acquisitions, mergers and disposals;
- new businesses which require start-up capital;
- material capital expenditure and leasehold agreements;
- material contracts and transactions not in the ordinary course of business;
- risk management and the underlying internal control environment;
- treasury policy and significant financing arrangements; and
- recommendation of the proposed level and payment of dividends.

Outside the formal schedule of matters reserved for the Board, the Chairman and Non-Executive Directors make themselves available for consultation with the executive team as often as necessary.

### Division of responsibilities

The division of responsibilities between the Chairman and Chief Executive Officer is clear, set out in writing and agreed by the Board. There is strong non-executive representation on the Board. The independent Directors meet during the year without the Executives and provide effective balance and challenge.

The Executive Directors are responsible for the overall operational and financial management of the Group within the framework set by the Board. The Executive Council, which comprises senior operational management including the Executive Directors, sits below the Board and carries out the day-to-day running of operations. The Senior Independent Director and the Company Secretary monitor procedural compliance. The appointment and removal of Directors is a matter for the Board as a whole. Independent professional advice and training are available to all the Directors. The Senior Independent Director is available for consultation with shareholders. The Executive Directors meet with the Company's major shareholders and other potential investors on a regular basis and report to the Board on those meetings.

### Board and Committee attendance

In relation to non-reserved matters, the Board is assisted by a number of committees with delegated authority. The defined terms of reference for each committee are available within the Investors section of the Group's website.

### Audit Committee

The Audit Committee meets at least twice a year with the Group's senior financial management and the External Auditor 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 Audit Committee also meet the External Auditor and Internal Auditor without management present at least annually.

The members of the Committee during the year were Ian Davies (Chairman), David Bezem and Kevin Thomas. The Board considers that the members of the Committee both individually and as a whole have sufficient recent and relevant financial experience to discharge its function.

The Audit Committee Report on pages 36 to 39 includes details of the Audit Committee policy, practices and engagement with the External Auditor.

### Remuneration Committee

The Remuneration Committee meets at least twice a year. The members of the Committee during the year were David Bezem (Chairman), Julie Baddeley, Ian Davies and Kevin Thomas.

The Remuneration Committee determines and approves the policy and remuneration of the Company's Executive Directors and the Chairman of the Board. The Chief Executive Officer may be invited to attend meetings of the Committee but does not participate in discussions of his own remuneration arrangements.

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

The Directors' Remuneration Report on pages 40 to 59 includes details of remuneration policy and the report on remuneration in the 2018 financial year.

### Nomination Committee

The Nomination Committee provides a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The members of the Committee during the year were Julie Baddeley (Chairman), Ian Davies, David Bezem, Kevin Thomas and Albert Ellis.

## NOMINATION COMMITTEE

### Attendance

Total number of meetings	2
Julie Baddeley (Chairman)	2
David Bezem	2
Ian Davies	2
Kevin Thomas	2
Albert Ellis	2

The Committee's terms of reference include:

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

In making appointments, the Nomination Committee takes account of the diversity of experience, gender, background and the composition of the Board.

The Committee considers succession plans for the members of the Group Board and other senior managers over the short and longer term, keeping in mind the balance of skills, experience and background required to ensure that the Group's commitment to deliver sustainable shareholder value is met.

In September 2016 Richard Ashcroft informed the Board of his intention to step down at the end of September 2017. The process for the selection of his successor was conducted by the Committee and involved determining the profile of the candidate required to fill the vacancy. The Committee was assisted by an independent executive search company. Following a thorough process, Mark Garratt was recommended to the Board as Group Finance Director Designate. The Board approved the appointment and Mark joined the Board as an Executive Director on 3 April 2017, taking over as Group Finance Director on 27 April 2017.

A clear career progression for employees is key to the Group's growth and helps to attract and retain talented individuals. The Group is committed to maximising career opportunities through significant investment in training and professional development at all levels. The Committee supports internal development programmes to build the skills required of future leaders amongst relevant employees.

The terms and conditions for the appointment of Non-Executive Directors are available for review at 110 Bishopsgate, EC2N 4AY during normal business hours. They will also be available 15 minutes before the AGM begins, at 9.30am on 28 June 2018.

### Our culture and values

Harvey Nash is a global Group and we recognise the benefits that a diverse workforce brings. We have a strong commitment to attracting, developing and retaining employees with different backgrounds, knowledge and experience.

# Corporate Governance

## Effectiveness

### Re-election of Directors

The Company's Articles of Association provide that each Director must retire from office every three years. Julie Baddeley will stand for re-election at the AGM on 28 June 2018. The Board is satisfied that Julie has sufficient skills and experience to qualify her for re-election.

Adrian Gunn joined the Board as a nominated non-independent Non-Executive Director in October 2017 and will stand for election at the AGM.

### Performance evaluation

Each year a rigorous evaluation of the Board's performance is conducted, covering individual Directors, each of the Committees and the Board itself. In the current year, this was undertaken by the Senior Independent Director and was completed in January 2018. A survey was conducted to allow the members of the Board to provide confidential feedback. This feedback was discussed and actions set where required. The survey concluded that the Board remains effective and that the improvements identified in the 2017 review had been put in place.

The Board sets objectives annually and reviews its performance and membership regularly. As part of this process the Board considers whether the Directors have sufficient time to discharge their responsibilities effectively. The Directors' profiles and other commitments are set out on page 28.

### Professional development

The Board has a policy of providing reasonable funding for independent professional advice for all Directors in furtherance of their duties and continued professional development. Directors have access to suitable resources to update and develop their knowledge and capability.

On joining the Board, a new Director receives an appropriate induction, including meetings with other Directors and senior management, and opportunities to meet the Group's principal advisers.

## Accountability

A statement of Directors' responsibilities in respect of the Annual Report is set out on page 63. The Board's responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects extends to interim and other public reports.

### Audit Committee and Auditor

A separate Audit Committee Report is set out on pages 36 to 39 and provides details of the role and activities of the Committee and its relationship with the External Auditor.

### Risk management and internal control

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.

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.

A full evaluation of the Group's risk management and internal control systems is performed at least annually. This is delegated to the Audit Committee.

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. This is monitored by an internal audit function which reports back to the Board through the Audit Committee. Further details of internal audits performed in the year are provided in the Audit Committee Report on page 38.

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

- the operation of authorisation procedures;
- appropriate segregation of duties;
- clearly delegated responsibilities;
- close involvement of senior management in day-to-day activities;
- setting of detailed annual budgets with monthly reporting of variance analysis;
- the operation of an Audit Committee, supported by an internal audit function; and
- an established whistleblowing policy, the governance of which is overseen by the Audit Committee.

The Board considers a significant failing to be any item that would lead to a material misstatement of the financial statements. In considering whether an item represented a significant failing, qualitative aspects of any failing would also be considered, as would the potential for the failing to affect the wider Group. All weaknesses identified, whether significant or otherwise, are discussed at Audit Committee meetings, with actions agreed and subsequently monitored.

#### **Going concern**

A going concern statement is set out in the Strategic Report on page 23.

#### **Remuneration**

The Directors' Remuneration Report sets out in full its policies and practices which demonstrate the Company's implementation of the Code.

#### **Relations with shareholders**

The Board maintains regular dialogue with its major shareholders and city analysts through formal annual and interim presentations, meeting to discuss long-term issues and communicating regularly throughout the year. During the year, the Chief Executive Officer and Group Finance Director met significant shareholders to update them on results and key developments. The views of shareholders and market perceptions are regularly communicated to the Board.

#### **Constructive use of the Annual General Meeting**

Shareholder attendance and participation at the AGM is welcomed. Amendments to the Company's Articles of Association require shareholder approval at the AGM. The Company proposes separate resolutions on each substantially separate issue and the proxy appointment forms for each resolution provide shareholders with the option to direct their proxy to vote either for or against a resolution or to withhold their vote. The Company's registrars ensure that all valid proxy appointments received for the AGM are properly recorded and counted and a schedule of proxy votes cast is made available to all shareholders attending the meeting. There is also full disclosure of the voting outcome on the Company's website as soon as practicable after the AGM. All Directors normally attend the AGM and are available to answer questions. Issues can also be raised informally following the meeting. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting.



# Audit Committee Report

For the year ended 31 January 2018

**Ian Davies**  
**Audit Committee Chairman**

## AUDIT COMMITTEE

### Attendance

Total number of meetings	4
Ian Davies (Chairman)	4
David Bezem	4
Kevin Thomas	4

I am pleased to present the Audit Committee Report for the 2018 financial year, the purpose of which is to give shareholders an overview of the operation and scope of the Committee's function and to report on its activities undertaken over the past year.

### Members and meetings

The Audit Committee is responsible for the integrity of the Group's financial statements and external reporting of performance. It also has the responsibility for assessing the effectiveness of internal controls.

The members of the Committee during the year were myself, David Bezem and Kevin Thomas. The Board is satisfied that the Committee has the current and relevant financial and accounting experience required by the provisions of the Code. The relevant qualifications and experience of the Committee members are shown in their biographies on page 29.

I reported after each Committee meeting to the Board on the principal matters discussed, to ensure that all Directors were kept informed of our work. I also made myself available to any Director who wished to discuss particular items in greater detail.

Our terms of reference require that we meet at least twice a year with the Group's senior financial management to review the interim and annual financial statements, the accounting policies of the Group, its internal control procedures and compliance with accounting standards. In addition, we review forthcoming regulatory changes and proposed standards to assess their impact on the Group. Our terms of reference can be found within the Investors section of the Group's website.

The Audit Committee met four times during the year to 31 January 2018. The Chairman of the Board, the Group Finance Director, senior financial management and the External Auditor were regularly invited and attended relevant parts of meetings.

### **During the year, we have**

- reviewed the financial statements and financial reporting judgements contained within those statements for the Group and any formal announcements relating to the Group's financial performance;
- reviewed the risk management and internal control framework, together with the Group's principal risks;
- supported the Board in their assessment of the long-term viability of the Group;
- approved the internal audit plan and reviewed its findings;
- made ourselves available to hear any concerns from staff, in line with the Group's whistleblowing policy;
- monitored the independence, objectivity and effectiveness of the External Auditor;
- reported to the Board any matters requiring its attention;
- reviewed the external audit plan, discussed the findings of the FY2018 audit and reviewed the effectiveness of the external audit process;
- reviewed the key accounting judgements and estimates related to the financial statements;
- reviewed the potential impact of future accounting standards on the financial statements; and
- monitored the non-audit services policy.

### **Annual Report review**

We have considered whether the Annual Report for the year ended 31 January 2018 is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy. We focused on the significant issues related to the financial statements, including the presentation of the key accounting judgements and estimates, which are considered below. We also challenged the consistency of accounting policies with those presented in the financial statements and considered whether the words in the Strategic Report reflected the performance of the Group fairly. In forming its conclusion, the Committee also considered the overall governance process in place for the preparation and review of the Annual Report and financial statements. These include:

- robust management of the overall governance process, which is performed by the Group's senior financial management, who have appropriate skill, experience and qualifications to prepare and deliver such reporting;
- the completion of a detailed disclosure template by each component of the Group, the design of which is governed by the Group's senior financial management;
- a thorough review of changes to regulatory requirements and best practice;
- detailed reviews of the Annual Report by all appropriate parties including the External Auditor and other advisers; and
- the setting of a timetable well in advance to permit sufficient time for such reviews and any resulting challenges.

We concluded that, as a whole, the Annual Report is fair, balanced and understandable. Final approval is provided by the full Board, on the recommendation of the Committee.

### **Accounting and financial reporting matters**

The Audit Committee pays particular attention to key accounting policies and practices adopted by the Group and any significant areas of judgement that may materially impact reported results.

The following significant issues, including critical accounting judgements and estimates, were considered by the Committee. These issues are further described within note 4 to the consolidated financial statements.

### **Impairment of goodwill**

The Committee considered the carrying value of goodwill by reviewing an impairment test report prepared by management. The report outlined the value in use calculated for each of the Group's cash-generating units. It was noted that the assumptions applied were consistent with the long-term strategic plan approved by the Board. The Committee also challenged the audit work undertaken to assess those assumptions.

The Committee was satisfied that the assumptions applied were appropriate, sufficiently disclosed within the notes to the financial statements and the carrying value of goodwill supportable.

### **Release of accrued liabilities**

The Committee reviewed the accounting estimates for potential liabilities accrued in the Netherlands, taking into account the local statutes of limitation and historical experience. As a result of a refinement in the accounting estimate, a non-recurring release of £2.9m has been made in FY2018.

# Audit Committee Report

## Alternative Performance Measures ('APMs')

The Committee reviewed the Group's use of APMs and concurred with the presentation and balance between APMs and statutory measures throughout the Annual Report. They concluded that the APMs presented are appropriate and meet the criteria set out in the European Securities and Markets Authority ('ESMA') guidance.

## Revenue recognition

Judgement applied in respect of recognition of revenue cut-off is significant. The Committee discussed and reviewed this with management before concluding that the Group's revenue for the year has been appropriately recognised.

## Future accounting standards

The Committee continues to review future accounting standards and their potential impact on the Group's financial statements. Some of these new standards, such as IFRS 15 and IFRS 9, will apply for the 2019 financial year.

## External audit

Deloitte LLP was appointed as the Group's External Auditor at the 2015 AGM, following a full tender. The lead audit partner is subject to mandatory rotation every five years. Peter Saunders has been the audit partner for FY2018.

## Monitoring the effectiveness of the external audit

During the year, the Committee assessed the effectiveness and quality of the external audit provided by Deloitte. The Committee sought feedback from management across the Group and challenged Deloitte on its risk assessment during the audit planning process and subsequent reporting thereof. The Committee members also made themselves available to hold private discussions with Deloitte regarding the quality of the external audit process.

Deloitte have changed the audit partner twice since appointment, for internal reasons. This has led to significant additional time and cost being incurred by management and Audit Committee members. Nevertheless, based on the evidence we have reviewed, we are satisfied with the effectiveness of the external audit process.

The Committee is required to monitor the independence and objectivity of Deloitte as External Auditor. Representation was reconfirmed by Deloitte and the External Audit partner at the commencement of the planning process. We shall continue to monitor the independence and objectivity of Deloitte, which extends to the provision of any non-audit services.

## Reappointment

The Committee has considered and recommends to the Board and shareholders the reappointment, remuneration and terms of engagement of the External Auditor, Deloitte LLP, for the year ending 31 January 2019.

## Provision of non-audit services

The Audit Committee has a policy which governs the extent of non-audit services provided by the External Auditor. The Committee recognises that the independence of the External Auditor may be reasonably expected to be compromised if they were to act as the Group's consultants and advisers. This policy complies with the requirements of the EU Ethical Standards which prohibits a number of non-audit services.

For all permitted services, the policy continues to require a competitive tendering process for significant work and there remains in place a cap on the value of non-audit services, set at 30% of the audit fee, above which prior consideration and written authorisation by the Audit Committee is required.

An analysis of the fees paid to Deloitte LLP can be found in note 8 to the consolidated financial statements.

## Internal audit

The Committee is responsible for the oversight and monitoring of the Group's internal audit function. This includes setting the scope of the annual internal audit plan, review of the reports produced and monitoring management's progress in implementing the actions agreed. We also review the resources and effectiveness of the function, focused on the risks identified and the reports produced. During FY2018 we engaged two external firms to provide internal audit services, in greater depth than internal resources would allow, and to provide a service independent of Group Finance. We are satisfied with the effectiveness of the internal audit function.

We approved the internal audit plan for the year. The programme of work for the year was focused on key risk areas identified by the Committee, covering financial, commercial and risk management matters.

No significant weaknesses were identified in the internal audits, although areas for improvement were identified.

### **Internal control**

The Board is responsible for the Group's systems of internal control, including financial controls. The Audit Committee has robustly assessed the effectiveness of the internal controls in mitigating the principal risks faced by the Group, in particular reviewing the US debtor controls referred to in the prior year report. Internal control is discussed in the Corporate Governance Report on page 34.

### **Risk management**

The Board has an ongoing process to identify, evaluate and manage the principal risks faced by the Group, details of which can be found in the Strategic Report on pages 2 to 27. The Committee supports the Board in this process by implementing policies to ensure that all risks are evaluated and monitored. In the year, the Committee considered the Group's risk assessment process, covering all business units, by reviewing the effectiveness of the risk methodology employed, the risk mitigation measures and future risk management and monitoring. The Committee was satisfied with this process and the outcome in the year.

### **Whistleblowing**

The Audit Committee provides a facility for employees to raise issues, which may be disclosed confidentially if requested. An independent person is assigned to investigate promptly any matters raised, with findings reported to the appropriate management team and escalated to the Audit Committee and the Group's internal audit function as appropriate. Any necessary corrective action or follow-up review is undertaken on a timely basis.

The Audit Committee reviews the whistleblowing policy and arrangements in place annually.

### **Anti-bribery and corruption**

Harvey Nash has a zero-tolerance approach to corruption. The Group Anti-Bribery and Corruption Policy is issued to all employees throughout the Group and refers to the UK Bribery Act 2010. Overall responsibility for, and oversight of, the Policy lies with the Board. Training is provided to all employees annually in local languages and ongoing support is provided when and where necessary. The Committee reviewed the effectiveness of the Policy during the year and concluded that it was sufficient for managing the anti-bribery and corruption risks faced by the Group.

### **Audit Committee effectiveness**

The Committee considered its effectiveness in discharging our duties throughout the financial year. We assessed the work we undertook during the financial year, within the context of our terms of reference and latest best practice. In conjunction with the Board effectiveness review referred to on page 34, we concluded that performance against these criteria and the Committee remained effective.

**Ian Davies**  
**Audit Committee Chairman**



# Directors' Remuneration Report

## Part 1: Annual statement

**David Bezem**  
**Remuneration Committee Chairman**

### REMUNERATION COMMITTEE

#### Attendance

Total number of meetings	8
David Bezem (Chairman)	8
Julie Baddeley	8
Ian Davies	8
Kevin Thomas	7

#### Dear Shareholders,

This has been a transformational year. Following the work on strategy that was set out in last year's Annual Report, management have vigorously carried out a major restructuring to ensure that the Group is appropriately and clearly focused for the changing world in which we operate, meeting the needs of our customers and playing to our strengths. It has also been the first year of operation of the new remuneration policy which was approved by shareholders at the last AGM on 29 June 2017. In addition, the Company moved its stock market quotation from the Main Market of the London Stock Exchange to AIM. Although there is no requirement for AIM-listed companies to comply with the UK Corporate Governance Code, the Board has decided to continue to maintain similarly high standards of disclosure and practice. Accordingly, Parts 1 and 3 of this report, namely this letter and the Annual Report on Remuneration, will be put forward for your approval at the AGM on 28 June 2018 as in previous years. The approved remuneration policy is set out in Part 2.

#### Annual bonuses for the 2018 financial year

The financial outcomes for the year have exceeded the objectives set by the Board at the beginning of the year which are set out in Part 3 of this report. Although there remains more work to be done, the Group is already benefiting from the focus on the geographies and skills where we have market-leading capabilities and from the acquisitions made in the year. This has resulted in an increase in adjusted profit before tax in the 2018 financial year from £8.6m to £10.8m. Consequently, in respect of the financial performance component of the annual bonus, which represented 70% of the maximum to which the current Executive Directors were entitled, I am pleased to say that this has resulted in the full amount being earned.

With regard to the individual bonus objectives for these Directors, which account for the remaining 30% of the maximum bonus, there were three main targets. These related to debtor days and working capital, retention and development of key employees, and execution of certain aspects of the Group's strategic plan. In summary, the outcomes for Albert Ellis, Simon Wassall and Mark Garratt were 24%, 23% and 28% respectively, as set out in Part 3.

In aggregate therefore, Albert Ellis, Simon Wassall and Mark Garratt received bonuses in respect of the 2018 financial year of 94%, 93% and 98% of their maximum entitlement respectively which reflects the Group's strong and transformational year. This result is particularly pleasing against the background of the prior year where the Executive Directors elected to waive their bonuses.

In accordance with the remuneration policy approved at the last AGM, to the extent their bonuses exceeded 60% of the maximum available, Albert Ellis, Simon Wassall and Mark Garratt have received that portion in shares. Those shares must be held for a minimum of three years and, in addition, if necessary those shares must be retained in order to meet the Company's shareholding policy. This requires the Executive Directors to hold shares to the value of 150% of their base salary.

