



INTERNATIONAL **STAFFING SPECIALISTS**



STHREE PLC
**REPORT &
FINANCIAL
STATEMENTS**
2014

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2014 HIGHLIGHTS

FOR THE YEAR ENDED 30 NOVEMBER 2014

The prior period results comprised 53 weeks. For comparison purposes, 52 week data excluding the results of the IT Job Board business ("ITJB"), which was disposed of in 2013, has been presented as Like-for-Like ("LFL") figures.

FINANCIAL HIGHLIGHTS

	AS REPORTED		LFL	
	2014	2013	2013	LFL
	52 weeks	53 weeks**	52 weeks	52 week
	£m	£m	£m	Variance
Revenue	746.9	634.3	618.4	+20.8%
Gross profit	218.2	199.8	192.8	+13.2%
Operating profit before exceptional items	29.8	21.2	21.0	+41.9%
Restructuring costs	(5.5)	(10.8)	-	-
Gain on disposal of ITJB	0.2	5.3	-	-
Operating profit after exceptional items	24.5	15.7	n/a	n/a
Profit before taxation and exceptional items	29.3	21.0	20.8	+40.9%
Profit after taxation before exceptional items	20.2	11.1	11.1	+82.0%
Basic earnings per share before exceptional items	16.3	9.1	9.1	+79.1%
Proposed final dividend	9.3	9.3	9.3	-
Total dividend (interim plus final)	14.0	14.0	14.0	-
Operating profit conversion ratio	13.7%	10.6%	10.9%	+2.8%

OPERATIONAL HIGHLIGHTS

- Improved overall performance with Group gross profit ("GP") up 18%* year on year ("YoY") as greater strategic focus on Contract continues to produce results;
- Operating profit (before exceptional items) increased 42% to £29.8m (2013: £21.0m), despite FX headwinds of £1.8m;
- Group conversion ratio up 2.8 percentage points to 13.7% (2013: 10.9%);
- Significant progress made against our key strategic priorities – Contract, ongoing sector diversification and international growth;
- Contract GP grew by 27%* YoY and now accounts for 61% of Group GP (2013: 56%);
- Strong growth in number of Contract runners, up 31% YoY at 7,573 at year end (2013: 5,791), establishing a strong platform for 2015;
- Permanent GP up 6%* YoY with growth accelerating to 16%* in Q4;
- Non-UK&I share of GP increased to 70% (2013: 69%);
- Continued sector diversification with non-ICT disciplines now representing 61% of GP (2013: 57%);
- Strong performances from our newer sector disciplines with Energy up 51%* and Life Sciences up 42%* YoY; together now representing 32% of GP (2013: 27%);
- Excellent performance in the Americas (up 73%* YoY), now representing 15% of Group GP (2013: 11%), driven by the USA;
- Group total headcount at year end increased by 11% to 2,578 (2013: 2,327) and Group average headcount was up 12% YoY at 2,487 (2013: 2,228);
- Group year end sales headcount up 12% YoY at 2,081 (2013: 1,862) and average sales headcount up 15% YoY at 2,002 (2013: 1,736);
- Review and rationalisation of a number of sub-scale operations, with resources redeployed and reprioritised to the USA, where the Group is doubling its office space in New York, Boston, Houston and San Francisco;
- Net debt of £9.9m at the year end.

* variances in constant currency and FY14 GP is adjusted due to timing of period ends (an additional £0.6m in DACH)
** includes ITJB



GP UP

18%

YOY

**OPERATING
PROFIT UP**

42%

YOY

70%

**OF GP
INTERNATIONAL**

AMERICAS UP

73%

YOY

CONTRACT UP

27%

YOY

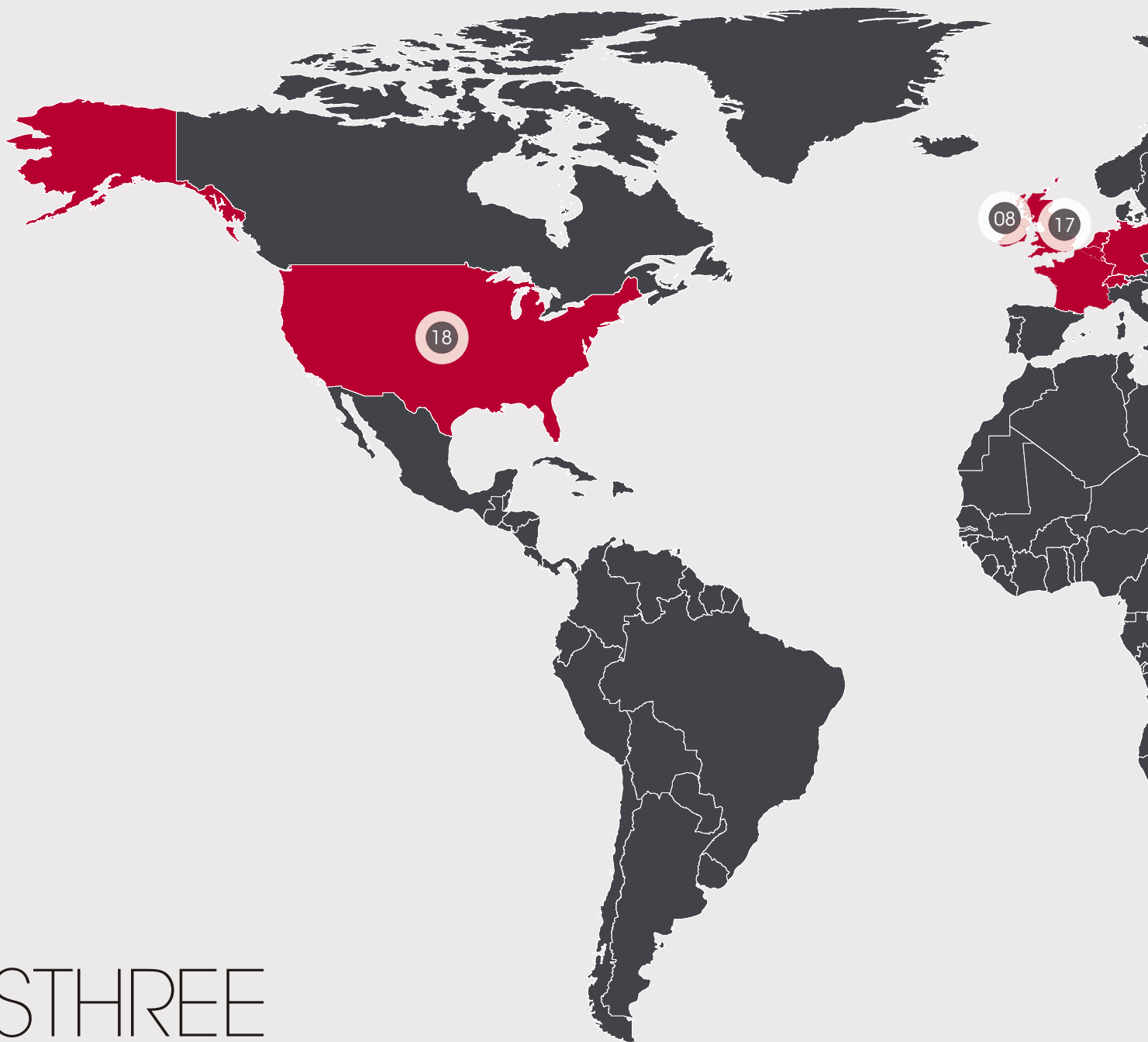
CONTRACT

61%

**OF GROUP
GP**

**PERM
GP UP**

6%



STHREE LOCATIONS

01

AUSTRALIA

LOCATIONS

Sydney

BRANDS

Huxley
Progressive
Real Staffing

02

BELGIUM

LOCATIONS

Antwerp
Brussels

BRANDS

Computer Futures
Huxley Associates
JP Gray
Real Staffing

03

DUBAI

LOCATIONS

Dubai

BRANDS

Huxley
Progressive

07

INDIA

RESOURCER

CENTRE
Mumbai

08

IRELAND

LOCATIONS

Dublin

BRANDS

Computer Futures
Real Staffing

09

JAPAN

LOCATIONS

Tokyo

BRANDS

Computer Futures
Real Staffing

13

QATAR

LOCATIONS

Doha

BRANDS

Huxley
Progressive

14

RUSSIA

LOCATIONS

Moscow

BRANDS

Progressive

15

SINGAPORE

LOCATIONS

Singapore

BRANDS

Huxley
Progressive
Real Staffing



04

FRANCE

LOCATIONS
Paris

BRANDS
Computer Futures
Huxley
Progressive
Real Staffing

05

GERMANY

LOCATIONS
Berlin
Dusseldorf
Frankfurt
Munich
Hamburg
Stuttgart

BRANDS
Computer Futures
Huxley
Progressive
Real Staffing

06

HONG KONG

LOCATIONS
Hong Kong

BRANDS
Huxley

10

LUXEMBOURG

LOCATIONS
Luxembourg

BRANDS
Huxley

11

MALAYSIA

LOCATIONS
Kuala Lumpur

BRANDS
Progressive

12

NETHERLANDS

LOCATIONS
Amsterdam
Rotterdam

BRANDS
Computer Futures
Enterprise Partners
Huxley
JP Gray
Progressive
Real Staffing

16

SWITZERLAND

LOCATIONS
Zurich

BRANDS
Real Staffing

17

UK

LOCATIONS
Birmingham
Bristol
Glasgow
London
Leeds
Manchester

BRANDS
Computer Futures
Huxley
Orgtel
Progressive
Real Staffing

18

USA

LOCATIONS
Boston
Chicago
Houston
New York
San Diego
San Francisco

BRANDS
Computer Futures
Huxley
Progressive
Real Staffing



CHIEF EXECUTIVE OFFICER'S REVIEW

FOR THE YEAR ENDED 30 NOVEMBER 2014

GARY ELDEN, CHIEF EXECUTIVE OFFICER

"THE GROUP DELIVERED AN IMPROVED PERFORMANCE DURING THE YEAR, WITH A STRONG FINISH IN THE FOURTH QUARTER, AS WE CONTINUED TO BENEFIT FROM OUR INCREASING EXPOSURE TO NEWER HIGH GROWTH MARKETS, PARTICULARLY THE USA AND THE ENERGY AND LIFE SCIENCES SECTORS. OUR INVESTMENT IN CONTRACT WAS REFLECTED IN ANOTHER YEAR OF STRONG GROWTH FROM THIS BUSINESS AND PERMANENT ALSO IMPROVED ITS PERFORMANCE, WITH GROWTH ACCELERATING IN Q4."

"Our focus on operational efficiencies helped deliver an operating profit before exceptional items of £29.8m, an increase of 42% on the prior year. At this early point of the new financial year, while improved sentiment is clearly evident in most of our markets, it is still a somewhat mixed picture. Activity levels over the coming weeks will give an indication of the market the Group will trade in during 2015 and while we are mindful of the risks we face today, we expect to see a broadly supportive picture globally.

"The strength of the Contract book and improving Permanent performance gives us a strong base from which to grow the business. While greater economic uncertainty in the Eurozone and a significant reduction in global oil prices in recent months have added some caution to the outlook, our experienced management team and strong financial position give us the confidence that we will make the most of the market opportunity in 2015."

The prior period results comprised 53 weeks. For comparison purposes, 52 week data excluding the results of the IT Job Board business ("ITJB"), which was disposed of in 2013, has been presented as Like-for-Like ("LFL") figures.

OVERVIEW

The Group delivered an improved performance during the year with a strong finish in Q4. We continue to see a robust overall GP performance and, although the performance varies significantly by country and sector, overall growth remains strong. This is reflected in 18%* YoY growth in Group GP largely driven by Contract and growth in our newer businesses, especially the Americas. Our newer sectors, Energy and Life Sciences, continued to perform strongly across most of our geographies and they are making an increasingly important contribution to the Group results.

Contract continued to benefit from the greater strategic focus and our investment in headcount, resulting in encouraging growth in Contract runners and GP. Contract now accounts for 61% of Group GP (2013: 56%). Permanent also improved its performance, with GP increased by 6%* YoY but up a pleasing 16%* YoY in Q4, although there remains more work to do to return its productivity to historic levels.

Period end Group sales headcount was up 12% YoY which leaves us well positioned for future growth.

During the year, we focused on driving up the productivity of existing teams and offices across the Group. As a result, no new offices in new geographies were opened during the year and we closed a small number of sub scale offices. In 2015, any new investment in further territories will more likely be led by specific client requirements.

We remain committed to the dividend and are pleased to maintain the total ordinary dividend for the year at 14.0p (2013: 14.0p).

FINANCIAL RESULTS

Group GP for the year was up 18%* to £218.2m (2013: £192.8m). Profit before tax for the year (before exceptional items) was up 41% to £29.3m (2013: £20.8m). The growth in profitability reflects improved economic conditions for much of the year supporting higher sales headcount and improved consultant productivity, combined with the reduced cost base as a result of the 2013 and 2014 restructurings.



HEADCOUNT

The Group ended 2014 with a total headcount of 2,578 (2013: 2,327) an increase on the prior year end of 11% and building on a significant increase in headcount in the latter months of the



**OUR NEWER SECTORS,
ENERGY AND LIFE
SCIENCES, DELIVERED
STRONGLY
ACROSS MOST
OF OUR
GEOGRAPHIES**



2013 financial year. The Group average headcount was up 12% at 2,487 (2013: 2,228), reflecting the targeted investment in sales headcount during the course of the year to capitalise on stronger markets and sectors.

Group sales headcount at 30 November 2014 at 2,081 (2013: 1,862) was up 12%. UK&I sales headcount was up 14% YoY, Continental Europe sales headcount was up 8%, Americas sales headcount was up 39% and Asia Pacific & Middle East sales headcount has dropped slightly by 1% YoY, due to changes in the regional delivery model.

Consultant headcount mix continued to shift in favour of Contract during the year, with Contract consultant numbers up 19% and Permanent consultant headcount up 5% since the 2013 year end. At the end of the year, Contract consultant headcount represented 53% of the total consultant headcount making it the larger business division by headcount for the first time in the Group's history.

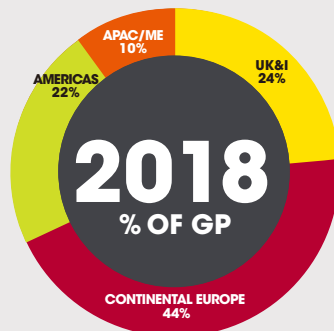
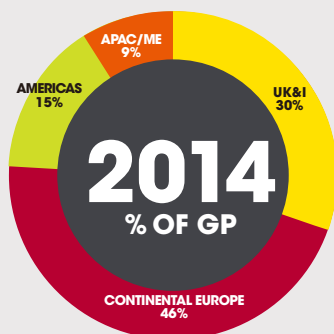
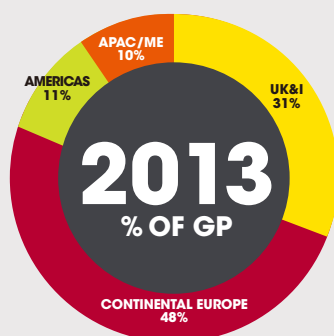
STRATEGIC PRIORITIES

At the Investor Day in June 2014 we outlined five key areas of strategic importance, which form the basis of our Five Point Plan for Growth:

1. Regional Growth Opportunities

We continued to focus on building scale and critical mass in the countries where we already operate. The Group has 45 offices in 18 countries, of which 33 are outside of the UK. No new offices were opened during the year. Much of the Group's international growth during the year came as a result of driving up the returns from our existing locations and sectors. As part of this approach, the Group rationalised sub-scale sales operations in Brazil, Canada, Australia and India, with certain resources redeployed and reprioritised to our USA operations, where the Group is doubling its office space with new offices in New York, Boston, Houston and San Francisco.

GP BUSINESS MIX BY GEOGRAPHY



The Group generated £151.9m of GP from outside of the UK&I (2013: £132.9m), up 22%*. The geographical business mix continues to shift in favour of our international operations and the ratio was 70:30 in favour of non UK&I GP (2013: 69:31). UK&I GP was up 11%* YoY to £66.3m (2013: £59.9m), driven by a 14%*

increase in Contract GP in line with a 15% increase in average Contract consultant headcount. In the UK&I, period end contractors were up 16% YoY, while GP per day rate ("GPDR") remained broadly level YoY. While UK&I Permanent placements were down 1% YoY, average fees increased by 2%* YoY.

Continental Europe GP at £99.4m (2013: £93.7m) was up 11%* from the prior year, again mainly due to a strong performance in the Contract business within the DACH region, with notable contributions from the Energy and Life Sciences sectors. Contract GP was up 23%*, with period end contractors up 24% YoY while GPDR remained level YoY. Although Permanent placements were down 7%* YoY, average fees remained level YoY.

The Group generated overall GP from the Americas of £33.4m (2013: £20.5m), up 73%* YoY. The region now represents 15% of Group GP (2013: 11%), with the USA being the main driver of this performance. The major contributors to growth in the USA were the Energy, Life Sciences and Banking & Finance sectors, which were up 83%*, 73%* and 45%* YoY respectively. Americas Contract GP was up 98%* YoY and period end contractors increased by 97% YoY, while GPDR reduced by 6%* YoY as we accessed a wider range of specialist roles. Americas Permanent placements increased by 51% YoY, while average fees fell by 3%* YoY, mainly due to sector mix. Our performance in the USA continues to be highly encouraging and we see significant opportunities to maintain these high levels of growth.

Asia Pac & Middle East GP at £19.1m (2013: £18.6m) was up 14%*, with Life Sciences and Energy up 59%* and 21%* YoY respectively. Permanent placements increased by 9% YoY, while average fees fell by 6%* YoY. Contract GP was up 62%* YoY and

contractors increased by 104% YoY, while GPDR fell 10%* YoY as we opened up Contract in a broader range of sectors.

2. Sector Diversification and Expansion

SThree is focused on the following five core sectors: Information & Communications Technology ("ICT"), Energy, Engineering, Life Sciences and Banking & Finance. In line with its strategic objective, the Group made significant progress growing its newer sectors during the year, particularly Energy and Life Sciences.

ICT represented 39% of Group GP (2013: 43%). ICT is our largest and most established sector and consequently the majority of ICT business is in the more mature UK and European markets, and its performance reflected this geographical bias. We have seen exciting early results from an initial roll out of ICT beyond the UK and Europe, particularly in the USA. ICT GP for the year of £86.1m (2013: £83.7m), was up 8%* YoY.