As explained in last year's Annual Report, different bonus arrangements were put in place by the Remuneration Committee for Richard Ashcroft, the former Group Finance Director, who gave 12 months' notice in September 2016. Richard continued in his role as Group Finance Director until the end of April 2017 and was then available as required to assist and advise until the end of September 2017. Consequently, in Richard's case, his individual bonus objectives related to expediting a smooth handover to his successor during the 2018 financial year. This

represented 40% of his maximum bonus, the balance being based on the Group's financial performance, and this was achieved in full.

For both Mark Garratt and Richard Ashcroft, their bonus was pro-rated for the portion of the 2018 financial year they were employed by the Group.

#### **Base salaries for the 2019 financial year**

The approved remuneration policy permits annual increases in base salaries for Executive Directors up to the increase in RPI or 5%, whichever is the higher. Last year, the Remuneration Committee decided not to increase the Executive Directors' base salaries in view of the background of significant economic uncertainty, particularly in the UK. In respect of the 2019 financial year, with inflation continuing to run at approximately 3%, the Committee proposed an increase in base salaries for Albert Ellis and Simon Wassall of 2%. However, both decided to decline this and to maintain their base salaries for a third successive year at the same level. This reflects their continued objective of maintaining tight control over fixed costs in the Group.

Mark Garratt joined the Group a year ago in April 2017 and assumed the position of Group Finance Director at the beginning of May 2017 on a base salary of £200,000 per annum. In April 2018, the Board decided formally to broaden the scope of his responsibilities, effective the beginning of May 2018, to include much of the Group's IT infrastructure, including cyber security. This reflects the role Mark Garratt has assumed in the course of the last year and goes well beyond that for which he was recruited. The Board also decided to change his title to Chief Financial Officer. Accordingly, and in line with the remuneration policy in such circumstances, the Remuneration Committee has decided to increase Mark Garratt's base salary to £250,000 per annum as from May 2018.

The Remuneration Committee also has responsibility for the Chairman's fees which, at her request, will remain unchanged in the 2019 financial year. Fees for the other Non-Executive Directors will remain unchanged at their request too.

#### **Annual bonuses for the 2019 financial year**

New bonus targets have been set by the Remuneration Committee for the Executive Directors in respect of the 2019 financial year. In accordance with the approved remuneration policy, the maximum bonus will continue to be 100% of base salary, with not less than 70% based on financial performance targets and the balance on individual bonus targets. As in previous years, 60% of the bonus is achieved for on-target performance.

The financial performance components of the bonus require the achievement of targets relating to adjusted profit before tax and to tight control of working capital. These have been set by reference to the approved budget for the year as well as to other factors, including city expectations. These targets are the same for all three Executive Directors.

The individual bonus targets are personal to each Executive Director and require the achievement of key business objectives in the 2019 financial year. These include targets that reflect the critical importance of people to the success of our business and to the execution of certain aspects of the next stage of the transformation.

Where not commercially sensitive, the details of the bonus criteria, both financial and individual, will be set out in the Directors' Remuneration Report in next year's Annual Report.

# Directors' Remuneration Report

## **Long-term incentives**

The awards granted to the Executive Directors under the Company's Performance Share Plan ('the PSP') in 2015 vest depending on the performance of the Group over the three-year period ending with the 2018 financial year. Specifically, threshold performance for this award is achieved if the compound annual growth rate in fully diluted adjusted earnings per share ('EPS CAGR') is not less than 7.5%. In the event, performance over this period has resulted in a CAGR of 7.67% as a result of which 21.7% of the shares will vest on 1 May 2018.

In accordance with the remuneration policy approved last year, it is intended that awards under the PSP will be made to the Executive Directors after the announcement of the results for the 2018 financial year to the value of 100% of base salary. These will vest based on the dual performance criteria of EPS CAGR over the three years to the end of the 2021 financial year and total shareholder return as measured against the constituents of the FTSE AIM Industrial Goods & Services Index.

Details of all awards which have been granted are set out in Part 3.

## **Committee members and meetings**

The members of the Remuneration Committee during the 2018 financial year:

- David Bezem (Chairman)
- Ian Davies
- Julie Baddeley
- Kevin Thomas

The Committee met eight times in the year, the attendance of which is detailed on page 40. The main matters addressed by the Committee during the year included:

- confirmation of the annual bonus awards for the 2017 financial year (which were waived by the Executive Directors);
- the setting of bonus targets for the Executive Directors for the 2018 financial year;
- agreement of the remuneration for Mark Garratt who joined the Group in April 2017;
- finalisation of the proposed new remuneration policy put to shareholders for approval at the 2017 AGM;

- approval of the Directors' Remuneration Report included in the 2017 Annual Report and put to shareholders for approval at the 2017 AGM;
- approval of the grant of the 2017 PSP awards;
- agreement of the Executive Directors' base salaries and the Chairman's fees for the 2018 financial year;
- assessment of performance in respect of those 2018 bonus targets with mid-year targets; and
- initial discussion regarding the setting of annual bonus targets for the Executive Directors in respect of the 2019 financial year.

## **Directors' Remuneration Report Regulations 2013 (‘the Regulations’)**

The Companies Act 2006 requires the External Auditor to report to the shareholders on certain parts of the Directors' Remuneration Report and state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated within the report.

I hope you have found this letter a useful summary of the Remuneration Committee's work in the 2018 financial year. The approved remuneration policy is set out in Part 2 and the Annual Report on Remuneration in respect of the 2018 financial year in Part 3. Although not required to do so, this has been prepared in so far as practicable in accordance with the Regulations and the Committee's understanding of current best practice for remuneration reporting, and Parts 1 and 3 will be put to shareholders for approval at the 2018 AGM.

**David Bezem**  
**Remuneration Committee Chairman**

## Part 2: Directors' remuneration policy

### Policy table

#### Executive Directors

The table below sets out the key elements of the policy for Executive Directors:

<b>Base salary</b>	
<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- Helps to recruit, reward and retain.</li> <li>- Reflects competitive market level, role, skills, experience and individual contribution.</li> </ul>
<b>Operation</b>	Normally reviewed annually for the following year taking into account general economic and market conditions, the level of increases made across the Company as a whole, the remuneration of executives in similar positions in comparable companies and individual performance.
<b>Maximum opportunity</b>	Increases would normally be limited to the higher of 5% or RPI, unless there is a significant change in role or responsibilities.
<b>Performance measures</b>	None, although performance of both the Company and the individual are taken into account when determining an appropriate level of base salary each year.
<b>Other employees</b>	The approach to setting base salary increases elsewhere in the Group takes into account economic factors, competitive market rates, roles, skills, experience and individual performance.
<b>Annual bonus</b>	
<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- Motivate achievement of annual goals and objectives.</li> <li>- Provide focus on key financial metrics.</li> <li>- Reward individual contribution to the success of the Company.</li> </ul>
<b>Operation</b>	<p>The annual bonus plan provides Executive Directors with the opportunity to receive an annual payment for the achievement of stretching financial and individual performance targets, measured over the financial year.</p> <p>Subject to performance criteria being met, up to 60% of the maximum entitlement of the individual will be paid in cash, and the balance will be satisfied in shares, which must be held for a minimum of three years from the date of award.</p> <p>Annual bonuses do not form part of pensionable earnings.</p> <p>Bonus payments are discretionary, and the Committee reserves the right to make adjustments to payments if it believes exceptional factors warrant doing so. Annual bonuses are subject to clawback, allowing any cash or share bonus to be reclaimed through means deemed appropriate to those specific circumstances based on fraud, financial misstatement, error in calculation of results and/or the misconduct of an individual.</p>
<b>Maximum opportunity</b>	For all Executive Directors the maximum opportunity is 100% of base salary. Performance significantly in excess of target is required to achieve the maximum award.
<b>Performance measures</b>	<p>Normally, not less than 70% of the annual bonus will be based on the financial performance of the Group (typically measured by reference to profit before tax adjusted for non-recurring items), with the remainder based on performance against predetermined individual or strategic targets, set each year in support of the Company's strategy. The Committee reserves the right to vary the performance measures and weightings from year to year if it sees fit.</p> <p>Individual targets will reflect the Group's annual strategic goals and individual responsibilities. No bonus will be payable against the individual targets unless the Committee is satisfied that such bonus payouts are aligned with the underlying performance of the Group.</p> <p>Typically, 60% of the maximum bonus is paid for performance at target level and 0% at threshold.</p>
<b>Other employees</b>	A range of cash-based annual incentives are offered in the form of bonuses, profit-shares or sales commissions plans. The Harvey Nash management team will award annual incentives after consideration of the most appropriate reward structure and targets for the employee and their role.

# Directors' Remuneration Report

## Long-term incentives

<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- Designed to help recruit, reward and retain.</li> <li>- Drive long-term earnings and share price growth and value creation.</li> <li>- Align interests of executives and shareholders.</li> <li>- Encourage long-term shareholding and commitment to the Company.</li> <li>- Link corporate performance to management's long-term reward in a flexible way.</li> </ul>
<b>Operation</b>	<p>Executive Directors are eligible for annual awards under the Harvey Nash Performance Share Plan ('PSP'). Share awards will vest subject to the achievement of stretching performance criteria, measured over a three-year performance period. Shares vested under the scheme must be retained for two years post vesting. Dividends accrue during this period but not normally during the preceding three years.</p> <p>The Committee retains the right, in exceptional circumstances, to reclaim any awards based on fraud, financial misstatement and/or the misconduct of an individual through means deemed appropriate to those specific circumstances.</p>
<b>Maximum opportunity</b>	<p>Awards will be made up to 100% of salary per financial year in the normal course of business. In exceptional circumstances, the scheme rules permit awards of up to 200% of salary.</p>
<b>Performance measures</b>	<p>Performance will normally be measured:</p> <ul style="list-style-type: none"> <li>- as to 50% by reference to earnings per share adjusted for non-recurring items ('EPS'), or any other financial measure in support of the Company's strategy if the Committee considers it to be more appropriate; and</li> <li>- as to 50% by reference to total shareholder return ('TSR') assessed against an appropriate index or comparator group chosen by the Committee.</li> </ul> <p>The Committee may flex the balance between these two components or use only a single measure. If any measure were to represent more than 70% of the basis for any long-term incentive awards the Committee will consult with shareholders in advance.</p> <p>The Committee determines threshold and maximum performance targets at the time of award. Vesting levels between threshold and maximum performance will usually be calculated on a straight-line basis. Threshold performance will result in the vesting of 20% of the shares under award, while maximum performance will result in full vesting.</p>
<b>Other employees</b>	<p><b>Harvey Nash 2005 Company Share Option Scheme ('CSOP')</b></p> <p>Other employees receive awards in share options under the CSOP. Options are awarded based on merit and are only awarded for outstanding contributions to the Group.</p> <p>Awards vest based on three-year cumulative EPS growth targets over the vesting period. The basis of EPS measurement is the same as the PSP for Directors. Individual awards are set by taking into account:</p> <ul style="list-style-type: none"> <li>- the face value of individual awards at the time of grant, assuming that targets are met in full; and</li> <li>- market practice for comparable companies and market assessments of total remuneration from our independent advisers.</li> </ul> <p><b>Harvey Nash Performance Share Plan ('PSP')</b></p> <p>The PSP is designed for Executive Directors but may be used for other top-tier management if appropriate.</p>

### All-employee share plans

**Objective and link to strategy** – Encourage long-term shareholding and commitment to the Company.

<b>Operation</b>	All employees of the Group (with at least three months' service) have the opportunity to acquire Partnership Shares in the Group via the Harvey Nash Share Incentive Plan ('SIP'). The shares are then held in trust on behalf of the employee.
<b>Maximum opportunity</b>	The plan is subject to limits set by HMRC from time to time.
<b>Performance measures</b>	None.
<b>Other employees</b>	All employees are eligible for participation in the SIP.

### Pension

**Objective and link to strategy** – Help to recruit and retain.  
– Recognise long-term commitment to the Company.

<b>Operation</b>	Executive Directors can choose to receive a pension contribution or a cash payment in lieu. Pension contributions are made directly into the Directors' personal pension plans. Where cash payments are elected, they are made net of employer's National Insurance contributions.
<b>Maximum opportunity</b>	15% of basic salary.
<b>Performance measures</b>	There are no performance measures.
<b>Other employees</b>	<b>Harvey Nash Scottish Widows Pension Scheme</b> The Harvey Nash Scottish Widows Pension Scheme is a defined contribution pension plan open to all employees including Executive Directors. All employees who have been employed by the Company for at least three months are auto-enrolled into the scheme. Employees may choose to opt out but will be automatically re-enrolled at three-year intervals.

### Benefits and allowances

**Objective and link to strategy** – Helps to recruit, reward and retain.  
– Reflects competitive market level, role, skills, experience and individual contribution.

<b>Operation</b>	Includes cash allowances and non-cash benefits such as healthcare, life insurance and car allowance. Allowances and benefits do not form part of pensionable earnings.  Executive Directors may also be reimbursed for reasonable expenses incurred in performing their duties.
<b>Maximum opportunity</b>	The provision and level of allowances and benefits are competitive and appropriate in the context of the local market.  The Committee reviews annually the overall cost of the benefits provided to ensure that it remains appropriate.
<b>Performance measures</b>	None.
<b>Other employees</b>	Allowances and other benefits for employees reflect the local labour market in which they are based.

# Directors' Remuneration Report

## Shareholding policy

<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- Drive long-term earnings and share price growth and value creation.</li> <li>- Align interests of executives and shareholders.</li> <li>- Encourage long-term shareholding and commitment to the Company.</li> </ul>
<b>Operation</b>	The Executive Directors are expected to hold at least 150% of their respective annual base salary in shares. To the extent shares need to be acquired in order to achieve this, the Executive Directors are expected to retain the net of tax value of any annual bonus satisfied in shares and of any share awards vesting by virtue of the PSP or other long-term incentive scheme.

## Non-Executive Directors

The table below sets out the key elements of the policy for Non-Executive Directors:

<b>Fees</b>	
<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- Helps to recruit, reward and retain.</li> <li>- Reflects competitive market level, role, skills, experience and individual contribution.</li> </ul>
<b>Operation</b>	<p>Non-Executive Directors, other than the Chairman, receive a fixed base fee for their role on the Board plus supplementary fees for assuming additional responsibilities such as performing the role of Senior Independent Director or chairing one of the Board's sub-committees.</p> <p>The Chairman receives a fixed fee only and is not eligible for additional responsibility fees such as those described in the paragraph above.</p> <p>Where there has been a material increase in time commitment in the year (usually relating to specific issues such as recruitment, M&amp;A activity etc.), all Non-Executive Directors, including the Chairman, may be paid additional fees to reflect this.</p> <p>Directors may also be reimbursed for any reasonable expenses incurred in performing their duties.</p> <p>Fees are reviewed annually for the following year taking into account general economic and market conditions, the level of increases made across the Company as a whole and the remuneration of Non-Executive Directors in similar positions in comparable companies. Any increases would normally be limited to the higher of 5% or RPI.</p>
<b>Maximum opportunity</b>	The aggregate level of fees is limited under the Company's Articles of Association to £500,000 p.a.
<b>Performance measures</b>	None.
<b>Shareholding</b>	
<b>Objective and link to strategy</b>	<ul style="list-style-type: none"> <li>- To ensure independence of the Non-Executive Directors is maintained.</li> <li>- To safeguard the governance of the Group.</li> </ul>
<b>Operation</b>	Non-Executive Directors are permitted but not obliged to hold shares.
<b>Maximum opportunity</b>	Not applicable.
<b>Performance measures</b>	None.

## **Additional disclosures relating to performance-related elements of pay**

### **Annual bonus**

The Committee determines the performance measures and targets for the annual bonus plan annually so as to align with the business strategy and key drivers of performance for the forthcoming year. The Committee establishes threshold, target and maximum levels of performance for different levels of payout with sliding scales in between, determined relative to the Group's internal budget and key analyst consensus figures. Performance significantly in excess of target is required to achieve the maximum award.

### **Performance Share Plan ('PSP')**

Performance measures and targets for the PSP are determined at the time of award. Prior to the 2018 financial year, EPS has been used as the sole performance measure. Sustaining EPS growth is a key performance metric that will drive long-term shareholder value creation. Targets will be set annually by reference to the Group's strategic plan and analysts' forecasts, and strong and sustained performance will be required for maximum awards.

EPS is based on adjusted earnings attributable to equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year, excluding any ordinary shares purchased by the Company and held in trust. Earnings will normally be stated before non-recurring items, subject to the discretion of the Committee.

EPS growth is calculated using the point-to-point method. This method compares the adjusted EPS in the Company's accounts for the financial year ended prior to the grant date, with the adjusted EPS for the financial year ending three years later, and calculates the implicit compound annual growth rate ('CAGR') over the period.

From the 2018 financial year, in addition to EPS, TSR relative to an appropriate index or comparator group is also being used for the PSP. The two measures operate independently of one another. The benefit of having introduced relative TSR alongside EPS is that it represents an objective measure of performance from a shareholder's perspective, in tandem with the measure of absolute performance chosen by the Committee. The Committee considers that over the long term the Company's objective should be to outperform the relevant index or comparator group.

Although the Committee may change the choice of index or comparator group if in its view another would represent a better gauge of relative performance, the intention is to use the FTSE AIM Industrial Goods & Services Index. It is the Committee's intention that performance equal to that of the median of the constituents of this index over the relevant time period will be required for threshold performance. Maximum performance will be achieved by meeting or exceeding upper quartile performance of its constituents. Any deviation from these norms will be disclosed.

### **Legacy awards and any other contractual obligations**

For the avoidance of doubt, contractual commitments or awards granted prior to adoption of this policy, or before an Executive Director was appointed to the Board (i.e. for those promoted internally), will be allowed to pay out as per their original terms and/or in line with the policy in force at the time they were made.

# Directors' Remuneration Report

## Approach to recruitment remuneration

The table below summarises our key policies with respect to recruitment remuneration:

Element	Policy
<b>Base salary and benefits</b>	Harvey Nash operates in a highly competitive sector. The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Any new Executive Director's package would include the same elements, and be subject to the same constraints, as those of the existing Executive Directors.
<b>Pension</b>	Up to 15% of base salary.
<b>Annual bonus</b>	Up to 100% of base salary based on performance. Different targets to those for existing Executive Directors may be set in the first year of appointment to reflect the timing and nature of the appointment.
<b>Long-term incentives</b>	Any new Executive Director's package would be expected to include the same long-term incentive structure as those of existing Executive Directors. In the first year of appointment, performance targets may differ to those of existing awards made to other executives.
<b>Sign-on payments/recruitment awards</b>	Harvey Nash's policy is not to pay sign-on payments above and beyond the normal buy-out policy to replace rewards forfeited or payments foregone.
<b>Share buy-outs/replacement awards</b>	Where it is necessary to 'buy out' an individual's awards from a previous employer, the Committee will seek to match the expected value of the awards being forfeited. Replacement awards will vest over a similar period, and be subject to performance conditions if those awards forgone were also subject to performance conditions. The Company will reduce the quantum if the new awards are subject to performance conditions that are less stretching than those on the awards given up.
<b>Relocation policies</b>	Harvey Nash will cover reasonable costs of relocation for Directors.
<b>Legal costs</b>	Where necessary, Harvey Nash will reimburse any reasonable legal costs directly related to an Executive Director's recruitment or relocation.

### **Payments for loss of office**

The table below sets out, for each element of total remuneration, the Group's policy on payments for loss of office in respect of Directors who leave in accordance with the terms of their contract ('good leavers') and any discretion available to the Committee.

Element	Default approach	Committee discretion
<b>Base salary benefits and pension</b>	<p>Executive Directors are remunerated for the 12 months of their notice period in accordance with their normal contractual terms.</p> <p>Non-Executive Directors are remunerated for the six months of their notice period in accordance with their normal contractual terms.</p>	<p>The Committee may agree a payment in lieu of notice if they consider it to be in the interests of shareholders for the Director not to serve the full notice period.</p> <p>Under normal circumstances, it is intended that such payments would be paid on a phased basis by way of monthly instalments, and also be subject to mitigation (i.e. a pound-for-pound reduction in respect of proceeds earned for engagement or employment elsewhere).</p>
<b>Annual bonus</b>	<p>For the purposes of any annual bonus entitlement, if the Director is still employed on the bonus payment date (including if under notice, if such notice was given after the end of the performance year), a bonus will be paid as normal. No payment will be made if the employment is terminated before the end of the performance period or if the executive is not employed on the bonus payment date.</p>	<p>The Committee has discretion to pay an annual bonus based on the individual performance of the Director and expected or actual full-year result, normally pro-rated for the time served.</p> <p>The Committee has discretion to set different performance measures and weightings than would otherwise be set in accordance with this policy to take account of the circumstances in which the Director is leaving the Company and the timing thereof.</p> <p>Any bonus that would normally be paid in the form of shares may be paid in cash if the Committee deems it appropriate.</p> <p>The Committee may elect to reduce or waive the holding period applicable to any bonus payable or to bonus shares previously awarded.</p>
<b>Long-term incentive – PSP</b>	<p>Upon cessation of employment the Director's awards shall cease to be capable of call and the awards will lapse 30 days later.</p>	<p>The Committee has discretion to allow the Director to maintain the awards until vesting and permit their call within six months of their normal vesting date, normally subject to a pro-rata reduction in the number of shares that may be acquired, to reflect the period served from grant until termination.</p> <p>In exceptional circumstances, the Committee may allow the call of options on an accelerated basis, normally subject to a pro-rata reduction in the number of shares that may be acquired and application of the performance conditions.</p>

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# Directors' Remuneration Report

The Group can pay any statutory redundancy in addition to contractual entitlements. The Committee will have the authority to settle legal claims against the Group (e.g. for unfair dismissal, discrimination or whistleblowing) that may arise on termination of a Director's employment. The Committee may also authorise the provision of outplacement services and pay reasonable legal expenses associated with the termination of a Director's employment.

In the case of a change of control (i.e. as a result of a merger or buyout), outstanding share-based payments would normally vest on the effective date of the change in control, subject to their original performance conditions and, normally, pro-rating for time served (although the Committee shall have discretion to waive pro-rating if it believes it to be in the interests of shareholders to do so).

Non-Executive and Executive appointments will be terminated immediately with no compensation for loss of office if they are terminated for cause ('bad leavers'). Bad leavers will be remunerated in the form of their base salary, pension contributions and benefits for services performed to the date of termination of their employment. All outstanding unvested shares will lapse; no cash or share bonuses will be paid.

### **Remuneration Committee discretions**

The Committee retains certain discretions to make adjustments to the policy where appropriate to ensure that it maintains true to its intended purpose and remains fully linked to the Group's interests. A full account of how and why any of these discretions are used will be set out in the relevant Annual Report on Remuneration.

For the avoidance of doubt, the areas over which the Committee may exercise its discretion include the following:

- In respect of both the annual bonus and long-term incentive plans, determination of:
  - individual eligibility;
  - timing of bonus payments and long-term incentive grants;
  - quantum of bonus opportunity and long-term incentive grants;
  - performance measures, weightings and targets; and
  - extent of vesting or payout.
- Adjusting as appropriate the measures and/or targets, and altering weightings of targets, for awards already granted, in certain circumstances.
- Making appropriate adjustments to bonus and long-term incentive awards as required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events and special dividends).
- Determining 'good leaver' status and treatment and hence when the discretions referred to in this policy relating to leavers can be exercised.

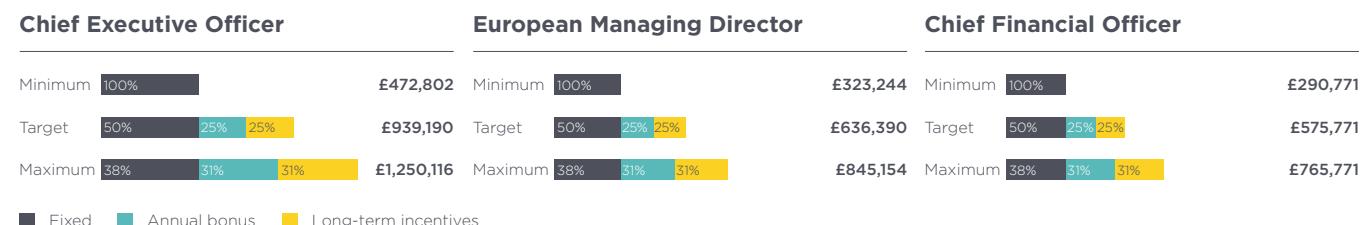
### Illustrations of application of remuneration policy

Assumptions used in determining remuneration under given scenarios are as follows for the 2019 financial year:

	Element	Minimum	Target <sup>(2)</sup>	Maximum
Chief Executive Officer	Fixed <sup>(1)</sup>	£472,802	£472,802	£472,802
	Annual bonus		£233,194	£388,657
	Long-term incentives		£233,194	£388,657
	<b>Total</b>	<b>£472,802</b>	<b>£939,190</b>	<b>£1,250,116</b>
European Managing Director	Fixed <sup>(1)</sup>	£323,244	£323,244	£323,244
	Annual bonus		£156,573	£260,955
	Long-term incentives		£156,573	£260,955
	<b>Total</b>	<b>£323,244</b>	<b>£636,390</b>	<b>£845,154</b>
Chief Financial Officer <sup>(3)</sup>	Fixed <sup>(1)</sup>	£290,771	£290,771	£290,771
	Annual bonus		£142,500	£237,500
	Long-term incentives		£142,500	£237,500
	<b>Total</b>	<b>£290,771</b>	<b>£575,771</b>	<b>£765,771</b>

#### Notes

1. Fixed remuneration is not subject to performance measures and includes base salary, pension contributions and other benefits.
2. For both the annual bonus and long-term incentives, target performance is treated as resulting in 60% of the maximum opportunity becoming payable or vesting respectively.
3. Mark Garratt's annual base salary is being increased to £250,000 from 1 May 2018. Figures disclosed here for fixed remuneration therefore include his pro-rated base salary.



### Consideration of employment conditions elsewhere in the Group in developing policy

In accordance with the Committee's terms of reference, available on the Group's website, the Committee's remit does not include remuneration matters below that of the Chairman, Chief Executive Officer and the other Executive Directors. However, before the remuneration packages for the Harvey Nash Executive Directors are set for the year ahead, the Committee considers general pay trends in the market and the level of pay increases across the Group as a whole. This helps to ensure that their remuneration packages are reviewed in the context of the wider organisation and that they are aligned to the Group's strategy, competitiveness and performance of the business and other matters affecting employees.

The Committee also takes into account the results of the annual Employee Engagement Survey in which all employees across the Group are encouraged to participate. This is discussed further in the Corporate Responsibility section of the Strategic Report.

### Consideration of shareholder views

The Directors meet shareholders regularly to consult with, and update, them on all matters relating to the Group's strategy and business operations. When appropriate, including in respect of this policy, shareholders are also consulted on matters relating to Executive Directors' remuneration.

The Committee continues to be aware of, and responds to, best practice guidelines published by institutional shareholders and their representative bodies.

# Directors' Remuneration Report

## Part 3: Annual Report on Remuneration

This section of the Directors' Remuneration Report contains details of how the Company's existing remuneration policy for Directors has been implemented during the financial year.

### Single total figure of remuneration (audited)

#### Executive Directors

The remuneration of Executive Directors, including a breakdown of elements and comparative figures, is shown below.

Executive Director		Base salary	Benefits <sup>(1)</sup>	Annual bonus <sup>(2)</sup>	Pension contributions <sup>(3)</sup>	Vested PSP awards <sup>(4)</sup>	Total
Albert Ellis	FY2018	£388,657	£25,395	£364,366	£51,229	£86,084	£915,731
	FY2017	£388,657	£25,270	-	£52,051	-	£465,978
Simon Wassall	FY2018	£260,955	£22,695	£243,123	£35,464	£57,758	£619,995
	FY2017	£260,955	£22,570	-	£35,609	-	£319,134
Mark Garratt <sup>(5)</sup>	FY2018	£166,667	£14,211	£163,334	£22,979	-	£367,191
	FY2017	-	-	-	-	-	-
Richard Ashcroft <sup>(6)</sup>	FY2018	£142,828	£11,403	£129,552	£17,076	£34,677	£335,536
	FY2017	£194,328	£17,070	-	£26,204	-	£237,602

#### Notes

1. Benefits comprise a car allowance and private medical cover.
2. An analysis of the annual bonuses for the 2018 financial year is set out on page 53. In the prior year the Executive Directors elected to waive their bonuses.
3. In accordance with the remuneration policy, Executive Directors can choose to receive a pension contribution or a cash payment in lieu, made net of employer's National Insurance contributions. The figure here includes the cash value of contributions to defined contribution pension plans and cash payments in lieu of contributions.
4. The value of vested PSP awards has been estimated using the closing share price of 87.8p at 31 January 2018.
5. Mark Garratt joined the Group on 3 April 2017.
6. Richard Ashcroft ceased to be an employee of the Group on 30 September 2017. His base salary includes unused holiday pay of £13,276.

#### Non-Executive Directors

The remuneration of Non-Executive Directors, including a breakdown of elements and comparative figures, is shown below.

Non-Executive Director		Base	Committee Chair	Senior Independent Director	Total fees
Julie Baddeley	FY2018	£102,819	-	-	£102,819
	FY2017	£102,819	-	-	£102,819
David Bezem	FY2018	£43,184	£5,060	-	£48,244
	FY2017	£43,184	£5,060	-	£48,244
Ian Davies	FY2018	£43,184	£5,060	£5,060	£53,304
	FY2017	£43,184	£5,060	£5,060	£53,304
Kevin Thomas	FY2018	£43,184	-	-	£43,184
	FY2017	£43,184	-	-	£43,184
Adrian Gunn <sup>(1)</sup>	FY2018	£10,796	-	-	£10,796
	FY2017	-	-	-	-

#### Note

1. Adrian Gunn was appointed on 1 October 2017.

### Outcome of the annual bonus for the 2018 financial year (audited)

The performance targets and actual performance achieved are summarised below:

	Weighting	Threshold	Target	Maximum	Actual	Achieved
<b>Financial targets<sup>(1)</sup></b>						
Albert Ellis	70%					70%
Simon Wassall	70%	£9.1m	£9.4m	£9.6m	£10.8m	70%
Mark Garratt	70%	0%	60% of maximum	100% of maximum	100% of maximum	70%
Richard Ashcroft	60%					60%
<b>Individual targets<sup>(2)</sup></b>						
Albert Ellis	10%					7%
Simon Wassall	10%		Employee retention and succession planning <sup>(3)</sup>			6%
Mark Garratt	10%					10%
Albert Ellis	10%					8%
Simon Wassall	10%		Working capital <sup>(4)</sup>			8%
Mark Garratt	10%					8%
Albert Ellis	10%					9%
Simon Wassall	10%		Strategic development <sup>(5)</sup>			9%
Mark Garratt	10%					10%
Richard Ashcroft	40%		Handover to successor <sup>(6)</sup>			40%
<b>Total bonus</b>						
	Financial performance	Individual performance	Total	Cash bonus	Share bonus	Total bonus
Albert Ellis	70%	24%	94%	233,194	131,172	364,366
Simon Wassall	70%	23%	93%	156,573	86,550	243,123
Mark Garratt	70%	28%	98%	100,000	63,334	163,334
Richard Ashcroft	60%	40%	100%	129,552	-	129,552

#### Notes

1. Unless the Committee determines otherwise, the financial target is based on profit before tax adjusted for non-recurring items.
2. Individual bonus targets are set each year by the Remuneration Committee. The targets set in respect of the 2018 financial year are described within Part 1 of the Report and the following footnotes.
3. Employee retention and succession planning targets vary by Executive Director but include retention of specified key employees.
4. The working capital targets were the same for each Executive Director. Subject to meeting a year-end adjusted net cash target of £0.95m (before cash outflows on acquisitions and the cash cost of the transformation programme), a bonus was payable in relation to a debtor day target. At a threshold debtor day target, 60% of this bonus element was payable. Beyond a maximum target, 100% of this bonus element was payable, with a straight-line payout between these targets. This was split between the half-year and year end outcome with a 30:70 weighting.  
In the event, year-end adjusted net cash was £5.5m, after adding back £7.8m of acquisition costs and £4.5m of transformation costs. Debtor days were 41.4 at interim, compared to a threshold of 43.0 and a maximum of 40.0 days. At year end, debtor days were 39.5 days, compared to a threshold of 41.0 and a maximum of 38.0 days.
5. The strategic development bonus targets were assessed both qualitatively and quantitatively by the Remuneration Committee against a pre-determined set of objectives for the 2018 financial year. Each of the Executive Directors had individual targets relating to different aspects of the strategic plan and the transformation programme. The Committee considers the disclosure of the details of these objectives to be commercially sensitive as they relate to future strategy.
6. Richard Ashcroft's individual bonus objectives related to expediting a smooth handover to his successor during the 2018 financial year.

# Directors' Remuneration Report

## **Outcome of the 2015 PSP award (audited)**

The 2015 PSP Award met the threshold target for the three-year performance period ended 31 January 2018 and 21.7% will therefore vest on 1 May 2018.

	Threshold performance	Maximum performance	Actual
Compound annual growth rate	7.5%	15.0%	7.67%
Adjusted diluted EPS	11.16p	13.66p	11.21p
% vest	20.0%	100.0%	21.7%
<b>Number of shares</b>			
Albert Ellis	90,364	451,821	98,046
Simon Wassall	60,631	303,154	65,784
Richard Ashcroft	36,401	182,006	39,495
<b>Total</b>	<b>187,396</b>	<b>936,981</b>	<b>203,325</b>

## **Scheme interests awarded including those in the 2018 financial year (audited)**

The following table sets out the details of the long-term incentive awards where vesting will be determined according to the achievement of performance measures that will be tested in future reporting periods.

In respect of the award made on 28 September 2017, the performance measure for 50% of the shares is compound annual growth rate ('CAGR') of fully diluted adjusted earnings per share ('EPS') over the three-year performance period. Threshold performance of 7.5% CAGR is required in order for 20% of the award to vest, rising on a straight-line basis to full vesting if a CAGR of 15% is achieved.

The performance measure for the remaining 50% of the shares is total shareholder return ('TSR'), assessed against the constituents of the FTSE AIM Industrial Goods & Services Index. Threshold performance, at which 20% of the award will vest, is achieved if TSR is equal to the median TSR of the constituents of this index over the same period. Maximum performance is achieved if TSR meets or exceeds upper quartile performance.

All previous awards have a single performance measure, based on EPS growth with the same conditions as outlined above.

No long-term incentives vested in the 2018 financial year, however the threshold performance target was met for the 2015 Award and accordingly a portion will vest on 1 May 2018, as shown in the table above.

Performance period	Date of grant	Earliest exercise date	Expiry date	Share price at grant date	Exercise price	Executive Director	Number at 1 Feb 2017	Granted in year <sup>(1)</sup>	Lapsed in year	Number at 31 January 2018
<b>2014 Award<sup>(2)</sup></b>										
01.02.14 to 31.01.17	03.07.14	03.07.17	03.07.24	108.5p	5p	Albert Ellis	346,236	- (346,236)	-	-
						Simon Wassall	232,472	- (232,472)	-	-
						Richard Ashcroft	173,117	- (173,117)	-	-
						<b>Total</b>	<b>751,825</b>	<b>- (751,825)</b>	<b>-</b>	<b>-</b>
<b>2015 Award<sup>(4)</sup></b>										
01.02.15 to 31.01.18	01.05.15	01.05.18	01.05.25	85.0p	5p	Albert Ellis	451,821	-	-	451,821
						Simon Wassall	303,154	-	-	303,154
						Richard Ashcroft <sup>(3)</sup>	225,910	- (43,904)	182,006	
						<b>Total</b>	<b>980,885</b>	<b>- (43,904)</b>	<b>936,981</b>	
<b>2016 Award</b>										
01.02.16 to 31.01.19	29.04.16	29.04.19	29.04.26	71.0p	5p	Albert Ellis	547,404	-	-	547,404
						Simon Wassall	367,542	-	-	367,542
						Richard Ashcroft <sup>(3)</sup>	273,701	- (143,974)	129,727	
						<b>Total</b>	<b>1,188,647</b>	<b>- (143,974)</b>	<b>1,044,673</b>	
<b>2017 Award</b>										
01.02.17 to 31.01.20	29.09.17	29.09.20	29.09.27	88.0p	5p	Albert Ellis	-	441,656	-	441,656
						Simon Wassall	-	296,540	-	296,540
						Mark Garratt	-	189,291	-	189,291
						<b>Total</b>	<b>-</b>	<b>927,487</b>	<b>-</b>	<b>927,487</b>

## Notes

- Share awards were made under the PSP to the value of 100% of base salary during the 2018 financial year, representing the maximum award possible in the normal course of business. The mid-market closing price on the eve of the award was 88.0 pence.
- The 2014 Award failed to meet the performance criterion in the three-year performance period ended 31 January 2017 and therefore lapsed on the vesting date of 3 July 2017.
- As disclosed in the 2017 Remuneration Report, the Committee exercised its discretion to allow Richard Ashcroft to retain his outstanding PSP awards until vesting. To the extent the performance criterion is met for each award, the number of shares which vest will be proportionate to his period of employment with the Group.
- The 2015 Award met the threshold target for the three-year performance period ended 31 January 2018 and accordingly a portion will vest on 1 May 2018.

**Service contracts and letters of appointment**

Director	Date of contract/letter of appointment	Notice period by Company or Director	Unexpired term
<b>Executive</b>			
Albert Ellis	01.02.2001	Continuous	12 months
Simon Wassall	17.10.2005	Continuous	12 months
Mark Garratt	03.04.2017	Continuous	12 months
<b>Non-Executive</b>			
Julie Baddeley	09.09.2017	Continuous	6 months
David Bezem	21.09.2017	Continuous	6 months
Ian Davies	21.09.2017	Continuous	6 months
Kevin Thomas	21.09.2017	Continuous	6 months
Adrian Gunn	01.10.2017	Continuous	6 months

# Directors' Remuneration Report

## Payments to past Directors (audited)

No payments were made to past Directors in the year.

## Payments for loss of office (audited)

No payments were made for loss of office in the year.

## Statement of Directors' shareholding and share interests (audited)

Directors' share interests, and where applicable achievement of shareholding requirements, are set out below:

Director	Shareholding				Interests		Total interests held at year end <sup>(3)</sup>
	Shares required to be held (% salary) <sup>(1)</sup>	Number of shares required to be held <sup>(2)</sup>	Number of beneficially owned shares	Shareholding requirement met?	PSP awards		
<b>Executive</b>							
Albert Ellis	150%	703,589	812,656	Yes	1,440,881		2,253,537
Simon Wassall	150%	472,409	283,260	No	967,236		1,250,496
Mark Garratt	150%	362,062	1,706	No	189,291		190,997
Richard Ashcroft <sup>(4)</sup>	n/a	n/a	67,442	n/a	311,733		379,175
<b>Non-Executive</b>							
Julie Baddeley	n/a	n/a	10,000	n/a	-		10,000
David Bezem	n/a	n/a	-	n/a	-		-
Ian Davies	n/a	n/a	-	n/a	-		-
Kevin Thomas	n/a	n/a	10,000	n/a	-		10,000
Adrian Gunn	n/a	n/a	-	n/a	-		-

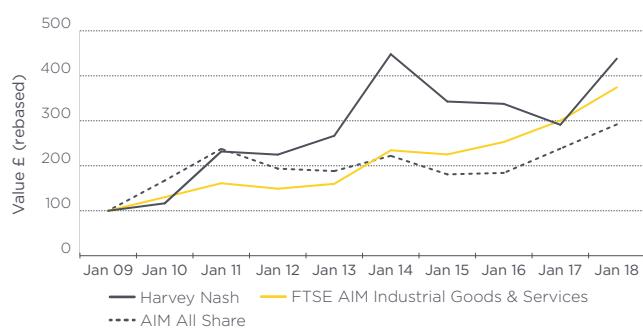
### Notes

1. As stated in the policy approved at the 2017 AGM and set out in Part 2 of the Report, Executive Directors will be expected to hold at least 150% of their respective annual base salary in shares in future years. To the extent shares need to be acquired in order to achieve this, the Executive Directors will be expected to retain the net of tax value of any annual bonus satisfied in shares and of any share awards vesting by virtue of the PSP or other long-term incentive scheme until this is achieved.
2. Calculation of the number of shares required to be held is based on the average share price over the financial year.
3. Between 31 January 2018 and the date of this report, the Executive Directors each acquired a further 332 shares.
4. This represents Richard Ashcroft's shareholding and share interests on 30 September 2017, the date that he ceased to be an employee of the Group.

## Share performance graph

The graph alongside shows the value, at 31 January 2018, of £100 invested in Harvey Nash on 31 January 2009, compared with the value of £100 invested in the FTSE AIM Industrial Goods & Services Index ('the AIM IG&S Index') and the AIM All Share Indices on the same date. The other points plotted are the values at intervening financial year ends. The graph shows the total shareholder return generated by both the movement in capital value and the reinvestment of dividend income.