Non-ICT enjoyed very strong growth and overall GP grew by 26%* YoY at £132.1m (2013: £109.1m). The major contributors were Energy up 51%* (15% of Group GP), Life Sciences up 42%* YoY (17% of Group GP) and

Banking & Finance up 19%* YoY (18% of Group GP).

3. Contract

Contract remained a key area of strategic focus during the year and we continued the investment in headcount in this area which started in the second half of last year. Year end consultant headcount in the Contract business was up 19% YoY at 935 (2013: 786). Headcount growth combined with increasing exposure to new high growth markets, particularly Energy and Life Sciences, resulted in a 27%* YoY increase in Contract GP.

After successfully running an employed contractor model ("ECM") in the USA, the Group is in the process of evaluating further opportunities in Continental Europe and Asia Pac & Middle East regions. The Contract exit growth rate during the year was very pleasing, with year end runners up 31% to 7,573 (2013: 5,791), giving the Group a strong platform to build from in 2015.

During the year, the Group made 6,601* Permanent placements (2013: 6,429), a 3% increase YoY, and average fees remained robust. Overall Permanent GP grew by 6%* YoY as Permanent finished the year with a strong Q4. Year end consultant headcount in our Permanent business

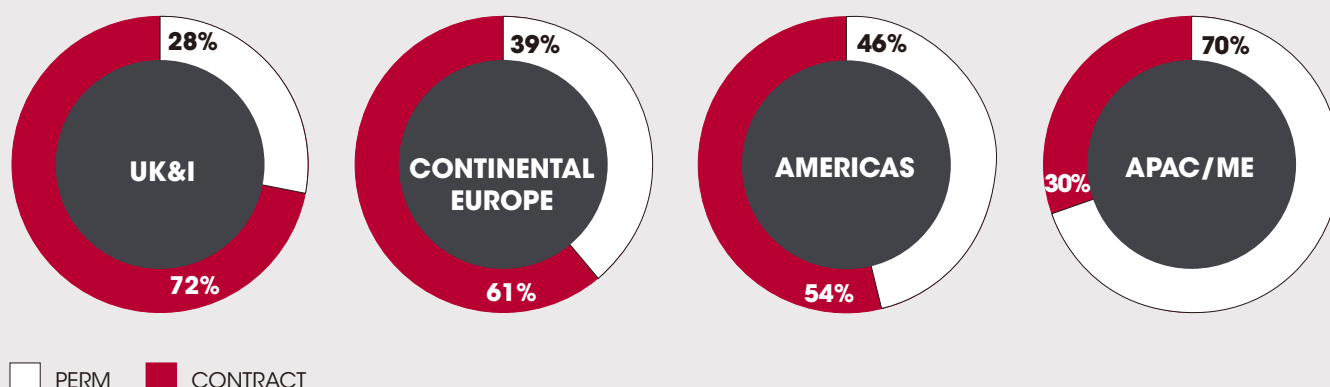
was up 5% YoY at 831 (2013: 794) and we expect to see an improved performance in this business as this newer headcount matures, which improves productivity.

As a result of the stronger Contract performance, 2014 saw a further re-mixing of our business in favour of Contract, with Contract GP now representing 61% of Group GP (2013: 56%). The further evolution of this metric in the near term will be to some extent dictated by the macro-economic backdrop in 2015. In a more challenging environment Contract tends to be more resilient but in an improving market, Permanent can recover very quickly. However, both Permanent and Contract benefit from improving sentiment – Permanent being more driven by candidate confidence impacting on churn and Contract being more impacted by client confidence. We remain committed to our strategy of operating a balanced business with a significant presence in both Contract and Permanent markets.

4. Organic Growth/M&A

The Group remains an organically grown business with most businesses set up and led by home grown talent. However, where necessary, we have also hired key personnel to grow our

CONTRACT THE STRATEGIC CASE



business in specific regions such as Japan and Russia and within the Energy sector. We were pleased to have strengthened our Energy business with the appointment of an Advisory Chairman, James Barbour-Smith, to our Energy Board. James was formerly a Head of Portfolio Management and a Partner of Gresham Private Equity and the Executive Chairman of Swift Worldwide Resources, a leading global oil and gas recruiter.

We continue to actively review opportunities for small bolt on acquisitions of businesses that would expedite our access into new geographies and sectors where we see the appropriate opportunities and returns.

5. Infrastructure for Growth

Our office infrastructure is approximately 80% occupied, with significant capacity available in our new US offices, in particular, to support our strong growth trajectory. We have also invested in further office space in Japan and Singapore in the year. We are proud of the global IT infrastructure that we have in place which gives us market leading insight as well as enabling us to support significantly higher consultant headcount with limited additional support costs. We continue to invest to maintain our market leading position and will benefit from operational gearing into recovery.

OUTLOOK

At this early point of the financial year, while improved sentiment is clearly evident in most of our markets, it is still a somewhat mixed picture. Activity levels over the coming weeks will give an indication of the market the Group will trade in during 2015 and while we are mindful of the risks we face today, we expect to see a broadly supportive picture globally.

Looking ahead, the strength of the Contract book and improving Permanent performance gives us a strong base from which to grow the business. While greater economic uncertainty in the Eurozone and a significant reduction in global oil prices in recent months have added some caution to the outlook, our experienced management team and strong financial position give us the confidence that we will make the most of the market opportunity in 2015.

** in constant currency and FY14 GP is adjusted due to timing of period ends (an additional £0.6m/45 placements in DACH)*



GARY ELDEN

Chief Executive Officer

23 January 2015



OFFICES ONLY
80%
OCCUPIED



CHIEF FINANCIAL OFFICER'S REVIEW

FOR THE YEAR ENDED 30 NOVEMBER 2014
ALEX SMITH, CHIEF FINANCIAL OFFICER

The prior period results comprised 53 weeks. For comparison purposes, 52 week data excluding the results of the IT Job Board business ("ITJB"), which was disposed of in 2013, has been presented as Like-for-Like ("LFL") figures.

Revenue for the year increased by 26%* to £746.9m (2013: £618.4m). Unadjusted revenue for the year increased by 18%. GP for the year grew by 18%* to £218.2m (2013: £192.8m), with a Group GP margin of 29.2% (2013: 31.2%). Unadjusted GP for the year increased by 9%. The Group's overall GP margin decreased as a result of the remixing of the business towards Contract, which represented 61% of GP in 2014 (2013: 56%). The Contract margin has remained robust at 20.0% (2013: 20.2%) while the average contractor GP Day Rate ('GPDR') was level for the year. The Group's average Permanent fee was also stable YoY, with small increases in fees across the UK&I, Benelux and France offsetting a slight reduction in average fees from the Americas and Asia Pacific & Middle East regions.

Administrative expenses (excluding exceptional items) increased by 10% to £188.5m (2013: £171.8m), mainly due to a 15% increase in average sales headcount. This was partially offset by cost savings achieved following a rationalisation of sub-scale operations in the year, combined with the restructuring of the Group's property portfolio and support functions in the prior year. Higher operating profit (before exceptional items) has resulted in an improvement in the Group's conversion ratio for the year to 13.7% (2013: 10.9%). This result has been achieved despite adverse FX translational movements which meant a £1.8m reduction in operating profit.

£29.3m
PROFIT
BEFORE TAX (UP 41%)

Average total headcount at 2,487 (2013: 2,228) was 12% higher YoY and year end headcount was 2,578 (2013: 2,327), up 11% YoY, reflecting the targeted investment in sales headcount during the course of the year to ensure we capitalised on stronger markets and sectors.

Profit before tax ("PBT") before exceptional items for the year was £29.3m (2013: £20.8m) up 41% YoY from a relatively low base in 2013 and was up 16% on the 2012 results.

RESTRUCTURING

The rationalisation of sub-scale operations announced in Q3 is now substantially complete. As a result of these actions, an exceptional cost of £5.5m has been recognised to the Group results for the year. The actions we have taken have started paying back with £0.9m of savings in H2 2014 and are expected to largely pay back in 2015. We intend to reinvest the savings in our businesses that have strong medium term growth prospects.

SHARE OPTIONS AND TRACKER SHARE ARRANGEMENTS (MINORITY INTERESTS OR MI MODEL)

The Group recognised a share-based payment charge of £2.1m during the year (2013: £1.7m) for its various share-based schemes. A higher charge mainly results from an improvement in the EPS performance metric in the LTIP schemes. We expect that the share-based payment charge will further increase in 2015 if the business performance continues to improve.

The Group also operates a tracker share model to retain key entrepreneurs within the Group. Of the tracker shares which vested during the year, the Group settled certain tracker shares for a total consideration of £11.5m (2013: £7.2m) which was determined using a formula in the Articles of Association underpinning the tracker share scheme. The Group settled the consideration in SThree plc shares by issuing 2.4m new shares and 0.5m shares

from treasury, hence the arrangement is deemed as an equity-settled scheme under IFRS2 "Share-based payments" and there is no charge to the income statement for settlement of the scheme. The Group expects future tracker share settlements to be between £5m to £15m per annum which the Group intends to settle using equity, whether existing or new issue SThree plc shares. These settlements will dilute the earnings of the existing ordinary shareholders to the extent that the Company funds them by the issue of new shares.