## Total shareholder return



Harvey Nash is quoted on AIM and is a constituent of the AIM IG&S Index. In addition, since the move to AIM, one of the bases for measuring performance of the PSP awards is total shareholder return measured against that of the constituents of the AIM IG&S index.

### Chief Executive Officer remuneration over the past nine years

The table below sets out the Chief Executive Officer's remuneration.

Financial year ended 31 January	Name	Single figure of total remuneration	Bonus payout (as % of maximum opportunity)	Long-term incentive as a % of maximum opportunity
2018 <sup>(1)</sup>	Albert Ellis	£915,731	94%	22%
2017 <sup>(2)</sup>	Albert Ellis	£465,978	0%	Nil
2016	Albert Ellis	£651,872	48%	Nil
2015	Albert Ellis	£580,883	33%	Nil
2014	Albert Ellis	£672,750	70%	n/a
2013	Albert Ellis	£725,332	89%	n/a
2012	Albert Ellis	£724,204	100%	n/a
2011	Albert Ellis	£472,321	55%	Nil
2010	Albert Ellis	£501,471	91%	n/a

#### Notes

- 451,821 options over shares granted under the 2015 PSP Award met the threshold target for the three-year performance period ended 31 January 2018 and accordingly 21.7% will vest on 1 May 2018.
- 346,236 options over shares granted under the 2014 PSP Award failed to meet the performance condition in the three-year performance period ended 31 January 2017 and therefore lapsed.

### Percentage change in the Chief Executive Officer's remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared to the percentage change in remuneration of all employees of the Group.

CEO remuneration	2018	2017	% change
Base salary	£388,657	£388,657	0.0%
Taxable benefits	£25,395	£25,270	0.5%
Pension contributions	£51,229	£52,051	(1.6%)
Annual variable	£364,366	Nil <sup>(1)</sup>	-
Long-term incentives	£86,084	Nil	-
<b>Total</b>	<b>£915,731</b>	<b>£465,978</b>	<b>96.5%</b>
Total across all employees			(2.7%)

#### Note

- In the 2017 financial year the Executive Directors elected to waive their bonuses.

### Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the financial year and previous financial year compared with other disbursements from profit.

Disbursements from profit	2018 £'000	2017 £'000	% change
Executive and Non-Executive Director pay	2,497	1,270	96.6%
Dividends paid	3,029	2,849	6.3%
Employee pay	105,777	108,440	(2.7%)

# Directors' Remuneration Report

## Statement of implementation of remuneration policy in the following financial year

### Executive Director base salary

The base salaries for the 2019 financial year and comparison with the preceding year are set out below:

Executive Director	2018	2019	% change
Albert Ellis	£388,657	£388,657	-
Simon Wassall	£260,955	£260,955	-
Mark Garratt <sup>(1)</sup>	£200,000	£250,000	25.0%

#### Note

- As set out in Part 1 of this Report, in April 2018 the Board decided formally to broaden the scope of Mark Garratt's responsibilities, to change his title to Chief Financial Officer and to increase his base salary to £250,000 per annum effective from 1 May 2018. The comparator for the 2018 financial year is an annualised figure as Mark Garratt joined on 3 April 2017.

### Annual bonus

The maximum bonus for the 2019 financial year will be 100% of base salary, with 80% based on financial performance and 20% on individual targets. The financial performance element of the bonus will be based on the achievement of adjusted profit before tax targets (70%) and working capital targets (10%) with 60% of this element of the bonus being payable for achieving target performance.

Details concerning individual targets (20%), where not commercially sensitive, will be disclosed alongside bonus outcomes in the 2019 Directors' Remuneration Report.

### Performance Share Plan ('PSP')

Details of the maximum long-term incentive awards for Executive Directors along with the performance measures and targets for the awards to be made in the 2019 financial year are set out below:

Maximum opportunity (% of salary)	Weighting	Performance measures	Performance target	Vesting level
	50%	Compound annual growth rate of EPS over a three-year performance period	Compound annual growth rate of EPS - threshold is 7.5% and maximum 15%	Straight-line vesting between 20% at threshold and 100% at maximum
100%	50%	Total shareholder return ('TSR') assessed against constituents of the FTSE AIM Industrial Goods & Services Index	Threshold performance is achieved if TSR is equal to the median TSR of the constituents of the specified index over the same period. Maximum performance is achieved if TSR meets or exceeds upper quartile performance of the constituents of this index	Straight-line vesting between 20% at threshold and 100% at maximum

### Non-Executive Directors

The following table sets out the fees for the Non-Executive Directors for the 2019 financial year, which remain the same as those of the previous year.

	2018	2019	% change
<b>Approved by the Executive Directors:</b>			
Base fee	£43,184	£43,184	-
Senior Independent Director	£5,060	£5,060	-
Committee Chair	£5,060	£5,060	-
<b>Approved by the Remuneration Committee:</b>			
Chairman	£102,819	£102,819	-

### Independent remuneration adviser

During the year, the Committee engaged the services of Aon as an independent adviser. Aon does not provide any other services to the Company. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. The Committee is therefore satisfied that the advice it receives from Aon is both independent and objective.

During the 2018 financial year Aon provided advice on and assistance with the drafting of the revised remuneration policy approved by shareholders at the 2017 AGM, assisted with the drafting of revised documentation for the grant of PSP awards in accordance with the new policy and assisted with the drafting of the 2018 Directors' Remuneration Report. The fees payable in relation to this advice amounted to approximately £11,000 (excluding VAT).

### Voting at the Annual General Meeting

The current remuneration policy, intended to apply for the three-year period ending 31 January 2020, was approved by shareholders at the AGM on 29 June 2017 with the voting result set out below. The Directors' Remuneration Report is subject to approval each financial year and was last approved at the AGM on 29 June 2017 with the voting result set out below, together with the two prior years.

Resolutions	Date of AGM	Votes for	%	Votes against	%	Votes withheld
<b>Directors' remuneration policy</b>						
2017	29 June 2017	48,028,375	99.93%	34,255	0.07%	7,360
<b>Directors' Remuneration Report</b>						
2017	29 June 2017	48,028,575	99.93%	33,805	0.07%	3,610
2016	30 June 2016	32,748,378	87.71%	4,589,145 <sup>(1)</sup>	12.29%	2,610
2015	2 July 2015	31,156,642	99.87%	40,240	0.13%	2,500

#### Note

1. Substantially all of the votes against the 2016 Directors' Remuneration Report were cast by one non-institutional shareholder.

Harvey Nash has always been committed to appropriate and clear remuneration structures as well as full disclosure and in the Directors' opinion the proportion of shareholders that have voted in favour of the Report and policy demonstrates this.

# Directors' Report

For the year ended 31 January 2018

The Directors present their Annual Report and the audited consolidated financial statements of the Group and the financial statements of the Company for the year ended 31 January 2018. The Corporate Governance Statement set out on pages 32 to 35 forms part of this report.

Details of the Group's strategy and a discussion of trends affecting the Group's businesses are set out in the Strategic Report on pages 2 to 27.

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**Mark Garratt**  
Group Finance Director

## Dividends

The Directors recommend a final dividend of 2.652 pence per share, amounting to £1.9m (2017: 2.525 pence per share amounting to £1.8m), to be paid on 6 July 2018 to shareholders on the register as at 15 June 2018. Together with the interim dividend of 1.643 pence per share, this makes a total of 4.295 pence per share (2017: 4.090 pence). In total, this amounts to £3.1m for the year (2017: £3.0m).

## Capital structure

There was no movement in shares in issue during the financial year. The number of ordinary shares in issue at 31 January 2018 was 73,450,393 (2017: 73,450,393) with a nominal value of £3,672,520 (2017: £3,672,520).

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 22.

The Company has one class of ordinary shares. All issued shares are fully paid and each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 25. As in previous years, the Harvey Nash Group Employee Benefit Trust ('EBT') waived its right to receive dividends. As at 31 January 2018 the EBT held 711,201 shares (2017: 794,660).

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

### **Directors and their interests**

The Directors who held office in the course of the financial year and to the date of this report were:

- Julie Baddeley (Chairman)
- Albert Ellis (Chief Executive Officer)
- Mark Garratt (appointed 3 April 2017)
- Simon Wassall
- Richard Ashcroft (resigned 27 April 2017)
- Ian Davies (Senior Independent Director)
- David Bezem
- Kevin Thomas
- Adrian Gunn (appointed 1 October 2017)

The Company's Articles of Association require Directors to retire from office and stand for re-election every three years, while Non-Executive Directors who have served for over nine years must stand for re-election every year. Julie Baddeley intends to offer herself for re-election at the AGM on 28 June 2018.

All Executive Directors have service contracts with the Company terminable by either party giving to the other not less than 12 months' notice. Letters of appointment are available for review from the Company Secretary. The beneficial interests, in both shares and share options, of the Directors and their families are disclosed in detail in the Directors' Remuneration Report. There have been no changes in Directors' interests between the end of the financial year and the date of this report.

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 that appropriate support is provided. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Other information**

The Company has adopted the requirements of The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

Employee consultation is discussed in the Strategic Report on page 24.

The financial risk management policies of the Company are disclosed in note 3 to the financial statements.

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

### **Political contributions**

The Group made no political donations during the current or prior year.

### **Purchase of own shares**

The Directors, on behalf of the Company, are empowered to authorise the purchase of up to 10% of the Company's issued share capital. No shares were purchased through the market during the year, although the Directors will seek to renew this authority at the AGM.

### **Substantial shareholdings**

On 31 January 2018, the Company had been notified, in accordance with the FCA Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	<b>Number of shares</b>	<b>% of total</b>
DBAY Advisors	19,171,823	26.10
Miton Asset Management	7,974,069	10.86
Chelverton Asset Management	4,300,000	5.85
Herald Investment Management	3,652,500	4.97
Canaccord Genuity Group Inc	2,998,625	4.08
Hargreaves Lansdown Asset Management	2,931,839	3.99

# Directors' Report

At 26 April 2018, the Company had been notified, in accordance with the FCA Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	Number of shares	% of total
DBAY Advisors	19,171,823	26.10
Miton Asset Management	7,974,069	10.86
Chelverton Asset Management	4,300,000	5.85
Herald Investment Management	3,652,000	4.97
Canaccord Genuity Group Inc	2,977,746	4.05
Hargreaves Lansdown Asset Management	2,909,412	3.96

## External Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

## Approval

The Directors' Report was approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

**Mark Garratt**  
**Group Finance Director**

**Statement of Directors' Responsibilities  
in Respect of the Annual Report**

# Statement of Directors' Responsibilities in Respect of the Annual Report

For the year ended 31 January 2018

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and they have also chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard ('FRS') 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 26 April 2018 and is signed on its behalf by:

**Mark Garratt**  
**Group Finance Director**

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# Auditors' Report

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework', and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Harvey Nash Group plc (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent Company Balance Sheets;
- the Consolidated and parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the related notes 1 to 31 on the Group financial statements; and
- the related notes 1 to 6 on the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

<b>Key audit matters</b>	The key audit matters that we identified in the current year were:
	<ul style="list-style-type: none"> <li>- impairment of goodwill;</li> <li>- revenue recognition of accrued income; and</li> <li>- classification of expenses and accuracy of credits in the disclosure of non-recurring expenses.</li> </ul>
	Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year are identified with  .
<b>Materiality</b>	The materiality that we used for the Group financial statements was £0.55m, which was determined on the basis of 5% of the adjusted profit before tax ('PBT'). We determined adjusted PBT to be the profit before tax and non-recurring items.
<b>Scoping</b>	We determined the component scope of our audit based upon the financial significance and the specific account balances within each component. We performed full scope audit procedures in the UK, Belgium and the Netherlands as we determined these components to be financially significant to the Group. Belgium consists of five subsidiaries, of which the two significant subsidiaries were included as full scope audits, and the remaining less material subsidiaries were included in specified audit procedures scope. We have also assessed the Swedish and US components to be significant in terms of certain financial statement line items or risks and therefore performed specified audit procedures on these.
<b>Significant changes in our approach</b>	<p>In the current year, we no longer consider debtor recoverability to be a key audit matter for the Group as a whole. This is on the basis that there is no history of errors and the long outstanding debt is a small value of the total trade debt.</p> <p>In addition, non-recurring expenses is a new key audit matter due to their material nature and the level of management judgement involved in the classification of expenses and estimates around release of accruals.</p>

## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the Directors' statement in note 1b to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

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# Auditors' Report

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## Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 18 to 23 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 19 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 23 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures, drawing attention to any necessary qualifications or assumptions.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Impairment of goodwill

Refer to page 37 (Audit Committee Report), page 87 (critical accounting judgements and key sources of estimation uncertainty) and note 14, page 95 (financial statement disclosures)

### Key audit matter description



Under IAS 36 'Impairment of Assets' management are required to perform an impairment review of the carrying value of goodwill. As at 31 January 2018 the carrying value of goodwill was £61.3m (2017: £54.0m) and was spread across 12 (2017: 12) cash-generating units ('CGUs'). This is the most significant asset on the balance sheet, arising from acquisitions. The balance has increased primarily due to two acquisitions during the year.

Assessing whether an impairment to goodwill is required is an inherently judgemental exercise. This assessment includes forecasting future results throughout the Group and there are additional key assumptions such as the identification of CGUs, long-term growth rates, the determination of the discount rate required and what sensitivities are disclosed within the notes to the financial statements.

Our key audit matter relates to two key areas, on the basis that the calculation is sensitive to these assumptions and has the most material impact on the value-in-use and headroom calculations:

- the appropriateness of discount rates; and
- the forecast short term cash flows used in years one to five of the impairment model.

Based on management's assessment, the Norwegian CGU is sensitive to changes in the discount rate. Note 14 to the financial statements contains detail as to reasonably possible change that could occur and the impact this would have on the value of the Norwegian CGU.

### How the scope of our audit responded to the key audit matter



We obtained management's goodwill impairment review calculations and assessed the accuracy of the model by recalculating the value-in-use and headroom for each CGU. Furthermore, we challenged the assumptions and inputs into the model as described below.

To assess the short term cash flows we assessed the forecast performance against the current performance in the first quarter of the year and against other territory-specific external sources of data. We also assessed management's historical forecasting accuracy.

We engaged with valuation specialists to assess the discount rates calculated by management. This is assessed with reference to benchmark information about the individual inputs to the calculation throughout a recruitment industry comparator group.

Our procedures also included:

- assessing the identification of cash-generating units;
- comparing the long-term forecasts against long-term economic growth rates from external data for each relevant jurisdiction; and
- evaluating the reasonableness of, and recalculating, the sensitivity assessment applied by management.

We critically evaluated the available headroom on CGUs that were the most sensitive to changes in the underlying assumptions and were therefore more at risk of possible impairment. We performed a sensitivity analysis on these CGUs by adjusting for factors such as the discount rate and cash flow forecasts.

In addition, we have critically assessed the disclosures provided in note 14 against the requirements of IAS 36, 'Impairment of assets'.

# Auditors' Report

## Key observations



We have found that the discount rates used by management are at the lower end of what we would consider to be the reasonable range. We have concluded that the other assumptions and judgements in management's model are reasonable.

## Revenue recognition of accrued income

Refer to page 38 (Audit Committee Report) and page 87 (critical accounting judgements and key sources of estimation uncertainty)

## Key audit matter description



The revenue for each segment is different depending on territory, market and service that is performed. Technology Recruitment is the main contributor to gross profit and at year end earned £64.5m (2017: £63.1m).

Significant judgement needs to be applied in determining the amount of revenue to recognise for services that have been performed at the year end date but for which the timesheet has not been submitted or has been submitted but not approved. This judgement relies on management's evaluation of historic results, knowledge of the business and current active contractors.

## How the scope of our audit responded to the key audit matter



We have assessed the appropriateness of the proportion of revenue recognised from missing and submitted but not approved timesheets by:

- understanding and challenging management's rationale for the proportion of revenue accrued by tracing sample items to evidence of submission and customer approval post year end;
- considering the appropriateness of the estimates made by management in previous years with reference to the subsequent receipt or approval of timesheets accrued for at the prior year reporting date; and
- mechanically recalculating management's accrued income estimate.

## Key observations



Based on the procedures we have performed, we have not identified any material misstatements in relation to revenue recognition.

**Classification of expenses and accuracy of credits in the disclosure of non-recurring expenses** 

Refer to page 37 (Audit Committee Report), page 87 (critical accounting judgements and key sources of estimation uncertainty) and note 9, page 89 (financial statement disclosures)

**Key audit matter description**

Included and presented separately in the Annual Report, in the Consolidated Income Statement and note 9, are non-recurring items of £4.7m (2017: £0.1m). This comprises material expenses of £6.0m (2017: £nil) of Group transformation costs, a £0.8m goodwill impairment (2017: £0.1m) and other costs of £0.8m (2017: £0.6m), and a credit of £2.9m (2017: £0.5m) arising on a change in accrual estimate.

The classification of these affect operating profit before non-recurring items disclosed in the income statement, which is a key measure for stakeholders. Management are required to make judgements in determining which expenses to include and disclose separately. There is also significant judgement involved in determining the appropriate estimate for releasing aged accrued liabilities, in both the legal requirements and history of claims.

The key measure as mentioned above is used to determine several other transactions, including Directors' bonuses and longevity of the Group, and is quoted in several sections of the Strategic Report.

**How the scope of our audit responded to the key audit matter**

In relation to each balance that is classed as a non-recurring item, we have performed the following procedures:

- we have critically assessed whether each item meets the definition of an item for separate disclosure in line with the accounting standard's requirements for items of a material nature to be disclosed separately and whether this classification is appropriate; and
- for release of aged accrued liabilities in the Dutch business we have assessed the new estimates based on the evidence provided by management, for both reasonableness as well as the allocation between recurring and non-recurring expenses. We have performed our assessment by comparing the estimate to historic data with the trends for claims from creditors, as well as considering the Group's legal obligations.

We have reviewed the disclosures provided in note 9 as to why each income and expense is separately disclosed. We have also assessed the disclosures provided in the Strategic Report with reference to the disclosure of the alternative performance measures identified by management.

**Key observations**

We have found the change in estimate related to the release of aged accrued liabilities in the Netherlands to be supportable. We have found the assessment to be reasonable and the disclosures relating to the judgements in note 9 to be appropriate.

# Auditors' Report

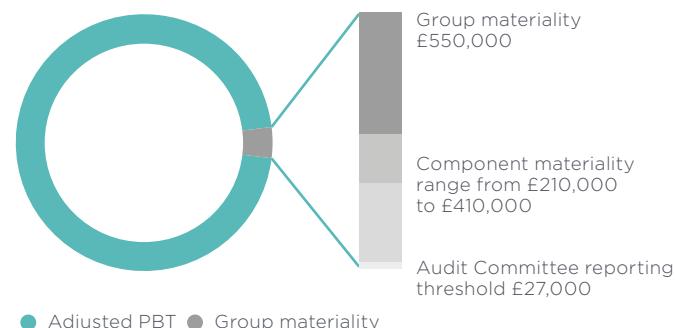
## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
<b>Materiality</b>	£0.55m (2017: £0.46m)	£0.53m (2017: £0.44m)
<b>Basis for determining materiality</b>	We have applied 5% (2017: 5%) to the adjusted profit before tax ('PBT'). We determined adjusted PBT to be the profit before tax and non-recurring items. Our materiality applied has increased from the prior year, which is directly attributable to an increase in PBT before non-recurring items.	The parent Company materiality equates to less than 1% (2017: less than 1%) of net assets, which has been capped at 95% of Group materiality.
<b>Rationale for the benchmark applied</b>	Adjusted PBT is considered the most appropriate measure as this is the most common measure used by the stakeholders and the market when assessing the performance of the Group. Using 5% of adjusted PBT to estimate materiality is in line with other companies in this sector and that are listed.	We determined net assets as being the most appropriate benchmark as this entity's purpose is to hold its investments in the subsidiary entities. This is consistent with our benchmark as determined in the prior financial year.