TAXATION

Taxation for the year (before exceptional items) was £9.1m (2013: £9.7m), representing an effective tax rate ("ETR") of 31% (2013: 47%). The ETR reflects the Group's geographical mix of profits and an ongoing prudent approach to the recognition of tax losses. Last year's ETR was higher than usual mainly due to a one off de-recognition of previously recognised tax losses. Based on the current structure of the Group and existing taxation rates and legislation, we expect that the underlying ETR in the near to medium term will remain around the current year level.

EARNINGS PER SHARE ("EPS")

Basic earnings per share (before exceptional items) increased by 79% to 16.3p (2013: 9.1p), driven by an increase in Group operating profit and lower ETR. The weighted average number of shares used for basic EPS increased by 2% to 123.7m (2013: 121.1m). Diluted earnings per share were 15.1p (2013: 8.2p), up 84%. Share dilution mainly results from various share options in place and the settlement of tracker shares. The dilutive effect on EPS from tracker shares

will vary in future periods depending on the profitability of the underlying tracker businesses, the volume of new tracker arrangements created and the settlement of vested arrangements.

DIVIDENDS PER SHARE

During the year, the Board declared an interim dividend of 4.7p per share (2013: 4.7p), at a cost of £5.9m.

The Board has proposed a final dividend of 9.3p per share (2013: 9.3p), bringing the total dividend for the year to 14.0p per share (2013: 14.0p). The final dividend will cost circa £11.7m and will be paid, subject to shareholder approval, on 5 June 2015 to shareholders on the register on 1 May 2015.

FINANCIAL POSITION

The Group had net assets of £51.3m at 30 November 2014 (2013: £51.6m). Despite increased profits, the net assets were broadly flat mainly due to the costs of the restructuring and payment of a maintained dividend for the year.

Capital expenditure is principally driven by investment in the Group's IT infrastructure and new offices. Property, plant and equipment additions in the year amounted to £2.7m (2013: £1.2m), relating to investment in

computer equipment and the fit out of new larger offices. Intangible asset additions decreased to £2.8m (2013: £3.2m), mainly representing software and system development costs as the business continues to invest in IT to improve the existing systems and develop new systems.

The most significant item in the Group's statement of financial position is trade and other receivables. As a result of an increase in Contract revenue (Q4 revenue up by 36% * YoY), trade receivables

**BASIC EARNINGS
PER SHARE
INCREASED BY**

79%

(including accrued income) increased by 38% to £161.6m (2013: £117.4m). An increase in Days Sales Outstanding ("DSOs") to 41 days (2013: 37 days) has also contributed to the increase in trade receivables with clients in our expanding Energy business typically taking longer to settle due to their global structure. Total trade and other payables increased from £89.3m to £115.0m although creditor days decreased to 20 days (2013: 22 days) due to geographical and sector mix.

CASH FLOW

During the year, the Group generated cash from operations (before exceptional items) of £20.1m (2013: £9.5m) mainly due to a higher PBT. On a like-for-like basis, the Group's cash conversion ratio worsened by 32% percentage points to 48% (2013: 80%) due to a strong finish to the year for Contract, where we pay contractors ahead of being paid by the client, and higher DSOs.

Cash outflow from exceptional items was £4.8m (2013: £5.2m). Income taxes paid increased to £9.4m (2013: £4.5m). The Group paid ordinary dividends of £17.2m (2013: £16.9m) and invested £5.9m in capital expenditure (2013: £5.6m).

At 30 November 2014 the Group had cash and cash equivalents of £14.1m. The Group utilised £24.0m of a revolving credit facility at the year end, resulting in net debt of £9.9m (2013: net cash £8.7m).

TREASURY MANAGEMENT AND CURRENCY RISK

The Group's operations are financed by equity and bank borrowings. The Group intends to continue this strategy for operating its business while maintaining a strong balance sheet position. On 27 May 2014, the Group signed a committed revolving credit facility of £50m with RBS and HSBC in place of a £20m facility it had in prior years. The new facility provides considerable headroom versus current and future expected levels of Group debt

and expires in May 2019. Borrowed funds bear interest at a minimum annual rate of 1.3% above 3 month Sterling LIBOR giving an average interest rate of 1.8% for the year (2013: 1.9%). This resulted in bank interest payable of £0.6m (2013: £0.3m) with the increase largely due to relatively higher levels of average net debt compared to the prior year.

The Group has a notional cash pool between the Eurozone subsidiaries and a UK-based subsidiary.

The main functional currencies of the Group are Sterling, the Euro and the US Dollar. Due to the significant operations outside the United Kingdom, the Group is exposed to foreign currency translation differences in accounting for its overseas operations. During the year, the exchange rate movements reduced our GP and administrative expenses by circa £8.9m and £7.1m respectively, with a net impact on our operating profit of £1.8m.

The Board periodically reviews its currency hedging strategy to ensure that it remains appropriate. The Group does not engage in speculative transactions. The impact of foreign exchange is a significant issue for the Group, with the international business accounting for 70% of GP in 2014 (2013: 69%). The Group will continue to monitor its policies in this area.

OTHER PRINCIPAL RISKS AND UNCERTAINTIES

Other principal risks and uncertainties generally affecting the business activities of the Group are detailed within the Strategic Report section of the Annual Report.

In terms of macroeconomic environment risks, our strategy is to continue to grow the size of our international business and newer sectors, in both financial terms and geographical coverage. This will help reduce the Group's exposure or dependence on any one specific economy, although a downturn in a particular market could adversely affect the Group's key risk factors.

In the view of the Board, there is no material change expected to the Group's key risk factors in the foreseeable future.

** in constant currency and FY14 GP is adjusted due to timing of period ends (an additional £0.6m in DACH)*



ALEX SMITH
Chief Financial Officer
23 January 2015



CHAIRMAN'S TRADING & GOVERNANCE **OVERVIEW**

FOR THE YEAR ENDED 30 NOVEMBER 2014
CLAY BRENDISH, CHAIRMAN

BUSINESS OVERVIEW

The Group delivered an encouraging result for the year, despite continuing economic challenges and market uncertainties, particularly within the Eurozone, our largest historic market. This outcome was achieved in part by taking further measures to focus the Group's resources more closely on growth markets, necessitating the closure of our sub-scale offices in Brazil, India, Australia and Canada. Following these changes, the Group now has a solid base from which to grow as we move into 2015.

In June 2014, we held an Investor Day at which our executive team outlined their aspirations for the Group on a five-year view, and their strategic priorities to deliver on them. We were also able to showcase the significant strategic and operational progress we have made in recent years as we work towards our objective of building the world's pre-eminent specialist recruitment business. You can view the presentation from the event at www.sthree.com.

In line with our strategy, the Group's business mix became further weighted towards Contract, which offers both strong growth prospects and greater downturn protection, with headcount growth particularly targeted towards the USA, where we experienced our best rates of year on year growth.

Continued positive trading momentum in Q4 2014, with Contract and Permanent both posting good performances, enabled us to deliver a full year result in line with market consensus. Looking ahead, the strength of the Contract book and the improving picture for Permanent give us a strong base from which to grow the business, although a weaker Eurozone and the recent sharp downward trend in oil prices, have added some caution to our outlook.

As we continue to back our home grown entrepreneurial talent, selected key individuals will again be offered the opportunity to invest in businesses for which they are responsible, by way of the Group's established tracker share (or 'Minority Interest' or 'MI') model. A resolution to effect this will therefore be put to

shareholders at the forthcoming AGM. This followed our earlier consultation process, with all of those investors who responded expressing their overwhelming support for this model.

MANAGEMENT AND SUCCESSION PLANNING

Gary Elden completed his second year as Group CEO and has now settled into the role. The creation of regional CEO roles for Steve Quinn and Justin Hughes, during the latter part of 2013, has proved to be a particular success, driving significant growth for each of the Americas and Asia Pacific businesses, respectively, and reflecting our strategic priorities.

Work continues, directed by the Nomination Committee, to review the capabilities of our senior management team for Executive or other key Group roles and to identify the next leadership cohort, with NEDs continuing to act as mentors.

NON EXECUTIVE DIRECTORS

In July 2014 we welcomed Fiona MacLeod to the Board. Fiona was a senior executive at BP, having 23 years of international energy sector experience. She has also sat on a range of Joint Venture and Investment Boards across some 20 countries. Her breadth of international business and commercial knowledge and particular expertise within the Oil & Gas sector has already been of great benefit. Fiona is also serving on SThree's Remuneration and Audit Committees.

Alicja Lesniak has decided to step down from her role as Non Executive Director and Audit Committee Chair, at the AGM in April 2015, in order to concentrate on her other roles. Alicja joined the Group in 2006, shortly after the Group's listing, and has been instrumental in ensuring that our finance, governance and auditing arrangements have evolved to the high standard necessary for a respected listed

company. Alicja has made a valued contribution to our mentoring and diversity projects, whilst our Internal Audit function, newly created in early 2008, has also benefitted from her wise counsel. She will be missed and the Board joins me in thanking Alicja for her contribution.

We are already well advanced in our search for further Non Executive Directors, particularly those with strong financial experience, to complement our Board and take over the Audit Committee Chair.