## Adjusted PBT £10,081,000



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £27,000 (2017: £22,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

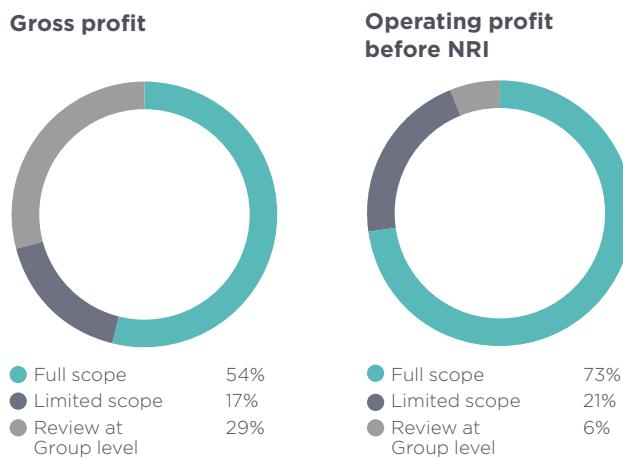
## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment there were various different levels of procedures applied to entities depending whether they were subject to a full scope audit, specified audit procedures on specific financial statement line items or statutory audits only. We determined which components are subject to which scope based upon the financial significance and the specific account balances within each component.

We performed full scope audit procedures in the UK and the Netherlands as we determined these components to be financially significant to the Group, and specified audit procedures in Sweden. The Belgian component consists of five subsidiaries, of which two were financially significant and therefore included in our full scope, whilst the remaining subsidiaries were included in specified audit procedures scope. The new acquisitions, being Crimson UK Limited and PAT Management, were excluded from our full scope procedures; however, we performed desktop review procedures on these. The US is no longer included in our specified audit procedures scope due to the change in its financial significance to the rest of the Group.

Our audit work at each location was performed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.2m to £0.4m (2017: £0.2m to £0.3m).

Below we have illustrated the coverage obtained in each scope for key measurements through our audit scoping. Full scope audits and audit of specified procedures represent 71% (2017: 83%) of gross profit and 94% (2017: 98%) of operating profit before non-recurring expenses:



A senior member of the Group audit team has visited all full-scope locations to hold discussions with the lead partner, review their working papers, conclude on any findings and attend close-out meetings with local management.

For other territories where no visit was carried out, a senior member of the Group audit team has attended the close-out meeting by phone and held discussions with the local audit team.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to full scope or specified audit procedures.

# Auditors' Report

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

**We have nothing to report in respect of these matters.**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

## Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

#### Opinion on other matter prescribed by our engagement letter

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of Directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

### Peter Saunders (Senior Statutory Auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
26 April 2018

## Consolidated Income Statement

For the year ended 31 January 2018

	Notes	2018 Core* £'000	2018 Non-core* £'000	2018 Total £'000	2017 £'000
<b>Continuing operations</b>					
Revenue		885,651	3,608	889,259	784,328
Cost of sales		(787,585)	(1,600)	(789,185)	(686,449)
<b>Gross profit</b>	5	98,066	2,008	100,074	97,879
Administrative expenses		(86,637)	(2,685)	(89,322)	(88,559)
Operating profit before non-recurring items		11,429	(677)	10,752	9,320
Non-recurring items	9	(2,958)	(1,762)	(4,720)	(119)
<b>Operating profit</b>		8,471	(2,439)	6,032	9,201
Finance costs	6	(671)	-	(671)	(676)
<b>Profit before tax</b>		7,800	(2,439)	5,361	8,525
Income tax expense	11	(1,992)	123	(1,869)	(2,206)
<b>Profit for the year from continuing operations</b>		5,808	(2,316)	3,492	6,319
<b>Discontinued operations</b>					
Loss from discontinued operations	31	-	-	-	(340)
<b>Profit/(loss) for the year attributable to owners of the Company</b>		5,808	(2,316)	3,492	5,979
<b>Earnings per share from continuing operations</b>					
- Basic	13	7.99p		4.80p	8.70p
- Diluted	13	7.81p		4.70p	8.70p

\* Core results exclude the impact of offices closed during the current financial year. These excluded items are described as 'non-core'. There were no office closures in the year ended 31 January 2017. See note 9 for further details on alternative performance measures.

## Consolidated Statement of Comprehensive Income

For the year ended 31 January 2018

	2018 £'000	2017 £'000
Profit for the year	3,492	5,979
Foreign currency translation differences <sup>(1)</sup>	(2,095)	4,669
Disposal of net investment <sup>(1)</sup>	(5)	-
Other comprehensive (loss)/income for the year	(2,100)	4,669
Total comprehensive income for the year attributable to owners of Company	1,392	10,648

1. These differences may be recycled into the Consolidated Income Statement if specific conditions are met.

# Consolidated Balance Sheet

As at 31 January 2018

	Notes	2018 £'000	2017 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	<b>62,381</b>	55,074
Property, plant and equipment	15	<b>2,623</b>	3,201
Investments	17	<b>234</b>	264
Deferred tax assets	11	<b>1,483</b>	2,167
Loans receivable	31	<b>2,015</b>	1,976
		<b>68,736</b>	62,682
<b>Current assets</b>			
Trade and other receivables	18	<b>152,664</b>	128,926
Deferred tax assets	11	<b>2,270</b>	794
Cash and cash equivalents	19	<b>10,487</b>	20,250
		<b>165,421</b>	149,970
<b>Total assets</b>		<b>234,157</b>	212,652
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20	<b>(148,294)</b>	(133,186)
Current income tax liabilities	11	<b>(1,575)</b>	(2,307)
Borrowings	19	<b>(17,261)</b>	(14,694)
Deferred consideration	30	<b>(1,000)</b>	(171)
Provisions	21	<b>(1,991)</b>	(96)
		<b>(170,121)</b>	(150,454)
<b>Net current liabilities</b>		<b>(4,700)</b>	(484)
<b>Non-current liabilities</b>			
Deferred consideration	30	<b>(3,060)</b>	-
Long-term provisions	21	<b>(321)</b>	-
Deferred tax liabilities	11	<b>-</b>	(159)
		<b>(3,381)</b>	(159)
<b>Total liabilities</b>		<b>(173,502)</b>	(150,613)
<b>Net assets</b>		<b>60,655</b>	62,039
<b>EQUITY</b>			
Ordinary shares	22	<b>3,673</b>	3,673
Share premium		<b>8,425</b>	8,425
Fair value and other reserves	23	<b>15,079</b>	15,079
Own shares held	23	<b>(811)</b>	(910)
Cumulative translation reserve		<b>4,540</b>	6,640
Retained earnings	24	<b>29,749</b>	29,132
<b>Total equity</b>		<b>60,655</b>	62,039

The consolidated financial statements (Parent Company Number: 03320790) on pages 74 to 104 were approved by the Board and authorised for issue on 26 April 2018 and signed on its behalf by:

**Julie Baddeley**  
**Chairman**

**Mark Garratt**  
**Group Finance Director**

## Consolidated Statement of Changes in Equity

For the year ended 31 January 2018

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Fair value and other reserves £'000</b>	<b>Own shares held £'000</b>	<b>Cumulative translation reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
1 February 2016	3,673	8,425	15,079	(1,032)	1,971	26,002	54,118
Profit for the year	-	-	-	-	-	5,979	5,979
Currency translation adjustments	-	-	-	-	4,669	-	4,669
Total comprehensive income for the year	-	-	-	-	4,669	5,979	10,648
Movement in own shares	-	-	-	122	-	-	122
Dividends paid	-	-	-	-	-	(2,849)	(2,849)
<b>31 January 2017</b>	<b>3,673</b>	<b>8,425</b>	<b>15,079</b>	<b>(910)</b>	<b>6,640</b>	<b>29,132</b>	<b>62,039</b>
<b>1 February 2017</b>	<b>3,673</b>	<b>8,425</b>	<b>15,079</b>	<b>(910)</b>	<b>6,640</b>	<b>29,132</b>	<b>62,039</b>
Profit for the year	-	-	-	-	-	3,492	3,492
Currency translation adjustments	-	-	-	-	(2,100)	-	(2,100)
Total comprehensive (loss)/income for the year	-	-	-	-	(2,100)	3,492	1,392
Employee share option and bonus plan	-	-	-	-	-	187	187
Movement in own shares (note 23)	-	-	-	99	-	(33)	66
Dividends paid (note 12)	-	-	-	-	-	(3,029)	(3,029)
<b>31 January 2018</b>	<b>3,673</b>	<b>8,425</b>	<b>15,079</b>	<b>(811)</b>	<b>4,540</b>	<b>29,749</b>	<b>60,655</b>

# Consolidated Cash Flow Statement

For the year ended 31 January 2018

	Notes	2018 £'000	2017 £'000
<b>Profit before tax</b>		<b>5,361</b>	8,525
Non-recurring items		<b>4,720</b>	119
<b>Profit before tax and non-recurring items</b>		<b>10,081</b>	8,644
Adjustments for:			
- depreciation	15	<b>1,341</b>	1,284
- amortisation	14	<b>69</b>	70
- loss on disposal of property, plant and equipment	15	<b>7</b>	101
- finance costs	6	<b>671</b>	676
- share-based employee settlement and share option charge	23	<b>253</b>	-
<b>Operating cash flows before changes in working capital</b>		<b>12,422</b>	10,775
Changes in working capital:			
- decrease/(increase) in trade and other receivables		<b>(22,516)</b>	9,633
- increase/(decrease) in trade and other payables		<b>15,994</b>	(2,239)
- increase/(decrease) in provisions	21	<b>2,191</b>	(35)
<b>Cash flows from operating activities</b>		<b>8,091</b>	18,134
Non-recurring items		<b>(4,453)</b>	(119)
Income tax paid		<b>(3,098)</b>	(2,935)
<b>Net cash generated from operating activities</b>		<b>540</b>	15,080
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	15	<b>(834)</b>	(1,049)
Capitalised software development costs	14	<b>(71)</b>	-
Disposal of subsidiary	31	<b>-</b>	(6,166)
Cash acquired with acquisitions	30	<b>75</b>	-
Purchase of subsidiary undertakings	30	<b>(7,757)</b>	-
Settlement of deferred consideration	30	<b>(250)</b>	(439)
<b>Net cash used in investing activities</b>		<b>(8,837)</b>	(7,654)
<b>Cash flows from financing activities</b>			
Proceeds from employee share option exercise	25	<b>-</b>	60
Dividends paid to Group shareholders	12	<b>(3,029)</b>	(2,849)
Interest paid	6	<b>(671)</b>	(676)
Increase/(decrease) in borrowings	19	<b>2,260</b>	(4,104)
<b>Net cash used in financing activities</b>		<b>(1,440)</b>	(7,569)
<b>Decrease in cash and cash equivalents</b>	19	<b>(9,737)</b>	(143)
<b>Cash and cash equivalents at the beginning of the year</b>	19	<b>20,250</b>	18,506
Exchange movements on cash and cash equivalents	19	<b>(26)</b>	1,887
<b>Cash and cash equivalents at the end of the year</b>	19	<b>10,487</b>	20,250

# Notes to the Consolidated Financial Statements

## 1. General information

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

The Company is a public listed company incorporated in the United Kingdom. Its registered address is 110 Bishopsgate, London EC2N 4AY and is listed on the London Stock Exchange.

For the year ended 31 January 2018 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

NashTech Limited	(Company Number 09834873)
Impact Executives Holdings Limited	(Company Number 03566935)
Harvey Nash Group EBT Limited	(Company Number 03303165)

## Adoption of new and revised standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers (and the related clarifications)
- IFRS 16 Leases

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

### IFRS 9 'Financial Instruments'

IFRS 9 was issued in July 2014 to replace IAS 39 'Financial Instruments: Recognition and Measurement' and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group for the year ending 31 January 2019. IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The primary changes relate to provisioning for potential future credit losses on financial assets and the assessment of hedging arrangements. The Directors are analysing the impact of these changes, which are not currently considered likely to have any major impact on the Group's current accounting treatment or consolidated financial statements.

### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 supersedes all current revenue recognition requirements under IFRS as adopted by the EU. The new standard introduces a five-step approach to measuring and recognising revenue from contracts and will be adopted by the Group with effect from 1 February 2018.

The Group has performed an initial analysis of the expected impact of the transition to IFRS 15, including a review of contracts. A summary of the changes impacting the Group is shown below, the most significant being contract management services. If all such contracts were to be recognised on a net commission basis, the adjustment on transition would be a reduction in total Group revenue in the range of 30–50%. There would be no impact on gross profit or cash flow, as there would be an equal and opposite decrease to cost of sales.

Management have not yet concluded on whether the full retrospective application method or the modified retrospective application method will be applied on transition to IFRS 15.

### Principal versus agent considerations

The Group derives revenue from the placement of temporary workers at a client. Whether the full invoiced amount is recognised gross (inclusive of the costs of the temporary workers), or net (exclusive of costs of the workers) depends on whether the Group acts as principal or agent. IFRS 15 moves away from the 'risks and rewards' concept of revenue recognition used by IAS 18 'Revenue' to a concept of 'transfer of control'. Its core principle is whether the good or service is controlled by the entity prior to delivery to the client. For the purposes of determining whether an entity acts as an agent or principal, IFRS 15 provides indicators of where control may exist. Significantly, these indicators do not include credit risk as an indicator that an entity is acting as a principal. The Group has considered these changes with regard to the following scenarios:

## **Adoption of new and revised standards** continued

### *a) Temporary contractors*

Where Harvey Nash has the primary responsibility to deliver and fulfil the promise to provide contractors to the client, this indicates that the entity controls the service before it is transferred to the client. This includes the acceptability of the service meeting the client's specifications. The Group is acting as principal. Revenue recognised is the gross amount billed to the client for the services of the temporary workers. This includes revenues from the placement of temporary contractors where Harvey Nash has a contract management services contract with the client. Revenue recognition therefore remains consistent with the current policy under IAS 18.

### *b) Contract management services – temporary contractors arranged by third party agencies*

Harvey Nash acts as an agent when its primary responsibility is to provide administrative support to clients, acting as an intermediary between two parties. Harvey Nash does not control the service provided to the client as the primary responsibility to deliver the services to the client sits with a third party agency. Revenue should be recognised as the commission only (exclusive of costs of the worker) and not gross as under IAS 18. Management are in the process of determining the exact adjustment to revenue.

### **Revenue earned on a retained basis**

Currently under IAS 18, revenue recognised for permanent executive recruitment and assignment fees is based on a percentage of a candidate's remuneration package, recognised over time as the services are provided. The three stages of current recognition are: an 'upfront retainer', 'presentation of a shortlist' and 'candidate placement'. Under IFRS 15 these three stages have been considered as one performance obligation delivered over time. When revenue is recognised over time, it is necessary to determine the entity's performance towards satisfaction of the performance obligation. Revenue can therefore not be recognised upfront, unless it can be demonstrated that the entity has performed a service that will take it closer to fulfilling the performance obligation. This will result in the deferral of revenue to later stages of the contract.

The Group is still quantifying the potential impact of this adjustment.

### **Stand-ready obligations**

In the unlikely event that an executive search candidate placed leaves within a stated time frame, the Group promises to re-perform the services provided free of charge in order to find a replacement. Under IAS 18, a provision is required to account for this potential liability, accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Management have assessed that this promise is considered as an 'act of standing ready' to perform a service. This is accounted for as an additional performance obligation to which the contract price must be allocated on a stand-alone selling price basis. Experience shows that the likelihood of a candidate leaving within the stated time frame is remote and therefore management have assessed that no revenue should be allocated to this additional performance obligation. As such, management do not expect there to be any change to revenue recognition under IFRS 15.

### **Commissions**

Under IAS 18, incremental costs incurred in obtaining a contract (such as sales commissions) are expensed as incurred. However, under IFRS 15, these costs are recognised as an asset and amortised over the life of the contract if they are expected to be recovered from the client. Given the short-term nature of the Group's contracts, the Group expects to take the practical expedient offered under IFRS 15 for contracts less than 12 months. This will allow the Group to continue to expense the commissions as incurred. As such, the Group does not expect the impact of transition on commissions to be material.

### **IFRS 16 'Leases'**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees and will supersede IAS 17 'Leases' and the related interpretations. IFRS 16 becomes effective for accounting periods beginning on or after 1 January 2019, but the Group currently anticipates early-adoption for the year ending 31 January 2019.

A preliminary assessment indicates that a number of the Group's operating lease commitments will meet the definition of a lease under IFRS 16. The Group will therefore recognise within the balance sheet a right-of-use asset and lease liability for all applicable leases. Within the income statement, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

# Notes to the Consolidated Financial Statements

## **1. Adoption of new and revised standards** continued

This will not materially affect the Group's operational cash flows or income statement but it is expected to materially impact amounts recognised in the Group's Consolidated Balance Sheet. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review and the Directors expect to be able to provide an indication of the impact on the Group's results in the 31 July 2018 interim results.

## **2. Significant accounting policies**

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

### **(a) Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets and financial liabilities that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements of the parent Company are prepared under Financial Reporting Standard ('FRS') 101.

The Company has adopted the requirements of The Companies, Partnerships, and Groups (Accounts and Reports) Regulations 2015.

### **(b) Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 23.

### **(c) Basis of consolidation**

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 31 January each year and are based on the consistent accounting policies disclosed herein.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

### **(d) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of assets and liabilities transferred to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

**2. Significant accounting policies** continued

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognised in profit or loss.

**(e) Goodwill**

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**(f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the supply of services, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue arising from permanent placements is recognised on acceptance of the candidate or on start date, subject to the contractual agreement. Provision is made for the expected cost of obligations where employees do not work for the specified contractual period.

Executive recruitment and assignment fees are recognised as services are provided, typically in three stages: retainer, shortlist and placement fee. Provision is made for the expected cost of obligations where employees do not work for the specified contractual period.

The Group derives its revenue in the contract services and interim businesses on a time and materials basis. It is recognised as services are rendered as validated by receipt of a client-approved timesheet or equivalent. Where the Group is acting as a principal, turnover represents amounts billed for the services, inclusive of the remuneration costs of the workers.

For fixed price development work, revenue is recognised on the percentage completion basis, using pre-specified milestones or a client sign-off to trigger revenue recognition and the estimate of profit. Revenue from business process outsourcing is recognised as services are rendered, based on a time and materials basis.

Revenue anticipated, but not invoiced, at the balance sheet date is accrued on the balance sheet as accrued income. Revenue invoiced but not earned at the balance sheet date is recorded as a liability as deferred income.

**(g) Investments**

Investments in associated undertakings ('associated companies') are stated at the amount of the Group's share of net assets.

# Notes to the Consolidated Financial Statements

## 2. Significant accounting policies continued

### (h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	term of the lease
Furniture, fixtures and equipment	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	25% reducing balance

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss on disposal or retirement of an item of property, plant or equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Property, plant and equipment purchased to deliver outsourcing projects, which have been recharged to clients at cost, remain the legal property of the Group. The cost of the asset is capitalised within current assets and charged to cost of sales over the contract length.

### (i) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### (j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **2. Significant accounting policies** continued

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the income statement.

Rentals payable under operating leases are taken to the income statement on a straight-line basis over the lease term. Lease incentive benefits are recognised as a reduction in rental expense on a straight-line basis over the lease term.

### **(k) Intangible assets**

Intangible assets which are acquired separately, or through a business combination, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Group does not have any assets, other than goodwill, with infinite useful lives. Any impairment is recognised immediately in the income statement.

Development costs are capitalised as an intangible asset if, and only if, all of the requirements of IAS 38 'Intangible Assets' are met. The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### **(l) Impairment of property, plant and equipment and intangible assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount is the higher of the asset's fair value less costs of sale and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original carrying value prior to any impairment charges.

### **(m) Financial instruments**

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and reward of the financial asset. Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

#### **Financial assets**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial. For trade receivables, generally this results in recognition at nominal value less any allowance for doubtful debts.

Financial assets which are not classified as loans and receivables are classified as 'fair value through profit and loss' ('FVTPL'). Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or such designation would eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Assets in this category are classified as current assets.

# Notes to the Consolidated Financial Statements

## **2. Significant accounting policies** continued

### **Financial liabilities**

Financial liabilities are classified as either FVTPL or 'other financial liabilities'. A financial liability is classified as FVTPL if it is held for trading or specifically designated as such to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the profit and loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### **(n) Cash and cash equivalents**

Cash comprises cash in hand and deposits which can be withdrawn as cash without giving any notice and without suffering any penalty. Cash equivalents are short term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### **(o) Share capital**

Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share capital (own shares), the consideration paid is deductible from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Company's equity holders.

### **(p) Tax**

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

## **2. Significant accounting policies** continued

### **(q) Dividend distribution**

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

### **(r) Employee benefits**

#### **Pension obligations**

Wherever possible, the Group operates defined contribution pension schemes, under which the Group pays fixed contributions into separate entities. The Group has no legal or constructive obligation to pay further contributions. Pension costs are charged to the income statement in the year in which they arise. In Belgium and Switzerland, legislation requires the operation of pension schemes which contain an element of defined benefit, the obligations under which are fully insured and there are no unrecorded liabilities. These schemes are accounted for as defined contribution schemes.

#### **Termination benefits**

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

#### **Bonus plan**

The Group recognises a liability and an expense for bonuses when contractually obliged.

#### **Share-based plans**

The Group's management awards certain employees share options on a discretionary basis. Their fair value is recognised as an employee benefits expense with a corresponding increase in retained earnings. The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised. For options exercised against own shares held, the shares are removed from the own shares held reserve. The Group has applied IFRS 2 'Share-based payments' to all instruments granted and has adopted an appropriate model for the purposes of calculating fair value. Deferred tax is also provided based upon the expected future tax deductions relating to share-based payment transactions and is recognised over the vesting period of the schemes concerned.

#### **(s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Discounting is applied only when the effect is material.

#### **(t) Borrowing costs**

Borrowing costs are written off as incurred or, in the case of initial arrangement fees, may be spread over the term of the facility where appropriate. Invoice discounting fees are recognised as incurred.

#### **(u) Working capital facilities**

The Group has access to working capital finance facilities provided by its bankers in the form of a confidential trade receivables finance facility which is secured by a floating charge over the Group's assets. The borrowings under this are included within current liabilities and described as borrowings on the Group's consolidated balance sheet and the facility is secured specifically against the Group's trade receivables. Trade receivables are included within trade receivables in the Group's consolidated balance sheet.

#### **(v) Non-recurring items**

Non-recurring items are presented separately on the face of the Consolidated Income Statement due to their nature and/or size with further information included in the notes to the financial statements. The separate reporting of such items helps to provide a better indication of the Group's underlying business performance as it enables shareholders to see the results of the ongoing trading operations.

# Notes to the Consolidated Financial Statements

## 3. Financial risk management

### Financing

The Group's principal financial instruments are invoice discounting, overdrafts, cash and short term deposits. The Group has other financial instruments such as trade receivables and trade payables that arise directly from its operations. Acquisitions are financed through a mixture of operating cash flow and equity. Working capital finance for day-to-day requirements is provided through operating cash generation, invoice discount facilities and small short term overdraft facilities. 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 the Group are raising finance, managing interest rates and currency positions as well as investing surplus cash in high-quality assets. The Board has established clear parameters, including levels of authority, on the type and use of financial instruments to manage these exposures. Transactions are only undertaken if they relate to underlying exposures and cannot be viewed as speculative.

### Capital risk management

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

	2018 £'000	2017 £'000
Borrowings	<b>17,261</b>	14,694
Total equity	<b>60,655</b>	62,039
Total capital	<b>77,916</b>	76,733
Gearing ratio %	<b>22.1%</b>	19.1%

### Interest rate risk management

The Group's policy is to minimise interest charges through cash pooling and active cash management. The Group does not actively hedge interest rate risk.

### Market risk and foreign exchange risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group's policy is to minimise foreign currency risk. The Group 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. The Group does not actively hedge foreign exchange risk.

The Group's operating profit exposure to foreign currency translation is primarily in respect of the US dollar and the euro.

In the year to 31 January 2018, if sterling had strengthened by 10% against the euro with all other variables held constant, operating profit for the year would have been £759,000 lower (2017: £525,000 lower).

In the year to 31 January 2018, if sterling had strengthened by 10% against the US dollar with all other variables held constant, operating profit for the year would have been £279,000 lower (2017: £91,000 lower).

### Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history and historically there are low levels of debt write-off throughout the Group. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group does not have any significant credit risk exposure to a single customer.

### 3. Financial risk management continued

The table below shows the counterparty risk with the bank at the balance sheet date.

	Rating *	2018 Credit limit £'000	2018 Balance £'000	2017 Credit limit £'000	2017 Balance £'000
Bank overdraft - secured	BBB-	2,000	-	2,000	-

\* Standard & Poor's rating

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and committed credit facilities. Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility, cash and invoice discounting) on the basis of expected cash flow. All borrowings are short term. The Group's main invoice finance facility was most recently renewed in December 2017.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### The presentation of selected items as non-recurring

The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business performance. See note 9 for further details.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. These include forward-looking forecasts which are inherently judgemental. The carrying amount of goodwill at 31 January 2018 was £61.3m (2017: £54.0m). The key assumptions and sensitivities in the value-in-use calculations are set out in note 14.

### 5. Segment information

IFRS 8 'Operating Segments' requires disclosure of information about the Group's operating segments. It requires a management approach under which segment information is presented on a similar basis to that used for internal reporting purposes. The chief operating decision maker in the business has been identified as the Group Board. Services provided by each reportable segment are Executive Search, Technology Recruitment and Outsourcing.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

# Notes to the Consolidated Financial Statements

## 5. Segment information continued

The Group Board analyses segmental information as follows:

### Gross profit

	2018 Core £'000	2018 Non-Core £'000	2018 Total £'000	2017 Restated <sup>(1)</sup> £'000
<b>Geographical</b>				
<b>United Kingdom &amp; Ireland</b>	<b>39,442</b>	<b>252</b>	<b>39,694</b>	37,024
<b>Mainland Europe</b>	<b>41,019</b>	<b>179</b>	<b>41,198</b>	39,086
Benelux	<b>19,062</b>	-	<b>19,062</b>	16,306
Nordics	<b>14,743</b>	-	<b>14,743</b>	13,996
Central Europe	<b>7,214</b>	<b>179</b>	<b>7,393</b>	8,784
<b>Rest of World</b>	<b>17,605</b>	<b>1,577</b>	<b>19,182</b>	21,769
United States	<b>13,829</b>	<b>52</b>	<b>13,881</b>	16,607
Asia Pacific	<b>3,776</b>	<b>1,525</b>	<b>5,301</b>	5,162
<b>Total gross profit</b>	<b>98,066</b>	<b>2,008</b>	<b>100,074</b>	97,879
<b>Service line</b>				
Executive Search	<b>21,947</b>	<b>1,525</b>	<b>23,472</b>	23,700
Technology Recruitment	<b>64,066</b>	<b>483</b>	<b>64,549</b>	63,096
Outsourcing	<b>12,053</b>	-	<b>12,053</b>	11,083
<b>Total gross profit</b>	<b>98,066</b>	<b>2,008</b>	<b>100,074</b>	97,879

### Operating profit and profit before tax

	2018 Core £'000	2018 Non-Core £'000	2018 Total £'000	2017 Restated <sup>(1)</sup> £'000
<b>Geographical</b>				
<b>United Kingdom &amp; Ireland</b>	<b>6,787</b>	<b>(88)</b>	<b>6,699</b>	6,227
<b>Mainland Europe</b>	<b>8,958</b>	<b>(81)</b>	<b>8,877</b>	7,670
Benelux	<b>7,162</b>	-	<b>7,162</b>	5,935
Nordics	<b>1,169</b>	-	<b>1,169</b>	794
Central Europe	<b>627</b>	<b>(81)</b>	<b>546</b>	941
<b>Rest of World</b>	<b>1,365</b>	<b>(508)</b>	<b>857</b>	233
United States	<b>364</b>	<b>(221)</b>	<b>143</b>	745
Asia Pacific	<b>1,001</b>	<b>(287)</b>	<b>714</b>	(512)
<b>Total</b>	<b>17,110</b>	<b>(677)</b>	<b>16,433</b>	14,130
<b>Service Line</b>				
Executive Search	<b>2,332</b>	<b>(287)</b>	<b>2,045</b>	842
Technology Recruitment	<b>12,865</b>	<b>(390)</b>	<b>12,475</b>	11,417
Outsourcing	<b>1,913</b>	-	<b>1,913</b>	1,871
<b>Total</b>	<b>17,110</b>	<b>(677)</b>	<b>16,433</b>	14,130
<b>Group and central service costs</b>				
	<b>(5,681)</b>	-	<b>(5,681)</b>	(4,810)
<b>Total operating profit before non-recurring items</b>			<b>11,429</b>	
<b>Non-recurring items (see note 9)</b>			<b>(677)</b>	
			<b>10,752</b>	9,320
			<b>(4,720)</b>	(119)
<b>Total operating profit</b>			<b>6,032</b>	9,201
<b>Finance costs</b>			<b>(671)</b>	(676)
<b>Profit before tax</b>			<b>5,361</b>	8,525

1. In the current year, Group and central service costs are separately disclosed to reflect the management information provided to the chief operating decision maker. The 2017 results have been restated on the same basis.

There were no discontinued operations during the year.

## 6. Finance costs

	2018 £'000	2017 £'000
Interest payable on bank borrowings	<b>671</b>	676
<b>Finance costs</b>	<b>671</b>	676

## 7. Operating profit

The following items have been included in arriving at operating profit from continuing operations:

	2018 £'000	2017 £'000
Staff costs (note 10)	<b>105,777</b>	108,440
Depreciation of property, plant and equipment (note 15)	<b>1,341</b>	1,284
Amortisation (note 14)	<b>69</b>	70
Impairment (note 14)	<b>798</b>	99
Operating lease rentals payable	<b>5,247</b>	5,109
Loss on foreign exchange	<b>90</b>	285
Loss on disposal of property, plant and equipment	<b>7</b>	101

## 8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's Annual Report	<b>20</b>	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	<b>414</b>	380
<b>Total audit fees</b>	<b>434</b>	400
Half-year agreed-upon procedures	-	17
Tax and other services	<b>14</b>	72
<b>Total non-audit fees</b>	<b>14</b>	89
<b>Total fees</b>	<b>448</b>	489

No services were performed pursuant to contingent fee arrangements. Non-audit fees in the current year related to a recapitalisation of the Norwegian subsidiary and tax compliance in Asia Pacific

Details of the Company's policy on the use of the External Auditor for non-audit services, the reasons why the External Auditor was used rather than another supplier and how the External Auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 38.

## 9. Alternative performance measures and non-recurring items

### Alternative performance measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. We consider that these additional measures (commonly referred to as 'alternative performance measures' or 'APMs') provide shareholders with valuable additional information on the performance of the business. These measures are consistent with those used internally, and are considered critical to understanding the financial performance of the Group. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-recurring or items considered to be distortive to trading performance which may affect IFRS measures, to aid shareholders in understanding the Group's performance. These APMs are not intended to be a substitute for, or superior to, IFRS measures.

In the current year, a decision was taken to close a number of underperforming offices. Trading results from offices closed in the current year are disclosed as an APM on the face of the income statement. Results from the underlying business are referred to as 'core results' and the impact of closed offices referred to as 'non-core results'.

# Notes to the Consolidated Financial Statements

## 9. Alternative performance measures and non-recurring items continued

For this reason, the Group presents a number alternative performance measures, including:

- Core operating profit
- Core profit before tax
- Core earnings per share

The Consolidated Income Statement shows the reconciliation of these APMs to the most directly comparable IFRS equivalents.

The Group also presents two further APMs:

- Net debt – defined as cash and cash equivalents less borrowings, disclosed in note 19
- Non-recurring items – defined in accounting policy note (v)

The non-core operating loss before non-recurring items of £0.7m arose from the following office closures during the current year: Denver (USA) £0.2m, Japan £0.2m, Singapore £0.1m, Cork £0.1m and Geneva £0.1m.

Office closure costs of £1.8m are included in the table of non-recurring items below and arose as follows: Hong Kong £0.7m, Japan £0.5m, Singapore £0.2m, Denver (USA) £0.2m, Cork £0.1m and Geneva £0.1m.

There were no office closures in the prior year.

### Non-recurring items

	2018 Core £'000	2018 Non-Core £'000	2018 Total £'000	2017 £'000
Group transformation	4,189	1,762	5,951	–
Release of aged accruals	(2,871)	–	(2,871)	(539)
Impairment of goodwill	798	–	798	99
Acquisition costs	377	–	377	–
Re-listing on AIM	245	–	245	–
Excess deferred consideration payable	220	–	220	–
Bad debt write-off	–	–	–	559
<b>Total non-recurring items</b>	<b>2,958</b>	<b>1,762</b>	<b>4,720</b>	<b>119</b>

In the year, the Executive Directors commenced a review of the Group's operations and cost base, implementing a transformation programme to review underperforming offices, streamline the business and reduce central overheads. Office closure costs totalling £1.8m are discussed in the APM section above. The remaining £4.2m comprises:

- Recruitment of a new Group Finance Director and consequent overlapping costs totalling £0.4m, considered the first step of this transformation and are accordingly treated as a non-recurring item.
- Streamlining businesses in the UK, Nordics and Central Europe at a cost of £0.8m, £0.7m and £1.3m respectively.
- Restructure and simplification of Group and central services totalling £1.0m.

The accounting estimate for aged accrued liabilities in the Netherlands was re-assessed following a detailed review. This estimate is now in line with the rest of the business and resulted in a release of aged accrued liabilities totalling £2.9m.

As a result of the decision to close the Group's executive search business in Japan, the goodwill recognised on the acquisition of Beaumont KK was fully impaired, leading to a non-recurring cost of £798k.

The Group's policy is to recognise acquisition-related costs as non-recurring items in profit or loss as incurred.

## 9. Alternative performance measures and non-recurring items continued

On 28 July 2017, the Group's shares were admitted to AIM and its listing on the London Stock Exchange's Main Market was cancelled. The cost of this re-listing was £0.2m.

The final deferred consideration payable for the Beaumont KK acquisition in Japan exceeded initial estimates and the £0.2m shortfall was booked as a non-recurring item.

In the prior year, a review of the USA trade receivable ledger led to the discovery of uncollected historical invoices totalling \$0.7m which were no longer contractually enforceable.

## 10. Employees and Directors

Average number of people employed	UK & Ireland	Europe	Rest of World	Total
Executive Directors	3	-	-	3
Sales	251	226	137	614
Administrative	112	69	116	297
Employees included within cost of sales	-	360	1,388	1,748
<b>Total 2017</b>	<b>366</b>	<b>655</b>	<b>1,641</b>	<b>2,662</b>

Executive Directors	3	-	-	3
Sales	263	229	126	618
Administrative	118	71	107	296
Employees included within cost of sales	-	381	1,220	1,601
<b>Total 2018</b>	<b>384</b>	<b>681</b>	<b>1,453</b>	<b>2,518</b>

Total staff costs for the Group	2018 Cost of sales £'000	2018 Admin expenses £'000	2018 Total £'000	2017 Cost of sales £'000	2017 Admin expenses £'000	2017 Total £'000
Wages and salaries	34,067	53,934	88,001	36,146	55,040	91,186
Social security costs	5,848	7,700	13,548	6,084	7,145	13,229
Pension costs (note 27)	2,047	2,181	4,228	1,875	2,150	4,025
<b>Total</b>	<b>41,962</b>	<b>63,815</b>	<b>105,777</b>	<b>44,105</b>	<b>64,335</b>	<b>108,440</b>

Key management compensation	2018 £'000	2017 £'000
Short-term employee benefits	2,727	2,275
Pension costs	228	238
Share-based payments	187	-
<b>Total</b>	<b>3,142</b>	<b>2,513</b>

Key management is defined as members of the Executive Council. There were nine members of the Executive Council during the year (2017: ten).

Total fees paid to the Non-Executive Directors were £258,347 (2017: £247,729). Details of the remuneration of each Director, which form part of the audited financial statements, are set out in the Directors' Remuneration Report on pages 40 to 59.

# Notes to the Consolidated Financial Statements

## 11. Tax

	2018 Core £'000	2018 Non-core £'000	2018 Total £'000	2017 £'000
<b>Continuing operations</b>				
Corporation tax on profits in the year – UK	–	–	–	–
Corporation tax on profits in the year – overseas	2,868	(41)	2,827	2,742
Adjustments in respect of prior years	(4)	–	(4)	82
<b>Total current tax</b>	<b>2,864</b>	<b>(41)</b>	<b>2,823</b>	2,824
Deferred tax	(872)	(82)	(954)	(618)
<b>Total tax charge from continuing operations</b>	<b>1,992</b>	<b>(123)</b>	<b>1,869</b>	2,206
<b>Discontinued operations</b>				
Adjustments in respect of prior years	–	–	–	340
<b>Total tax charge from discontinuing operations</b>	<b>–</b>	<b>–</b>	<b>–</b>	340
<b>Total tax charge</b>	<b>1,992</b>	<b>(123)</b>	<b>1,869</b>	2,546

The tax for the year is higher (2017: higher) than the standard UK corporation tax rate applied to pre-tax profit. The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. The Group's profits for this accounting period are therefore taxed at an effective standard rate of 19.17% (2017: 20.17%).

The differences are explained below for 2018 and 2017 using the UK standard rate of corporation tax:

	2018 Core £'000	2018 Non-core £'000	2018 Total £'000	2017 £'000
Profit before tax from continuing operations	7,800	(2,439)	5,361	8,525
Tax at standard UK corporation tax rate of 19.13% (2017: 20.00%)	1,495	(467)	1,028	1,705
Effects of:				
Expenses not deductible for tax purposes	465	–	465	487
Income not taxable	(125)	–	(125)	(441)
Utilisation of brought forward tax losses not previously recognised	(185)	–	(185)	(31)
Tax losses for which no deferred tax asset is recognised	42	315	357	121
Tax losses now recognised for deferred tax	(64)	–	(64)	(201)
Adjustments to tax in respect of prior year	(4)	–	(4)	82
Effect of changes in tax rates on deferred tax balances	(16)	44	28	61
Profits taxed at overseas rates	370	(15)	355	411
Other	14	–	14	12
<b>Total taxation</b>	<b>1,992</b>	<b>(123)</b>	<b>1,869</b>	2,206
<b>Current tax:</b>				
Tax on profit in the year	2,868	(41)	2,827	2,742
Adjustments in respect of prior years	(4)	–	(4)	82
<b>Total current tax</b>	<b>2,864</b>	<b>(41)</b>	<b>2,823</b>	2,824
<b>Deferred tax:</b>				
Origination and reversal of timing differences	(1,320)	(82)	(1,402)	(679)
Effect of changes in tax rates on deferred tax balances	448	–	448	61
<b>Total deferred tax credit</b>	<b>(872)</b>	<b>(82)</b>	<b>(954)</b>	(618)
<b>Total tax charge</b>	<b>1,992</b>	<b>(123)</b>	<b>1,869</b>	2,206

## 11. Tax continued

	2018 £'000	2017 £'000
<b>Deferred tax</b>		
<b>Deferred tax assets:</b>		
Deferred tax asset to be settled after more than 12 months	<b>1,483</b>	2,167
Deferred tax asset to be settled within 12 months	<b>2,270</b>	794
	<b>3,753</b>	2,961
<b>Deferred tax liabilities:</b>		
Deferred tax liability to be settled after more than 12 months	-	(159)
Deferred tax liability to be settled within 12 months	-	-
	-	(159)
<b>Net deferred tax asset</b>	<b>3,753</b>	2,802

The deferred tax position is analysed below:

Asset	Share-based payments £'000	Accelerated capital allowances £'000	Tax losses £'000	Accrued interest charges £'000	Loan waiver £'000	Total £'000
1 February 2017	10	-	1,521	1,006	424	2,961
Movement	34	(29)	1,212	-	(424)	793
<b>31 January 2018</b>	<b>44</b>	<b>(29)</b>	<b>2,733</b>	<b>1,006</b>	-	<b>3,754</b>

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

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they are realised. The rates enacted or substantively enacted by the UK government for the relevant periods of reversal are 19% from 1 April 2017 and then 17% from 1 April 2020. The rate enacted by the US government for the relevant period of reversal was 26% from 22 December 2017.

Due to the uncertainty of recoverability, deferred tax assets in respect of tax losses, depreciation in excess of accelerated capital allowance and deductible temporary differences of £3.6m (2017: £4.6m) have not been recognised. Future tax charges may be reduced as a result of tax losses for which a deferred tax asset is currently not recognised.

Liability	Unremitted earnings £'000	Total £'000
1 February 2017	(159)	(159)
Reversed	159	159
<b>31 January 2018</b>	<b>-</b>	<b>-</b>

The deferred tax liability relates to unremitted earnings in Switzerland.

# Notes to the Consolidated Financial Statements

## 12. Dividends

The dividends paid in the year were £3.0m (2017: £2.8m).

The proposed final dividend of £1.9m (2.652 pence per share) is subject to approval by shareholders at the AGM on 28 June 2018 (2017: 2.525 pence per share amounting to £1.8m) and has not been included as a liability at 31 January 2018.