DIVERSITY AND VALUES

Our initiatives in these areas remain critically important to instilling Group culture and reducing job churn over the long term, with further steady progress being made towards our targets as part of the 'Identity' project. Specific targets are disclosed in the Strategic Report.

Development initiatives are focused on ensuring that there is an appropriate management pipeline at all levels, with tailored courses developed internally or via Henley Management College, and mentoring by NEDs, all key parts of our development programme.

We also continue to embed our 'Values' initiative, to ensure that the SThree core values of Respect, Rapport, Energy and Reward are at the forefront of everything we do.

DIVIDEND

The Board is recommending a maintained final dividend, reflecting our confidence in the cash generative nature of the business going forward and the importance we place on providing income as well as capital returns to our investors.

GOVERNANCE

As Chairman, I take responsibility for the Group's governance arrangements and remain confident that our proactivity on shareholder engagement and high standards of corporate governance stand

us in good stead. However, we continue to evolve our consultation procedures, particularly in light of the disappointing vote on remuneration implementation at last year's AGM. The successful governance lunches and other investor meetings hosted during the period and constructive dialogue experienced during the most recent consultation exercise, lead us to hope that investors will raise any future concerns directly with the Company well in advance of any AGM vote.

We recently initiated a further external Board and Committees' evaluation exercise, undertaken by Lintstock Ltd, an independent third party. Feedback from this process is currently being collated and will be reviewed by the Board in the early part of 2015, with key points set out in next year's Annual Report. However, we remain confident that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that all Directors demonstrate full commitment in their respective roles.

Finally, after what has been yet another challenging year, I would again like to thank our employees for their valued contribution and commitment. Despite the continued market uncertainties, we remain confident in the actions taken during the year and believe that we have a firm base for growth in FY 2015 and the years ahead.



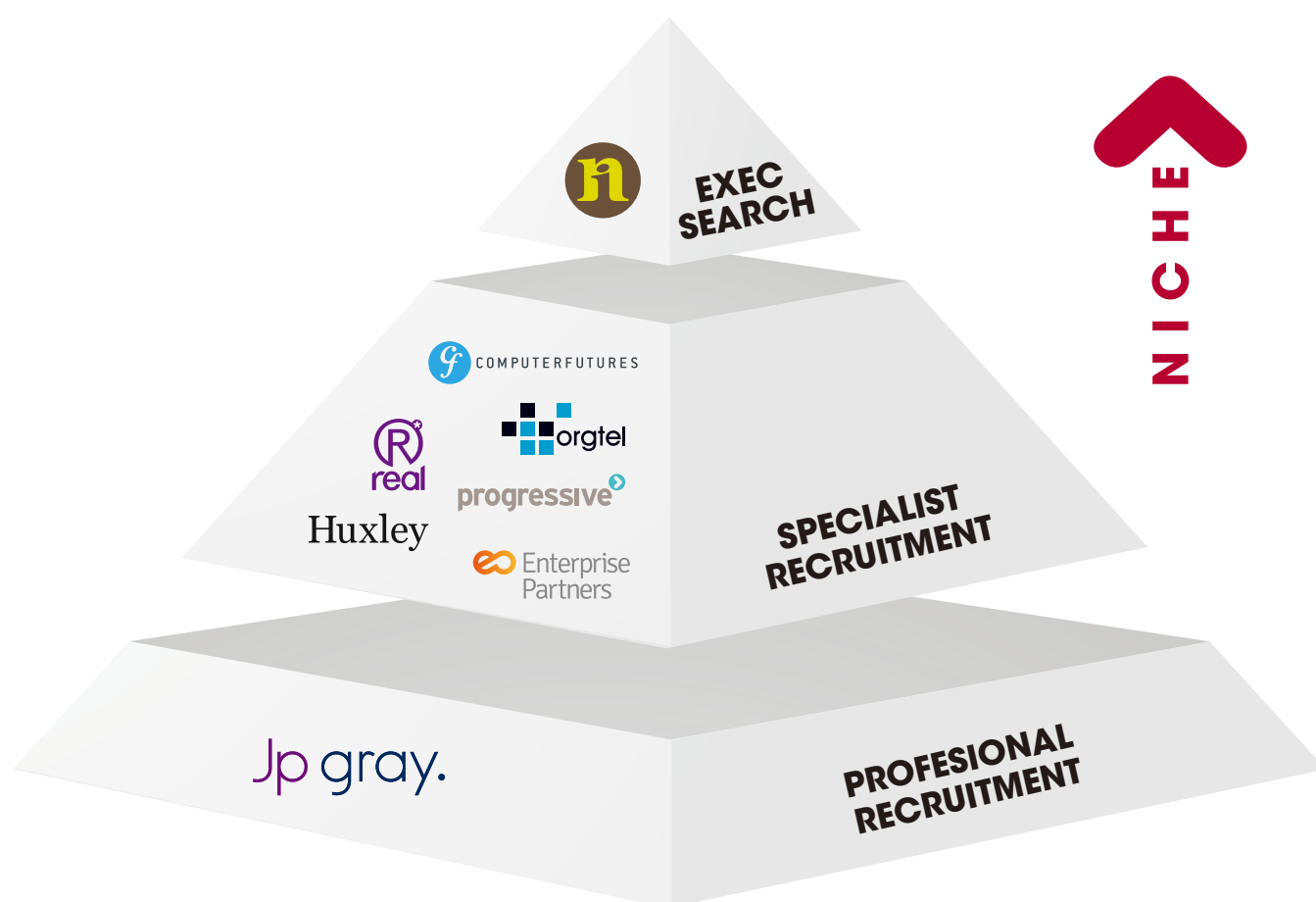
CLAY BRENDISH
Chairman

23 January 2015

**RESPECT
RAPPORT
ENERGY
REWARD**

STRATEGIC REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2014



BUSINESS DESCRIPTION, BUSINESS MODEL, STRATEGIC VISION & EXECUTION

SThree is a leading international specialist staffing business, providing permanent and contract specialist staff to a diverse client base of over 7,000 clients. From its well-established position as a major player in the Information and Communications Technology ('ICT') sector the Group has broadened the base of its operations to include businesses serving the Banking & Finance, Energy, Engineering and Life Sciences sectors.

Since launching its original business, Computer Futures, in 1986, the Group has adopted a multi-brand strategy, establishing new operations to address

growth opportunities. SThree brands include Computer Futures, Huxley Associates, Progressive and The Real Staffing Group. The Group has circa 2,600 employees in eighteen countries.

BUSINESS MODEL

The Group focuses on the STEM (science, technical, engineering, mathematics) specialist, niche recruitment market and generally operates a contingent fee model, receiving payment from clients based on a percentage of the salary of candidates placed.

For Permanent business, fees are generally one off and are recognised upon a candidate commencing employment,

whilst for Contract business an ongoing fee is earned whilst a candidate is active on an assignment. The actual quantum of any fee will generally depend on the particular role specialism, underlying market, geography and candidate skills.

We target STEM specialist, niche roles as highly skilled candidates are generally in high demand due to their shorter supply, which leads to competition amongst employers. This creates wage/rate inflation, with added churn as individuals move to update skills within project based STEM roles, thereby mitigating against margin pressure.

The Group's niche focus by brand is illustrated as above.

STRATEGIC VISION & EXECUTION

The Group's strategic vision is to be the most respected, profitable and highly valued, international specialist staffing business, through expanding and diversifying by sector and geography, whilst generating sustainable returns for stakeholders.

The approach to achieving this strategy has very much been an evolution rather than a revolution, positioning the Group around the following key differentiators:

- **Pure play STEM specialist staffing Group** – by operating primarily in the specialist recruitment arena, placing candidates with highly sought after technical skills.
- **Multi-brand approach** – the Group has four major specialist recruitment brands (Computer Futures, Huxley Associates, Progressive and The Real Staffing Group). The Group has deliberately created each of its specialist brands to build expertise and maintain focus on niche areas.
- **Entrepreneurial culture** – given the low barriers to entry into the recruitment market, a key strategic challenge is the retention of senior staff. The Group therefore operates a 'tracker share' or

Minority Interest ('MI') model which allows selected key individuals to buy a stake in the business for which they are responsible, normally at an early stage. The ability for senior individuals to share in the success of the business they help to create through tracker shares is unique and helps to drive strong retention and ownership behaviours by creating owner managers, so reducing the risk of those individuals leaving the business.

- **A balanced business model, including both contract and permanent** – each having the following benefits:

Contract:

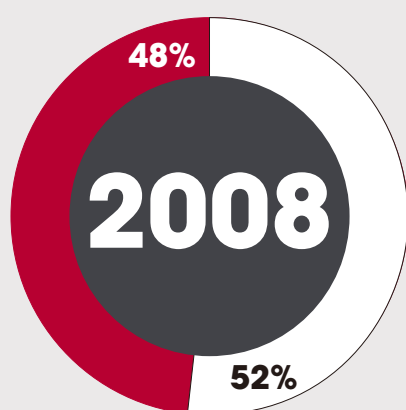
- Higher life time value than the permanent equivalent
- Uniquely suited to STEM markets, where there is high growth potential
- Greater barriers to entry
- Better visibility of earnings
- More resilient in a less certain climate

Permanent:

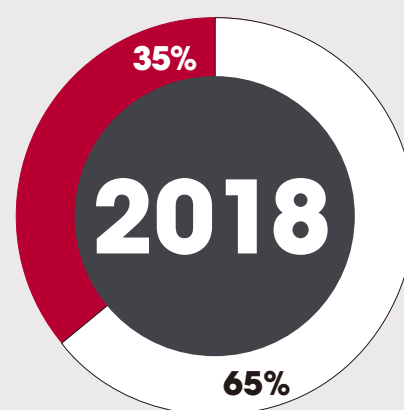
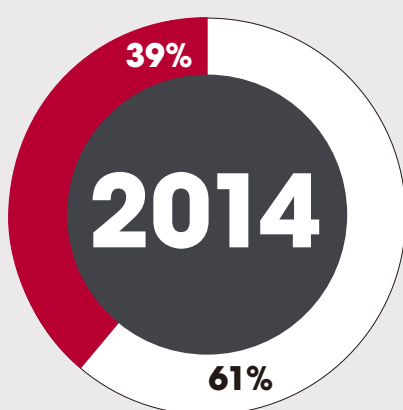
- Market confidence creates greater job churn which, in turn, improves consultant yield and productivity
- Niche focus
- Growth potential
- Cash generative

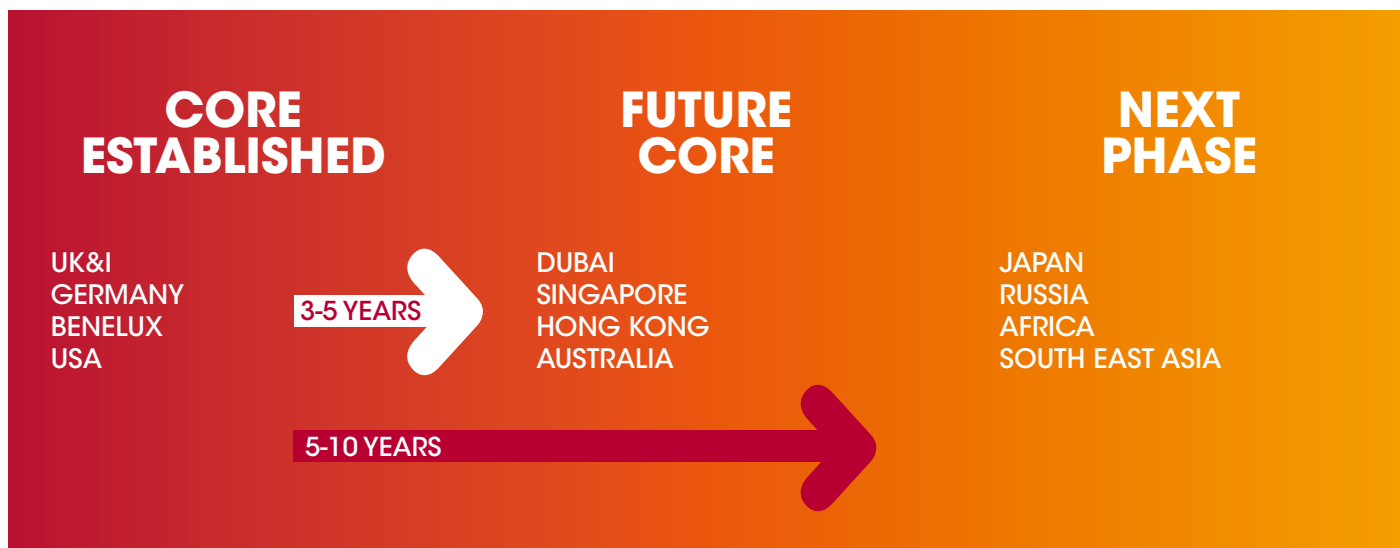
- **Highly skilled and niche** – over the years we have consistently pursued a 'high margin high value' approach to ensure that the Group maintains a focus on the quality of the business it transacts. As we expand into new sectors where we increasingly engage with larger global clients which offer higher volumes of business, this approach is being maintained to ensure that we are still able to target higher value, niche specialist roles without sacrificing business quality. We continue to review the lifetime profitability of individual contractors, taking into consideration GP Day rates, initial contract lengths, extensions, credit notes, commissions and the support costs of providing the contractor to the client. In parallel, we look to move further 'up the food chain' and place more highly paid candidates, either as a function of their seniority and/or their niche specialisation.
- **Global database for global candidates and clients** – global candidates (such as in the Banking & Finance or Oil & Gas ('O&G') sectors), provide the ability to take larger geographical steps, with approximately 50% of consultants working on global candidate markets and the vast

CONTRACT & PERMANENT



■ PERMANENT ■ CONTRACT





majority of deal GP from the Group's top 50 clients in global sectors.

The Group has developed a five point plan to help deliver its strategy, based on the following key drivers:

- 1. Regional growth opportunities** – we categorise our markets by core established (eg UK&I, Germany, Benelux or USA), future core (eg Australia, Dubai, Singapore or Hong Kong) and next phase (eg Japan, Russia, Africa or South East Asia). Of these, the UK market remains significantly down from its peak headcount and GP, whilst DACH is still an immature market in which we have a strong presence. Meanwhile, the USA offers scale, as well as having the largest Tech, Life Sciences and Financial Services markets, combined with a massive natural gas and oil producing capability. For this reason it has been the fastest growing region over recent years, whilst also having the highest growth potential.
- 2. Sector diversification and expansion** – having originally started in the UK, purely in ICT, most GP is now generated from outside the UK,

from sectors outside ICT. In the Life Sciences sector, the Group has the potential to be the market leader, as it is currently only working a small portion of that market. Similarly, ICT continues to represent a massive growth opportunity, given that only a small percentage of the Group's current business is outside Europe. In Banking & Finance, the Group is already a major player in the market. Our global Energy presence has grown significantly in recent years, despite having only embarked on this sector in 2007. In particular, roll out of hub structures and the Employed Contractor Model ('ECM') within the USA and Australia, together with an enhanced contractor services offering, are strategic initiatives which are all designed to capitalise on sector growth and broaden the Group's end to end offering, providing a platform for both project and job driven opportunities. However, the recent significant fall in the oil price has led us to re-assess the opportunities in this sector. Whilst we are not overly exposed to upstream businesses, where the impact on hiring is being felt most, we are closely monitoring developments and are ready to take decisive action in terms

of re-deployment of resources, if necessary.

- 3. Contract** – Contract provides both resilience in uncertain markets and strong growth as markets improve. Contract is also particularly well suited to the project nature of the STEM sectors we serve. For this reason contract headcount has now exceeded 50% for the first time in the Group's history.
- 4. Organic growth/M&A** – historically the Group has grown the business with management developed internally, through its proven industry-leading training and career development structures. This has enabled talent to be exported globally to both start and grow businesses in our more established territories. More recently this has been supplemented by acquiring talent externally, particularly for businesses in our newer territories, such as Japan and Russia, where there is a need to buy in knowledge or experience of a particular geography and/or sector. This also ensures that there

is an appropriate mix of SThree culture, skills and knowledge base to facilitate the Group's expansion. The Group also actively monitors potential small bolt on acquisition opportunities which might facilitate entry or rapid growth within a particular geography or sector, more quickly than might otherwise be undertaken organically.

- 5. Infrastructure for growth/ongoing business reviews** – the Group has a scalable infrastructure in terms of office footprint and a uniquely scalable IT platform. Increased consultant headcount and experience also leads to greater productivity. Loss making investments are periodically reviewed to ensure that they are at least breakeven, or are exited.

ANALYSIS OF KEY RISKS, MITIGATION AND IMPACT ON STRATEGY

Enterprise Risk Management ('ERM') processes

The Group has integrated ERM processes into its overall strategy, with risk appetite measures set by the Board based on identified key risks, including reputational risks, to ensure implementation of effective mitigation actions. These are implemented and progress measured through KPIs, which are regularly assessed and reviewed by the Board and Executive Committee.

The Board, through the Audit Committee, also works closely with the CFO, Company Secretary, Internal Audit team and external auditors to ensure that any potential material mis-statement risks are identified and targeted in terms of the overall audit strategy and that audit resources and the efforts of the engagement team are correctly allocated, to ensure effective

planning and performance of the external audit. This has resulted in a continued improvement in processes and controls over recent years.

The global specialist recruitment market is primarily driven by confidence amongst candidates to move jobs and businesses to replace them, often referred to as 'job churn', with fee growth also impacted by the emergence of structural growth markets, the macroeconomic cycle, skills shortages and the globalisation of labour, all of which present inherent risks.

Given the Group's continued expansion into diverse and increasingly demanding niche/specialist sectors, the Group's strategic planning and review processes are continually reviewed to ensure alignment of corporate, sector, regional and support goals within the strategic plan and help to mitigate key risks.