	2018 £'000
Final dividend for year ended 31 January 2017 of 2.525 pence per share	<b>1,834</b>
Interim dividend for year ended 31 January 2018 of 1.643 pence per share	<b>1,195</b>
Total	<b>3,029</b>
Proposed final dividend for year ended 31 January 2018 of 2.652 pence per share	<b>1,929</b>
	2017 £'000
Final dividend for year ended 31 January 2016 of 2.360 pence per share	1,712
Interim dividend for year ended 31 January 2017 of 1.565 pence per share	1,137
Total	2,849
Proposed final dividend for year ended 31 January 2017 of 2.525 pence per share	1,835

## 13. Earnings per share

	2018 Core £'000	2018 Non-core £'000	2018 Total £'000	2017 £'000
<b>Earnings</b>				
Profit before non-recurring items	<b>10,758</b>	<b>(677)</b>	<b>10,081</b>	8,644
Non-recurring items	<b>(2,958)</b>	<b>(1,762)</b>	<b>(4,720)</b>	(119)
Profit before tax	<b>7,800</b>	<b>(2,439)</b>	<b>5,361</b>	8,525
Tax on profit before non-recurring items	<b>(2,427)</b>	<b>34</b>	<b>(2,393)</b>	(2,206)
Tax on non-recurring items	<b>435</b>	<b>89</b>	<b>524</b>	-
Total tax	<b>(1,992)</b>	<b>123</b>	<b>(1,869)</b>	(2,206)
Profit after tax	<b>5,808</b>	<b>(2,316)</b>	<b>3,492</b>	6,319
<b>Number of shares</b>				
Weighted average number of shares			<b>72,683,400</b>	72,621,076
Dilutive effect of share plans			<b>1,635,660</b>	-
Diluted weighted average number of shares			<b>74,319,060</b>	72,621,076
<b>Earnings per share</b>				
Basic EPS	<b>7.99p</b>		<b>4.80p</b>	8.70p
Basic EPS before non-recurring items	<b>11.46p</b>		<b>10.58p</b>	8.86p
Diluted EPS	<b>7.81p</b>		<b>4.70p</b>	8.70p
Diluted EPS before non-recurring items	<b>11.21p</b>		<b>10.34p</b>	8.86p

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.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

#### 14. Intangible assets

	Capitalised development costs £'000	Brands £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 31 January 2016	-	1,505	49,738	51,243
Exchange adjustments	-	196	4,329	4,525
<b>At 31 January 2017</b>	-	1,701	54,067	55,768
Additions	71	-	9,840	9,911
Exchange adjustments	-	(53)	(1,700)	(1,753)
<b>At 31 January 2018</b>	<b>71</b>	<b>1,648</b>	<b>62,207</b>	<b>63,926</b>
<b>Accumulated amortisation and impairment</b>				
At 31 January 2016	-	556	-	556
Charge for the year	-	70	-	70
Impairment loss	-	-	99	99
Exchange adjustments	-	(31)	-	(31)
<b>At 31 January 2017</b>	<b>-</b>	<b>595</b>	<b>99</b>	<b>694</b>
Charge for the year	-	69	-	69
Impairment loss	-	-	798	798
Exchange adjustments	-	(22)	6	(16)
<b>At 31 January 2018</b>	<b>-</b>	<b>642</b>	<b>903</b>	<b>1,545</b>
<b>Carrying amount</b>				
At 31 January 2016	-	949	49,738	50,687
At 31 January 2017	-	1,106	53,968	55,074
<b>At 31 January 2018</b>	<b>71</b>	<b>1,006</b>	<b>61,304</b>	<b>62,381</b>

The carrying amounts of the intangible assets by cash-generating unit ('CGU') are as follows:

	2018 £'000	2017 £'000
<b>Goodwill</b>		
Harvey Nash BV	<b>2,818</b>	2,763
Harvey Nash US	<b>12,279</b>	13,880
Techpartners Group	<b>14,509</b>	14,509
Harvey Nash IT Consulting NV	<b>6,126</b>	6,007
Alumni AB	<b>5,740</b>	5,844
Harvey Nash (Vietnam) Ltd	<b>1,422</b>	1,607
Harvey Nash (Ireland) Ltd	<b>3,982</b>	3,905
Bjerke & Luther AS	<b>1,084</b>	1,143
Talent-IT BVBA	<b>3,504</b>	3,436
Beaumont KK	-	874
PAT Management AB	<b>2,382</b>	-
Crimson Ltd	<b>7,458</b>	-
	<b>61,304</b>	53,968
<b>Brands</b>		
Alumni AB Brand	<b>683</b>	747
Bjerke & Luther AS Brand	<b>323</b>	359
	<b>1,006</b>	1,106
<b>Total</b>	<b>62,310</b>	55,074

# Notes to the Consolidated Financial Statements

## 14. Intangible assets continued

During the year the goodwill in respect of each CGU was tested for impairment in accordance with IAS 36 'Impairment of Assets'. Following the decision to close the Group's executive search business in Japan, the goodwill recognised on acquisition of Beaumont KK was fully impaired. This CGU was included within the Rest of World segment. Goodwill was also recognised during the year following the acquisition of Crimson Ltd and PAT Management AB.

All other CGUs were assessed to have a value-in-use in excess of their respective carrying values, so no further adjustments to goodwill were considered necessary.

The assumptions applied in the impairment review are consistent with those applied within the Group's long-term strategic plan, approved by management and the Board. The assumptions are based on latest industry forecasts and the expectations of management given their past experience. The key assumptions in the value-in-use calculations are disclosed below.

The first five years of the forecasts were based on post-tax cash flows derived from the long-term plan approved by management and the Group Board.

The growth rates of the largest five CGUs are listed below.

Cash-generating unit	Average growth rate in first five years		Long-term growth rate	
	2018	2017	2018	2017
Techpartners Group	<b>7.5%</b>	3.2%	<b>1.7%</b>	1.9%
Harvey Nash US	<b>10.6%</b>	11.6%	<b>1.7%</b>	1.6%
Crimson Ltd	<b>16.1%</b>	-	<b>1.7%</b>	-
Harvey Nash IT Consulting NV	<b>2.7%</b>	0.3%	<b>1.5%</b>	1.5%
Alumni	<b>8.8%</b>	7.0%	<b>1.7%</b>	2.0%

The terminal growth rate is based on the long-term growth rate for each country and was on average 1.4% (2017: 2.4%). Management believe the forecasts are achievable.

The post-tax discount rate used was based on the industry weighted average cost of capital for each country and was on average 7.1% (2017: 8.8%). For Japan, this discount rate was 6.3% (2017: 7.3%).

A sensitivity analysis has been performed in assessing recoverable amounts of the CGUs. This has been based on changes in key assumptions considered by management to be reasonably possible, including a 10% decrease in the assumed growth rates, and a 5% increase in the assumed weighted average cost of capital. The analysis reveals that no impairment would arise under either scenario with the exception of Bjerke & Luther AS, which has headroom of £0.5m but an immaterial impairment would arise at a 2% increase in weighted average cost of capital.

## 15. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Furniture, fixtures and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 31 January 2016	2,398	436	1,720	6,704	13	11,271
Additions	177	56	154	662	-	1,049
Disposals	(76)	(20)	(123)	(440)	-	(659)
Exchange adjustments	412	245	(12)	1,124	2	1,771
<b>At 31 January 2017</b>	<b>2,911</b>	<b>717</b>	<b>1,739</b>	<b>8,050</b>	<b>15</b>	<b>13,432</b>
Additions	236	26	80	492	-	834
Acquisitions	166	-	18	223	-	407
Disposals	(296)	(147)	(299)	(679)	-	(1,421)
Exchange adjustments	(91)	(25)	(60)	(318)	1	(493)
<b>At 31 January 2018</b>	<b>2,926</b>	<b>571</b>	<b>1,478</b>	<b>7,768</b>	<b>16</b>	<b>12,759</b>
<b>Accumulated depreciation</b>						
At 31 January 2016	1,251	289	1,448	4,697	3	7,688
Charge for the year	319	70	116	769	10	1,284
Disposals	(59)	(18)	(119)	(362)	-	(558)
Exchange adjustments	354	241	(13)	1,233	2	1,817
<b>At 31 January 2017</b>	<b>1,865</b>	<b>582</b>	<b>1,432</b>	<b>6,337</b>	<b>15</b>	<b>10,231</b>
Charge for the year	284	64	119	874	-	1,341
Acquisitions	64	-	12	187	-	263
Disposals	(293)	(162)	(272)	(687)	-	(1,414)
Exchange adjustments	(39)	(19)	(39)	(189)	1	(285)
<b>At 31 January 2018</b>	<b>1,881</b>	<b>465</b>	<b>1,252</b>	<b>6,522</b>	<b>16</b>	<b>10,136</b>
<b>Carrying amount</b>						
At 31 January 2016	1,147	147	272	2,007	10	3,583
At 31 January 2017	1,046	135	307	1,713	-	3,201
<b>At 31 January 2018</b>	<b>1,045</b>	<b>106</b>	<b>226</b>	<b>1,246</b>	<b>-</b>	<b>2,623</b>

The depreciation charge for the year ended 31 January 2018 for the UK & Ireland was £0.5m (2017: £0.4m), for Europe it was £0.2m (2017: £0.3m), and for the Rest of World it was £0.6m (2017: £0.6m).

The closing net book balance at 31 January 2018 for the UK & Ireland was £1.5m (2017: £1.8m), for Europe it was £0.5m (2017: £0.5m) and for the Rest of World it was £0.6m (2017: £0.9m).

## 16. Subsidiaries

The Group consists of a parent Company, Harvey Nash Group plc, incorporated in the UK, and a number of directly and indirectly held subsidiaries around the world.

All subsidiary companies are consolidated. The Directors believe that the book value of investments is supported by their underlying net assets.

A full list of the Company's subsidiaries at 31 January 2018 is shown on page 109.

# Notes to the Consolidated Financial Statements

## 17. Investments

	2018 £'000	2017 £'000
Investment in MOCAP Vietnam	<b>234</b>	264

The Group holds 15% of the share capital in MOCAP Vietnam.

## 18. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	<b>121,072</b>	103,711
Less: Provision for bad and doubtful debts	<b>(209)</b>	(782)
Other receivables	<b>120,863</b>	102,929
Prepayments	<b>2,446</b>	2,970
Accrued income	<b>2,415</b>	2,126
	<b>26,940</b>	20,901
	<b>152,664</b>	128,926

Debtor days were 39.5 days (2017: 38.0 days). Debtor days are calculated by reference to outstanding debtors relative to amounts invoiced in the preceding months up to the year end.

Trade receivables that are less than three months past due are not considered impaired. As of 31 January 2018, trade receivables of £25.3m (2017: £20.5m) were aged over 30 days but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Invoice age	2018 £'000	2017 £'000
1-2 months	<b>18,265</b>	14,544
2-3 months	<b>4,424</b>	3,222
Over 3 months	<b>2,637</b>	2,723
	<b>25,326</b>	20,489

As of 31 January 2018, trade receivables of £0.2m (2017: £0.8m) were impaired and provided for.

The individually impaired receivables mainly relate to customers which are in difficult economic situations. All the impaired receivables are more than three months overdue. In the current year, the creation and release of provisions for impaired receivables have been included in 'administrative expenses' in the Consolidated Income Statement. The other classes within trade and other receivables do not contain impaired assets.

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

	2018 £'000	2017 £'000
At 1 February	<b>782</b>	707
Provision for receivables impairment	<b>205</b>	1,001
Receivables written off during the year as uncollectible	<b>(579)</b>	(866)
Unused amounts reversed	<b>(199)</b>	(60)
<b>At 31 January</b>	<b>209</b>	782

**18. Trade and other receivables** continued

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

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

	2018 £'000	2017 £'000
Sterling	<b>41,296</b>	30,955
Euro	<b>98,466</b>	82,169
US dollar	<b>6,000</b>	8,183
Other currencies	<b>6,902</b>	7,619
	<b>152,664</b>	128,926

There is no material difference between the fair value and the carrying value of the Group's receivables.

**19. Analysis of changes in net funds**

	1 February 2017 £'000	Cash flow £'000	Foreign exchange movements £'000	31 January 2018 £'000
Cash and cash equivalents	20,250	(9,737)	(26)	<b>10,487</b>
Borrowings	(14,694)	(2,260)	(307)	<b>(17,261)</b>
<b>Net funds/(debt)</b>	<b>5,556</b>	<b>(11,997)</b>	<b>(333)</b>	<b>(6,774)</b>

Net funds comprise cash and cash equivalents less overdraft and utilisation of the Group's invoice discounting facility.

**20. Trade and other payables**

	2018 £'000	2017 £'000
Trade payables	<b>78,486</b>	68,339
Other tax and social security payable	<b>11,692</b>	10,757
Accruals	<b>56,372</b>	52,475
Other payables	<b>1,744</b>	1,615
	<b>148,294</b>	133,186

There is no material difference between the fair value and the carrying value of the Group's payables.

**21. Provisions**

	2018 £'000	2017 £'000
At 1 February	96	145
Charge in the year	<b>6,765</b>	-
Utilised in the year	<b>(4,673)</b>	(71)
Foreign exchange movements	<b>124</b>	22
At 31 January	<b>2,312</b>	96
Current	<b>1,991</b>	96
Non-current	<b>321</b>	-

A provision of £1.5m relates to the Group transformation programme; see note 9 for further details. The remaining provision relates to onerous leases; £0.2m in Norway and £0.6m in Germany. These leases expire in August 2018 and July 2020 respectively.

# Notes to the Consolidated Financial Statements

## 22. Share capital

	2018 £'000	2017 £'000
<b>Allotted and fully paid</b> 73,450,393 ordinary shares of 5 pence each (2017: 73,450,393)	<b>3,673</b>	3,673

## 23. Other reserves

Fair value and other reserves of £15.1m (2017: £15.1m) include £1.7m relating to a capital redemption reserve created on flotation. The remainder represents share premium on share capital issued in relation to the purchase of certain acquisitions.

The own shares held reserve represents the cost of shares in Harvey Nash Group plc purchased in the market and held by the Harvey Nash Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 25). The number of shares held by the Employment Benefit Trust at 31 January 2018 was 711,201 (2017: 794,660).

## 24. Retained earnings

	2018 £'000	2017 £'000
At 1 February	<b>29,132</b>	26,002
Profit for the year	<b>3,492</b>	5,979
Dividends paid	<b>(3,029)</b>	(2,849)
Employee share option and bonus plan	<b>187</b>	-
Movement in own shares	<b>(33)</b>	-
<b>At 31 January</b>	<b>29,749</b>	29,132

## 25. Share-based payments

Under the Harvey Nash Performance Share Plan ('PSP') scheme, the Remuneration Committee can grant awards to Executive Directors. Share awards vest subject to the achievement of performance targets. All awards under the PSP have an exercise price of 5.0 pence, which is equivalent to the nominal value of the underlying ordinary share. Further details of how the scheme operates and grants and lapses in the year can be found in the Directors' Remuneration Report.

Details of the awards outstanding are as follows:

	2018 Shares	2017 Shares
Outstanding at the beginning of the year	<b>2,921,357</b>	1,732,710
Granted	<b>927,487</b>	1,188,647
Lapsed	<b>(939,703)</b>	-
Exercised	<b>-</b>	-
<b>Outstanding at the end of the year</b>	<b>2,909,141</b>	2,921,357
Exercisable at end of the year	<b>-</b>	-

The fair value of PSP awards granted in the year was calculated at the date of grant using a Monte Carlo binomial model or a Black-Scholes model, depending on the vesting criteria of each award. Valuation model inputs were as follows:

	2018	2017
Share price at grant	<b>88.0p</b>	71.0p
Exercise price	<b>5.0p</b>	5.0p
Expected volatility	<b>29.62%</b>	n/a
Expected life (years)	<b>3.0</b>	3.0
Risk-free rate	<b>0.54%</b>	0.70%
Expected dividends	<b>4.64%</b>	5.08%

## 25. Share-based payments continued

Under the Harvey Nash Share Bonus Plan, the Remuneration Committee can award certain employees share options on a discretionary basis. For options exercised against own shares held, the shares are removed from the own shares held reserve.

Under the Harvey Nash 2005 Company Share Option Plan ('CSOP'), the Remuneration Committee can grant options over shares in the Company to employees of the Company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards under the CSOP are open to all full-time employees except those who have had a material interest in the Group in the previous 12 months. There were no options outstanding at 31 January 2017 and no further grants during the current year.

The total share-based payment charge for the year was £253,000 (2017: nil) of which £187,000 related to the PSP scheme and £66,000 related to the Share Bonus Plan.

## 26. Operating lease commitments

The Group has total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 Property £'000	2018 Vehicles, plant and equipment £'000	2017 Property £'000	2017 Vehicles, plant and equipment £'000
<b>Minimum lease payments under non-cancellable operating leases:</b>				
Within one year	<b>3,938</b>	<b>771</b>	4,654	723
Later than one year and less than five years	<b>9,455</b>	<b>725</b>	7,178	789
After five years	<b>1,321</b>	-	722	-
	<b>14,714</b>	<b>1,496</b>	12,554	1,512

## 27. Pensions

The Group operates separate defined contribution pension schemes in all locations. The Group's total contribution to such schemes for the year ended 31 January 2018 was £4.2m (2017: £4.0m).

The Group's largest pension scheme is a defined contribution scheme provided by Scottish Widows in the UK. Employees are invited to join the scheme automatically on completion of three months' 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.

## 28. Financial instruments

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

Additional disclosures are set out in the accounting policies relating to risk management. An explanation of the role that financial instruments have had during the year in the management of the Group's funding liquidity and foreign exchange is provided within note 3.

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts and confirmed that none contain embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no embedded derivatives at 31 January 2018 (2017: none).

The Group held no derivative financial instruments at 31 January 2018 (2017: none) requiring to be fair valued.

# Notes to the Consolidated Financial Statements

## 28. Financial instruments continued

### Borrowing facilities

The Group had the following committed facilities available in respect of a UK overdraft with a maximum facility of £2.0m at 31 January 2018 (2017: £2.0m).

In December 2017, the Group invoice discounting facility was increased from £60.0m to £70.0m. At 31 January 2018, the facility was allocated across the Group's operations as follows: £28.1m in the UK, EUR equivalent of £3.4m in Ireland, EUR equivalent of £25.1m in the Netherlands, EUR equivalent of £8.4m in Belgium and the USD equivalent of £5.0m in the USA. At 31 January 2018, there was also £4.2m unallocated across the regions. A further £2.75m invoice discounting facility is held directly by Crimson Ltd.

The overdraft facilities are repayable on demand and the invoice discounting facilities are available on a rolling 12-month basis. The rates on all facilities are floating. All conditions precedent to the overdraft and invoice discounting were met at 31 January 2018 and 31 January 2017.

	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Drawn borrowing facilities</b>				
Overdraft	£ -	962	-	962
Invoice discounting facilities – UK	£ 14,617	9,641	£ 14,617	9,641
Invoice discounting facilities – Ireland	€ 1,317	-	1,164	-
Invoice discounting facilities – Belgium	€ 1,555	2,917	1,374	2,505
Invoice discounting facilities – Netherlands	€ 2,170	-	1,918	-
Invoice discounting facilities – USA	\$ 3,676	4,279	2,665	3,401
Invoice discounting facilities – Crimson	£ 1,205	-	1,205	-
<b>Total</b>			<b>22,943</b>	16,509
<b>Undrawn borrowing facilities</b>				
Overdraft	£ 2,000	1,038	2,000	1,038
Invoice discounting facilities – UK	£ 13,483	14,699	13,483	14,699
Invoice discounting facilities – Ireland	€ 2,531	3,000	2,236	2,577
Invoice discounting facilities – Belgium	€ 7,952	4,583	7,026	3,937
Invoice discounting facilities – Netherlands	€ 26,238	25,000	23,182	21,474
Invoice discounting facilities – USA	\$ 3,221	2,221	2,335	1,766
Invoice discounting facilities – Crimson	£ 1,545	-	1,545	-
<b>Total</b>			<b>51,807</b>	45,491

## 29. Related party transactions

### Banking guarantees

Group guarantees have been entered into by the companies listed below and relate to any payment due under the banking agreement. The following companies have given security to Harvey Nash Group plc, the Company:

Name of company	Security	Security
Harvey Nash plc	Group guarantee	Debenture
Harvey Nash Group EBT Limited	Group guarantee	-
Broadbay Networks Inc	Group guarantee	-

The relationship between Harvey Nash Group plc and its principal subsidiaries is disclosed in note 16.