Principal risks and uncertainties and mitigation strategy

The Board considers that the following comprises the Group's principal risks and uncertainties, together with associated mitigation:

PRINCIPAL RISKS AND UNCERTAINTIES	MITIGATION STRATEGY
MACRO-ECONOMIC ENVIRONMENT/CYCLICALITY	
<p>The performance of the Group has a relationship and dependence on the underlying growth of the economies of the countries in which it operates in so far as it impacts client and candidate confidence. Whilst the year saw some markets show improvements, the situation is still by no means fully recovered by historical standards, particularly in the Eurozone and more recently, in sectors such as O&G, which in turn has impacted trading risks.</p> <p>The recruitment sector, in particular, is highly cyclical and suffers from a lack of visibility which can make even short/medium term planning or target setting difficult. Changes in economic or other conditions, such as the recent sharp downward trend in oil prices, can therefore impact growth projections very quickly.</p>	<p>These risks are mitigated in part by maintaining:</p> <ul style="list-style-type: none"> • to grow the size of the international businesses to reduce the Group's reliance on any one specific economy, geography or sector; • a balance of Contract and Perm recruitment, weighted towards Contract in the current economic climate but also being ready to capitalise on Perm growth once markets improve; • a flexible cost base that enables the Group to react swiftly to changes in market conditions by increasing or reducing costs as appropriate; • a strong balance sheet with committed/ flexible debt facilities to support the business through difficult periods, as well as to fund increased working capital requirements, which facilitate growth once trading conditions improve; and • strong credit rating and verification procedures, which ensure that bad debts and other financial risks are managed effectively and also that the Group is not financially dependent on any single key client.

PRINCIPAL RISKS AND UNCERTAINTIES

MITIGATION STRATEGY

COMPETITIVE ENVIRONMENT/BUSINESS MODEL

The Group continues to face competitor risk in the markets where the provision of Permanent and Contract recruitment is most competitive and fragmented, being generally the UK & Ireland and Benelux, where there is also strong competition for both clients and candidates.

The Group also faces competition from the increasing use of social media for recruitment purposes and a trend towards outsourced recruitment models, with associated margin pressures.

All of these factors can impact overall demand and/or profitability.

The Group's strategy is to grow its international businesses (particularly outside Europe) and sectors, focusing on more specialist/niche roles, which tend to be more resistant to pricing and margin pressures, whilst also maintaining efficient operations. Where markets are still in a development phase, pricing pressure is less of a risk and therefore our strategy is to grow businesses in these territories.

In all markets we are subject to both existing and new competition from both small start-ups as well as large multi-nationals, as costs of entry can be relatively low, although these costs have gradually risen with increased levels of compliance required from local regulators and clients, particularly in STEM markets.

The Group proactively monitors changes in each market in terms of industry trends, including the impact of social media and in-sourcing and continues to invest in its online presence to provide a high-quality customer experience. Working in partnership with LinkedIn also increases exposure to online professional networking and recruitment portals.

COMMERCIAL RELATIONSHIPS/CUSTOMER RISK

The Group benefits from close commercial relationships with key clients, predominantly in the private sector and is always subject to the risk that some customers might be unable to fulfill obligations, even more so in less favourable economic climates.

Strong credit rating and verification procedures, ensure that bad debts and other financial risks are managed effectively and also that the Group is not financially dependent on any single key client.

AVAILABILITY OF CANDIDATES

The availability of highly skilled/quality candidates is essential to operating in niche/ high margin markets and changes in the other risk areas can affect candidate supply.

Expanding into newer geographies/sectors can provide protection against potentially lower candidate availability in some more mature markets. See strategic vision & execution section earlier.

CONTRACTUAL RISK

Clients increasingly require more complex or onerous contractual arrangements.

The Group sets out clear guidance on the approval of contractual terms and monitors the application thereof, especially any exceptions to the standard liability/ insurance position, which require approval via the Group's centralised Legal and Placement Support functions and ultimately the Group Company Secretary or CFO. Contract acceptances are therefore closely controlled and also subject to regular audit in order to meet the agreed risk appetite profile.

The placing of temporary workers generally represents greater risk for the organisation than Permanent placements and wherever possible contractual clauses therefore place responsibility for supervision and control directly with the client, excluding any consequential loss and limiting the Group's aggregate liability.

Given the heightened potential risks within the O&G sector, more stringent contract review processes have been implemented for that sector, with further strengthening of the audit and assurance capability planned in 2015.

PRINCIPAL RISKS AND UNCERTAINTIES	MITIGATION STRATEGY
PEOPLE/TALENT ACQUISITION/RETENTION	
<p>The Group's strategy of organic growth, to date, with a majority of senior positions being filled from within, relies on its ability to recruit, train, develop and retain high performing individuals to meet its growth strategy. Failure to attract and retain individuals with the right skill-set, particularly those who are more senior, may adversely affect the Group's performance.</p> <p>At the same time, the Group's business model demands flexibility to expand or consolidate, depending on the economic environment.</p>	<p>The Group provides a structured induction programme and career development path for all new recruits, with ongoing training as careers progress. It also ensures that it has competitive pay and benefits structures, clearly linked to performance, with appropriate equity incentivisation, including tracker shares and LTIPs for selected senior individuals.</p> <p>There is continual focus on engaging with and developing key managers in each sector/geography to ensure succession planning, whilst structured training and development programmes enable the Group to provide individuals with leadership, sales, key customer management and general business skills that support its expansion needs, whilst also providing a rewarding and challenging career. All managers are focused on allocating resources in respect of the best Group opportunities available.</p>
INFORMATION TECHNOLOGY ('IT')/CYBER RISKS	
<p>The Group is reliant on delivering its service to clients through a number of technology systems. A serious system disruption, loss of data or security breach could have a material impact on the Group's operations.</p>	<p>The Group's IT infrastructure has the capacity to cope with a significant data or system loss or security breach as a result of a significant event via its business continuity arrangements.</p> <p>A number of important suppliers provide essential IT infrastructure and the performance and robustness of these suppliers is monitored to ensure business-critical processes are safeguarded as far as is practicably possible.</p> <p>IT systems are periodically reviewed to ensure they remain effective and project management teams review risks associated in upgrading key systems, utilising robust management tools which monitor progress across the life of any IT project.</p>
DATA PROCESSING/MANAGEMENT	
<p>The Group works with confidential, sensitive and personal data in a number of countries on a daily basis under a variety of laws and regulations. A compliance failure would expose the Group to potential legal, financial and reputational risk.</p>	<p>Procedures for handling and storing sensitive, confidential and personal data are in place across the Group as part of its Data Protection and information security policies and procedures. Where data protection and privacy legislation allows, email monitoring programmes are undertaken to address areas of concern and to protect confidential information.</p>

PRINCIPAL RISKS AND UNCERTAINTIES

MITIGATION STRATEGY

REGULATORY ENVIRONMENT AND LEGISLATIVE CHANGES/COMPLIANCE

The specialist recruitment industry is governed by increasing levels of regulation/ compliance, which vary from country to country and market to market. This includes employment laws or regulations specific to specialist business sectors or temporary workers, which necessitate pre-employment checks and which may increase the Group's exposure to potential legal, financial or reputational risk.

Non compliance with laws or regulations can lead to increasingly heavy fines/ penalties.

The Group is committed to meeting its regulatory responsibilities and continues to strengthen its training programmes, internal controls, audit, compliance and other processes with respect to legal and contractual obligations, particularly in higher risk sectors such as O&G where obligations and potential liabilities are increased.

As employment laws are upgraded or harmonised, this creates new risks and opportunities. The contract market is more heavily regulated and changes in legislation (such as changes in managed service company legislation or to contract worker rights) may impact the Group. The Group therefore ensures that its policies, compliance, on boarding processes and systems reflect specific market or sector needs and best practice, in order to meet legal or other requirements of particular markets. The Internal auditing function ensures that processes are being followed correctly and controls function effectively.

FOREIGN EXCHANGE

The Group has increasingly significant operations outside the UK and is consequently exposed to movements in exchange rates.

The Board periodically reviews the Group's treasury strategy to ensure that it remains appropriate, whilst the Group's treasury department proactively monitors FX exposures to ensure that they are minimised.

MANAGEMENT OF CASH/DEBT

As the Group's business mix has become more Contract weighted and in a period of strong Contract growth, more cash is consumed, albeit in a downturn, Contract is generally more robust, with cash also released once any contract book eventually unwinds.

Increasing use of equity incentives, tracker shares etc, and a stated policy of using a mixture of existing or new issue shares, requires cash to purchase existing shares in the market as well as to fund dividends on new shares issued.

These were the significant factors in causing the Group to move from a cash positive to its current net debt position.

The risk is therefore that investor equity or dividend expectations are not aligned with the Group's net cash/debt position.

The Group periodically reviews its debt facilities to ensure that these are fit for purpose in order to meet current and future cash needs. This review process incorporates an analysis of outstanding equity awards and tracker shares as well as dividend forecasts, to ensure that future equity or dividend commitments, whether by new issue or market purchase, can be satisfied by cash or debt facilities, in line with the Group's stated dividend policy which is to ensure a medium term dividend cover of 2.0x-2.5x, whilst also retaining sufficient funds in the business.

GENDER CLASSIFICATION AND TARGET TIMEFRAME

As at 30 November 2014

EXECUTIVE COMMITTEE

TOTAL EMPLOYEES	FEMALE CURRENT ACTUAL	♀ CURRENT ACTUAL %	♀ TARGET (2017) %
14	2	14%	20%

DIRECTORS

33	2	6%	25%
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BUSINESS MANAGERS

112	17	15%	38%
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SENIOR TEAM MANAGERS

219	66	30%	47%
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CONSULTANTS/RESOURCES

1,712	732	43%	50%
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SALES EMPLOYEES

2,081	817	39%	46%
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SUPPORT ROLES

488	274	56%	50%
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DIVERSITY, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Group undertakes appropriate checks on suppliers, clients, candidates, etc, to ensure, as far as possible, that none are in contravention of any human rights issues. As such, there are no such issues impacting the Group's business.