### 30. Business combinations

#### PAT Management AB

On 3 July 2017, the Group acquired 100% of the share capital of PAT Management AB, a recruitment business in Lund, Sweden, for an initial cash consideration of SEK 17.6m (£1.6m) and contingent consideration of SEK 11.8m (£1.1m). The contingent consideration arrangements require the Group to pay the selling company, PAT Invest AB, based on a multiple of earnings before interest and tax ('EBIT'), over threshold performance, for the three years ending January 2020.

The provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount. The excess of consideration above net asset values has been attributed in full to goodwill as no other intangible assets have been identified.

Details of the net assets acquired and the goodwill recognised were as follows:

	£'000
Cash consideration	1,602
Deferred consideration	1,077
Fair value of net identifiable assets acquired	(227)
Goodwill recognised at date of acquisition	2,452
Foreign exchange movements	(70)
Goodwill at 31 January 2018	2,382

Acquisition-related costs amounted to £0.1m.

The assets and liabilities arising at the date of acquisition were as follows:

	£'000
Tangible fixed assets	11
Cash	148
Receivables	289
Payables	(221)
Net identifiable assets acquired	227

The outflow of cash to acquire the business, net of cash acquired, was:

	£'000
Cash consideration	1,602
Cash and cash equivalents in subsidiary acquired	(148)
Acquisition costs	75
Cash outflow on acquisition	1,529

The Company recorded revenue of £1.3m and gross profit of £1.2m for the 12 months ending 31 January 2018.

#### Crimson Limited

On 11 September 2017, the Group acquired 100% of the share capital of Crimson Limited, a UK IT solutions and recruitment company based in Birmingham, from its management for an initial cash and cash equivalent consideration of £6.1m and deferred cash consideration of up to £9m. The contingent consideration arrangements require the Group to pay a guaranteed £2m over two years and then on a multiple of earnings before interest and tax ('EBIT'), over threshold performance, for the three years ending September 2020.

The provisional fair value of the net assets acquired is approximately equal to the acquiree's carrying amount. The excess of consideration above net asset values has been attributed in full to goodwill as no other intangible assets have been identified.

## Notes to the Consolidated Financial Statements

### 30. Business combinations continued

Details of the net assets acquired and the goodwill recognised were as follows:

	£'000
Cash and cash equivalent consideration	6,124
Deferred consideration	3,000
Fair value of net identifiable assets acquired	(1,666)
Goodwill recognised at date of acquisition	7,458
Movement in deferred consideration	-
Goodwill at 31 January 2018	7,458

Acquisition-related costs amounted to £0.3m.

The assets and liabilities arising at the date of acquisition were as follows:

	£'000
Tangible fixed assets	133
Receivables	3,659
Overdraft	(73)
Payables	(2,053)
Net identifiable assets acquired	1,666

The outflow of cash to acquire the business, net of cash acquired, was:

	£'000
Cash consideration	5,851
Overdraft in subsidiary acquired	73
Acquisition costs	302
Cash outflow on acquisition	6,226

The Company recorded revenue of £21.8m and gross profit of £4.6m for the 12 months ending 31 January 2018.

### Beaumont KK

Deferred consideration of £0.5m was recognised following the acquisition of Beaumont KK, a recruitment business in Tokyo, Japan, in 2014. The final payment of £0.3m was made in October 2017.

### 31. Loan receivable

On 6 December 2015, the Group entered into a sale agreement to dispose of the German telecommunications outsourcing business Nash Technologies GmbH and its two fully owned subsidiaries, Nash Technologies Stuttgart GmbH and Nash Innovations GmbH ('NT Group'). On the disposal date, full control passed to the acquirer.

The Group has a £2.0m (€2.3m) loan receivable from NT Group included within non-current assets. The rate of interest is three-month EURIBOR plus 1.5% and the loan is due to mature on 30 June 2023.

Under the sale agreement, the Group remained liable, subject to a cap, for taxes owed by the entities up to the sale date. In the year ended 31 January 2017, an audit by the German tax office of the NT Group resulted in a tax charge of £0.3m relating to prior years.

# Company Balance Sheet

As at 31 January 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments	3	<b>53,420</b>	53,458
<b>Current assets</b>			
Debtors	4	<b>16,063</b>	20,886
Cash		<b>7</b>	6
		<b>16,070</b>	20,892
<b>Creditors due within one year</b>	5	-	-
<b>Net current assets</b>		<b>16,070</b>	20,892
<b>Total assets less current liabilities</b>		<b>69,490</b>	74,350
<b>Creditors due after more than one year</b>			
Deferred consideration	5	-	(172)
Amounts owed to subsidiary undertakings	5	<b>(12,976)</b>	(15,836)
		<b>(12,976)</b>	(16,008)
<b>Net assets</b>		<b>56,514</b>	58,342
<b>Capital and reserves</b>			
Share capital	6	<b>3,673</b>	3,673
Share premium account		<b>8,425</b>	8,425
Capital contribution		<b>20,000</b>	20,000
Other reserves		<b>13,875</b>	13,875
Profit and loss account		<b>10,541</b>	12,369
<b>Equity shareholders' funds</b>		<b>56,514</b>	58,342

The loss for the year was £2,888,000 (2017: profit of £156,000).

The financial statements on pages 105 to 108 were approved and authorised for issue by the Board on 26 April 2018 and signed on its behalf by:

**Julie Baddeley**  
**Chairman**

Company Number: 03320790

**Mark Garratt**  
**Group Finance Director**

## Company Statement of Changes in Equity

For the year ended 31 January 2018

	Share capital £'000	Share premium £'000	Capital contribution £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
<b>Balance at</b>						
1 February 2016	3,673	8,425	20,000	13,875	10,078	56,051
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	156	156
<b>Total comprehensive income for the year</b>	-	-	-	-	156	156
<b>Contributions by and distributions to owners</b>						
Dividends received	-	-	-	-	3,369	3,369
Dividends paid	-	-	-	-	(2,849)	(2,849)
Exchange movements	-	-	-	-	1,615	1,615
<b>Total contributions by and distributions to owners</b>	-	-	-	-	2,135	2,135
31 January 2017	3,673	8,425	20,000	13,875	12,369	58,342
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	(2,888)	(2,888)
<b>Total comprehensive income for the year</b>	-	-	-	-	(2,888)	(2,888)
<b>Contributions by and distributions to owners</b>						
Dividends received	-	-	-	-	5,838	5,838
Dividends paid	-	-	-	-	(3,029)	(3,029)
Exchange movements	-	-	-	-	(1,749)	(1,749)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	1,060	1,060
<b>31 January 2018</b>	<b>3,673</b>	<b>8,425</b>	<b>20,000</b>	<b>13,875</b>	<b>10,541</b>	<b>56,514</b>

The notes on pages 107 to 108 form part of these financial statements.

# Notes to the Financial Statements

## 1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100, issued by the Financial Reporting Council ('FRC'). Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets and certain related party transactions.

Where required, equivalent disclosures are given in the Group accounts.

The financial statements have been prepared on the historical cost basis, which is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

### (a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Impairment reviews are conducted annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of sale and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## 2. Profit for the year

The loss for the year ended 31 January 2018 in the financial statements of Harvey Nash Group plc, the Company, was £2,888,000 (2017: profit £156,000). As permitted by s408 Companies Act 2006, no profit and loss account is presented in respect of the parent Company.

## 3. Investment in subsidiaries

Shares in Group undertakings	2018 £'000	2017 £'000
At 1 February	<b>53,458</b>	53,163
Additions	<b>1,078</b>	295
Investment write off	<b>(1,116)</b>	-
<b>At 31 January</b>	<b>53,420</b>	53,458

In the year a number of dormant subsidiaries were struck-off as part of a corporate simplification project. This led to Harvey Nash Group plc directly recognising the remaining 20% of Harvey Nash (Ireland) Ltd, previously held by Ainstow Ltd. Following the closure of the Group's executive search business in Japan, the investment in Harvey Nash Japan KK was written off, leading to an impairment of £1.1m.

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The carrying value of the investments was tested against discounted future cash flows during the year. The forecasts were based on post-tax cash flows derived from the approved budget for FY2018 and the long-term strategic plan. Management believe that these forecasts are achievable. Should future cash flows be unable to support the carrying value, an impairment would be recognised.

A full list of subsidiary companies and branches owned directly or indirectly by the Company as at 31 January 2018 is presented on page 109.

## Notes to the Financial Statements

### 4. Debtors

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	<b>16,063</b>	20,886

Amounts owed by Group undertakings are unsecured and may be paid by the borrower at any time unless otherwise agreed between Group undertakings. The interest is charged at a 2.5% margin over LIBOR in accordance with formal loan agreements between the parties.

### 5. Creditors

Creditors due after more than one year	2018 £'000	2017 £'000
Deferred consideration	-	172
Amounts owed to subsidiary undertakings	<b>(12,976)</b>	15,836
Total	<b>(12,976)</b>	16,008

Amounts owed to Group undertakings are unsecured and may be paid by the Company at any time unless otherwise agreed between Group undertakings. Interest is charged at a 2.5% margin over the bank base rate applicable in the jurisdiction of the lender, in accordance with formal loan agreements between the parties.

### 6. Equity

Allotted and fully paid	2018 £'000	2017 £'000
73,450,393 ordinary shares of 5 pence each (2017: 73,450,393)	<b>3,673</b>	3,673

The capital contribution reserve was created on flotation.

# Full List of Subsidiaries of Harvey Nash Group plc

Subsidiaries	% Holding	Principal activity
<b>United Kingdom</b> <b>110 Bishopsgate, London, EC2N 4AY</b>		
Harvey Nash plc	100%	Recruitment consultancy
NashTech Ltd	100%	Software consultancy
Crimson Ltd	100%	Recruitment consultancy
Impact Executives Ltd	100%	Recruitment consultancy
Impact Executives Holdings Ltd	100%	Non-trading
Harvey Nash Group EBT Ltd	100%	Non-trading
<b>Ireland</b> <b>Unit 2, 51 Sir John Rogerson's Quay, Dublin 2</b>		
Harvey Nash (Ireland) Ltd	100%	Recruitment consultancy
NashTech Software Ltd	100%	Software consultancy
<b>Netherlands</b> <b>Industrieweg 4 Maarssen, 3606 AS</b>		
Harvey Nash BV	100%	Recruitment consultancy
<b>Germany</b> <b>Grafenberger Allee 337a-c 40235 Düsseldorf</b>		
Harvey Nash GmbH	100%	Recruitment consultancy
Nash Direct GmbH	100%	Recruitment consultancy
Impact Executives (Germany) GmbH	100%	Non-trading
<b>Belgium</b> <b>Nieuwe gentesteenweg 21/3, 1702 Groot-IJgaarden</b>		
Harvey Nash IT Consulting NV	100%	Recruitment consultancy
Harvey Nash NV	100%	Recruitment consultancy
<b>Residentie Docklands, Indiëstraat 2, 2000 Antwerpen</b>		
Talent IT BVBA	100%	Recruitment consultancy
Team4Talent BVBA	100%	Recruitment consultancy
Pro-Cured BVBA	100%	Procurement
<b>Switzerland</b> <b>Badenerstrasse 15, Postfach 8021 Zürich</b>		
Harvey Nash AG	100%	Recruitment consultancy
Impact Executives Holdings AG	100%	Procurement
<b>France</b>		
SA Harvey Nash	100%	Non-trading
Harvey Nash IT SASU	100%	Non-trading
<b>Poland</b> <b>Al. Jerozolimskie 56C, 00-803 Warsaw</b>		
Harvey Nash Alumni Sp. z o.o.	100%	Recruitment consultancy
Harvey Nash Technology Poland Sp. z o.o.	100%	Recruitment consultancy
<b>Sweden</b> <b>World Trade Center, Kungsbron 1, Box 843, 101 36 Stockholm</b>		
Alumni AB	100%	Recruitment consultancy
IE Management AB	100%	Recruitment consultancy
Harvey Nash Recruitment AB	100%	Recruitment consultancy
Harvey Nash Services AB	100%	Recruitment consultancy
PAT Management AB	100%	Recruitment consultancy
<b>Finland</b> <b>Unionsgatan 22, 00130 Helsinki</b>		
Harvey Nash OY	100%	Recruitment consultancy
<b>Norway</b> <b>Haakon VII's Gate 6, 0161 Oslo</b>		
Harvey Nash AS	100%	Recruitment consultancy

# Full List of Subsidiaries of Harvey Nash Group plc

Subsidiaries	% Holding	Principal activity
<b>United States of America</b>		
<b>1680 Route 23 North, Suite 300, Wayne, NJ 07470</b>		
Harvey Nash Inc	100%	Recruitment consultancy
Harvey Nash Holdings Inc	100%	Non-trading
SBS Group Inc	100%	Non-trading
Broadbay Networks Inc	100%	Non-trading
Tech Discovery LLC	100%	Non-trading
Euro Systems International Inc	100%	Non-trading
Applied Concepts Inc	100%	Non-trading
Scientific & Business Systems Inc	100%	Non-trading
<b>Japan</b>		
<b>Shinagawa Grand Central Tower 2-16-4 Konan, Minato-ku Tokyo 108-0075</b>		
Harvey Nash Japan KK	100%	Software consultancy
<b>Vietnam</b>		
<b>364 Cong Hoa Street, Tan Binh District, Ho Chi Minh City</b>		
Harvey Nash (Vietnam) Company Ltd	100%	Software development
<b>British Virgin Islands</b>		
<b>P.O Box 957, Offshore Incorporations Centre, Road Town, Tortola</b>		
Harvey Nash Ltd	100%	Non-trading
<b>Singapore</b>		
<b>One Raffles Quay, North Tower, Level 25</b>		
Harvey Nash Singapore PTE Ltd	100%	Non-trading
NashTech Singapore PTE Ltd	100%	Software consultancy
<b>Hong Kong</b>		
<b>Unit 1501, 15/F Henley Building, 5 Queen's Road Central, Central</b>		
Harvey Nash (Hong Kong) Ltd	100%	Non-trading

# Offices

## United Kingdom

[www.harveynash.com/uk](http://www.harveynash.com/uk)

### London

110 Bishopsgate  
London EC2N 4AY

### Birmingham

4301 Waterside Centre  
Birmingham Business Park  
Birmingham B37 7YN

2640 The Crescent  
Birmingham Business Park  
Birmingham B37 7YE

### Leeds

Marshalls Mill  
Marshall Street  
Leeds LS11 9YJ

### Manchester

Lowry House  
17 Marble Street  
Manchester M2 3AW

### Newcastle

Studio 308  
Maling Exchange  
Hoult's Yard, Walker Road  
Newcastle-upon-Tyne  
NE6 2HL

### Bristol

Ten Victoria Street  
Bristol BS1 6BN

### Edinburgh

Waverley Gate  
2-4 Waterloo Place  
Edinburgh, EH1 3EG

### Glasgow

2 West Regent Street  
Glasgow G2 1RW

### Ireland

[www.harveynash.com/ie](http://www.harveynash.com/ie)

### Dublin

Mount Street Lower  
Grand Canal Dock  
Dublin 2

## Belgium

[www.harveynash.com/be](http://www.harveynash.com/be)

### Antwerp

Residentie Docklands  
Indiëstraat 2  
2000 Antwerpen

### Brussels

Nieuwe Gentsteenweg 21/3  
1702 Groot-Bijgaarden  
Brussels

### Ghent

Huize Minne  
Kortrijksesteenweg 62  
9830 Sint-Martens-Latem  
Ghent

## Netherlands

[www.harveynash.com/nl](http://www.harveynash.com/nl)

### Utrecht

Industrieweg 4  
Maarssen, Utrecht 3606 AS

### Groningen

Verlengde Hereweg 173  
Groningen, 9721 AP

## Germany

[www.harveynash.com/de](http://www.harveynash.com/de)

### Düsseldorf

Grafenberger Allee 337a-c  
40235 Düsseldorf

### Stuttgart

Tübinger Strasse 26  
D-70178 Stuttgart

### Munich

Leonrodstrasse 52  
D-80636 München

## Switzerland

[www.harveynash.com/ch](http://www.harveynash.com/ch)

### Zürich

Badenerstrasse 15  
Postfach 8021 Zürich

### Poland

[www.harveynash.com/pl](http://www.harveynash.com/pl)

### Warsaw

Al. Jerozolimskie 56C  
00-803 Warsaw

## Sweden

[www.harveynash.com/se](http://www.harveynash.com/se)

### Stockholm

World Trade Center,  
Kungsbron 1  
Box 843, 101 36 Stockholm

### Gothenburg

Södra Larmgatan 20  
411 16 Göteborg

### Malmö

Gibraltargatan 7  
211 18 Malmö

### Lund

Kyrkogatan 9B  
222 22 Lund

### Norway

[www.harveynash.com/no](http://www.harveynash.com/no)

### Oslo

Haakon VII's Gate 6  
0161 Oslo

## Finland

[www.harveynash.com/fi](http://www.harveynash.com/fi)

### Helsinki

Unionsgatan 22  
00130 Helsinki

### Denmark

[www.harveynash.com/dk](http://www.harveynash.com/dk)

### Copenhagen

Regus Tuborg Havn, 3 sal  
Tuborg Boulevard 12  
2900 Hellerup, Copenhagen

### USA

[www.harveynash.com/usa](http://www.harveynash.com/usa)

### New Jersey

1680 Route 23 North  
Suite 300  
Wayne, NJ 07470

### California

475 Sansome Street  
Suite 1710  
San Francisco, CA 94111

## Illinois

415 North La Salle, Suite 202  
Chicago, IL 60654

### New York

60 East 42nd Street  
Suite 2206  
New York, NY 10165

### Washington

2101 4th Avenue, Suite 720  
Seattle, WA 98121

### Vietnam

[www.harveynash.com/vn](http://www.harveynash.com/vn)

### Hanoi

4F & 6F, HITC Building  
239 Xuan Thuy Road  
Cau Giay District, Hanoi

### Ho Chi Minh City

e.town Building  
364 Cong Hoa Street  
Tan Binh District  
Ho Chi Minh City

### Australia

[www.harveynash.com/au](http://www.harveynash.com/au)

### Sydney

Suite 14.02, Level 14  
20 Hunter Street  
Sydney NSW 2000

### Japan

[www.harveynash.com/jp](http://www.harveynash.com/jp)

### Tokyo

Floor 8, Shinagawa Grand  
Central Tower  
2-16-4 Konan, Minato-ku  
Tokyo 108-0075

### Singapore

[www.harveynash.com/sg](http://www.harveynash.com/sg)

### Singapore

One Raffles Quay  
North Tower, Level 25  
Singapore

# Shareholder Information

## Officers

### Directors

Julie Baddeley (Chairman)  
 David Bezem  
 Ian Davies (Senior Independent Director)  
 Albert Ellis (Chief Executive Officer)  
 Mark Garratt  
 Adrian Gunn  
 Kevin Thomas  
 Simon Wassall

### Secretary

Mark Garratt

### Registered office

Harvey Nash Group plc  
 110 Bishopsgate  
 London EC2N 4AY

### Registered number

03320790

### Contact details

+44 (0)20 7333 0033  
[info@harveynash.com](mailto:info@harveynash.com)  
[www.harveynash.com](http://www.harveynash.com)

### Financial calendar

#### 2018

28 June Trading update and AGM  
 6 July Payment of full-year dividend  
 28 September Interim result

### Social Media

 [twitter.com/HarveyNashGroup](https://twitter.com/HarveyNashGroup)

 [linkedin.com/company/Harvey-Nash](https://linkedin.com/company/Harvey-Nash)

 [facebook.com/HarveyNashGroup](https://facebook.com/HarveyNashGroup)

## Professional advisers

### Nomad and broker

Panmure Gordon & Co  
 One New Change  
 London EC4M 9AF

### Solicitors

Travers Smith LLP  
 10 Snow Hill  
 London EC1A 2AL

### Registrars

Equiniti  
 PO Box 4630  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex BN99 6QQ

### ID fraud and unsolicited mail

Share-related fraud and identity theft affects shareholders of many companies and we urge you to be vigilant. If you receive any unsolicited mail offering advice, you should inform Equiniti immediately on 0371 384 2030.

### Independent Auditor

Deloitte LLP  
 Chartered Accountants and Statutory Auditor  
 2 New Street Square  
 London EC4A 3BZ

### Principal bankers

National Westminster Bank plc  
 280 Bishopsgate  
 London EC2M 4RB





The Power of Talent

Harvey Nash Group plc  
[www.harveynash.com](http://www.harveynash.com)