Building on our earlier work, development initiatives and targets have evolved to ensure that there is an appropriate management pipeline at all levels. A breakdown showing the number of persons of each sex within the Group, who were Directors, other senior managers or employees, as well as the current percentage broken down by role/internal gender diversity target, is as follows:

KEY PERFORMANCE INDICATORS

('KPIs')

Both financial and non-financial KPIs are used throughout the Group to drive the business forward and monitor progress, with the principal indicators listed in the table below, including how these apply in a strategic, remuneration or risk context. Further commentary is provided within the Chairman's and other officers' sections of this Annual Report, where appropriate.

PROFIT BEFORE TAX ('PBT') BEFORE EXCEPTIONAL ITEMS

2014 £29.3m
2013 £20.8m

DEFINITION AND METHOD OF CALCULATION

Gross profit, less administration expenses and finance income/costs before exceptional items.

STRATEGIC/REMUNERATION/RISK CONTEXT

Same as above (gross profit), although this measure also shows how efficient the Group is in terms of managing its cost base, a key strategic measure and component of the Group's bonus arrangements.

GEOGRAPHICAL DIVERSIFICATION-INTERNATIONAL (NON UK & IRELAND) MIX

2014 70%
2013 69%

DEFINITION AND METHOD OF CALCULATION

Split of gross profit by location of client, whether by country or other regional classification.

STRATEGIC/REMUNERATION/RISK CONTEXT

These indicate how well the Group is diversifying geographically, or by sector and are important as it seeks to reduce risk exposure to more mature markets. As such, they are key strategic measures and components of the Group's bonus arrangements.

CASH CONVERSION

2014 48%
2013 80%

DEFINITION AND METHOD OF CALCULATION

Cash conversion is calculated as the cash generated from operations for the year after deducting capex, stated as a percentage of operating profit before exceptional items and is a measure of the Group's ability to convert profit into cash.

STRATEGIC/REMUNERATION/RISK CONTEXT

These indicate how efficient the business is in terms of controlling costs and consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements. Focusing on these measures also helps protect the Group in less favourable economic conditions.

STRATEGIC MEASURES

REVENUE

2014 £746.9m
2013 £618.4m

DEFINITION AND METHOD OF CALCULATION

Total fees earned by the Group, before any cost deductions.

STRATEGIC/REMUNERATION/RISK CONTEXT

These are very broad indicators of how the business is trading.

GROSS PROFIT

2014 £218.2
2013 £192.8m

DEFINITION AND METHOD OF CALCULATION

Revenue less cost of sales. Also known as Net Fee Income

STRATEGIC/REMUNERATION/RISK CONTEXT

These are very broad indicators of how the business is trading.

TOTAL SHAREHOLDER RETURN ('TSR')

2014 0.93%
2013 11.5%

DEFINITION AND METHOD OF CALCULATION

TSR is defined as share price growth plus dividends attributable to shareholders over a specific period.

STRATEGIC/REMUNERATION/RISK CONTEXT

Generally used by investors but also for the Group's LTIP (over a three year period).

EARNINGS PER SHARE ('EPS')

2014 16.3p
2013 9.1p

DEFINITION AND METHOD OF CALCULATION

EPS is defined as profit before exceptional items for the year attributable to the Group's equity shareholders divided by the weighted average number of shares in issue during the year.

STRATEGIC/REMUNERATION/RISK CONTEXT

Generally used by investors but also for the Group's LTIP (over a three year period) and a key element under the Group's tracker shares buyback formula.

CONTRACT/PERM MIX

2014 61% 39%
2013 56% 44%

DEFINITION AND METHOD OF CALCULATION

Proportion of gross profit attributable to contract and permanent placements

STRATEGIC/REMUNERATION/RISK CONTEXT

Having a mix of both contract and perm business helps to protect the Group from cyclical extremes, typical of the recruitment sector.

CONVERSION RATIO

2014 13.7%
2013 10.9%

DEFINITION AND METHOD OF CALCULATION

The conversion ratio is the operating profit before exceptional items stated as a percentage of gross profit and measure both how productive consultants are and how effective the Group is at controlling the costs and expenses associated with its normal operations and its level of investment for the future.

STRATEGIC/REMUNERATION/RISK CONTEXT

These indicate how efficient the business is in terms of controlling costs and consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements. Focusing on these measures also helps protect the Group in less favourable economic conditions.

DAYS' SALES OUTSTANDING ('DSO') OR DEBTOR DAYS

2014 41
2013 37

DEFINITION AND METHOD OF CALCULATION

Represents the length of time it takes the Group to receive payments from its debtors. It is calculated by comparing how many days' billings it takes to cover the debtor balance.

STRATEGIC/REMUNERATION/RISK CONTEXT

These indicate how efficient the business is in terms of controlling costs and consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements. Focusing on these measures also helps protect the Group in less favourable economic conditions.

RISK MANAGEMENT (SEE ALSO PRINCIPAL RISKS & UNCERTAINTIES ABOVE & CORPORATE GOVERNANCE REPORT)

2014 Aim to reduce risk profile for all key risks identified, where possible
2013 Aim to reduce risk profile for all key risks identified, where possible

DEFINITION AND METHOD OF CALCULATION

The Group has a well defined ERM framework embedded throughout the business using an EBITDA measurement scale to assess impact and probability. Risk appetite levels are set by the Board and risks/mitigation are periodically reviewed to ensure continued alignment with strategy.

COMPLIANCE TARGETS (BY COUNTRY/SECTOR)

2014 Contract retention/rate & duration/ 100% basic/higher risk sector documents

2013 Contract retention/rate & duration/ 100% basic/ higher risk sector documents

DEFINITION AND METHOD OF CALCULATION

Above industry standard contractor compliance targets in respect of client/contractor terms, rates/duration/types and ID collection are set annually, plus there is zero tolerance on code of conduct breaches or fines. Measures are in line with Board approved risk appetite levels and reviewed monthly.

STRATEGIC/REMUNERATION/RISK CONTEXT

Compliance processes are regularly reviewed to align with changing local legislation, guard against deemed employment or other risks and significantly mitigate risks in higher risk sectors. Insurance cover may also be strengthened, where necessary.

ENVIRONMENTAL (SEE ALSO CSR REPORT)

2014 Specific targets, including diversity and carbon footprint reduction

2013 Specific targets, including diversity and carbon footprint reduction

DEFINITION AND METHOD OF CALCULATION

Steadily improving targets are being set to reduce the Group's carbon footprint and also make savings in energy expenditure.

STRATEGIC/REMUNERATION/RISK CONTEXT

Measures are agreed strategically, but with local implementation parameters, based on specific office location, age etc.

OPERATIONAL MEASURES

GROSS PROFIT MARGIN

2014 29.2%

2013 31.2%

DEFINITION AND METHOD OF CALCULATION

Gross profit as a percentage of revenue

STRATEGIC/REMUNERATION/RISK CONTEXT

Increasing margins, day rates and fees, are all indicators of business quality and therefore important to maintain/improve as a niche specialist.

CONTRACT MARGIN

2014 20.0%

2013 20.2%

DEFINITION AND METHOD OF CALCULATION

Contract gross profit as a percentage of contract revenue.

STRATEGIC/REMUNERATION/RISK CONTEXT

Increasing margins, day rates and fees, are all indicators of business quality and therefore important to maintain/improve as a niche specialist.

CONTRACT RUNNERS

2014 7,573

2013 5,791

DEFINITION AND METHOD OF CALCULATION

The number of period end contract runners on placement with one of the Group's clients at the end of the relevant period.

STRATEGIC/REMUNERATION/RISK CONTEXT

This measure shows progress against our contract strategy at a point in time and is an indicator of future Contract GP when considered in conjunction with average fees.

PERMANENT PLACEMENT VOLUMES

2014 6,601 *

2013 6,429

DEFINITION AND METHOD OF CALCULATION

The number of candidates the Group has placed with clients on a permanent basis excluding retained business.

STRATEGIC/REMUNERATION/RISK CONTEXT

This is an indicator of the underlying volume of Permanent business in a period.

PEOPLE MEASURES (YE HEADCOUNT/ CHURN)

2014 2,578 heads Churn 36%

2013 2,327 heads Churn 39%

DEFINITION AND METHOD OF CALCULATION

These are measures of employee retention and also an indicator of how well a business is run. Lower churn will generally result in increased productivity, as churn often occurs once consultants have become productive, through avoiding having to spend time re-training each new intake. During the year, actions continued to reduce churn.

STRATEGIC/REMUNERATION/RISK CONTEXT

To achieve its strategic growth plans and expand efficiently the Group must attract and retain sufficient headcount, thereby building the experience pool and avoiding re-training. As such, they are key measures and components of the Group's bonus arrangements.

CREDIT RISK

(see also DSO above) – aged debt metrics: A. Current B. 0-30 days C. 31-60 days D. 61-90 days E. Over 91 days

2014
A 69% B 19% C 6% D 2% E 4%

2013
A 70% B 20% C 5% D 2% E 3%

DEFINITION AND METHOD OF CALCULATION

The Group has a well defined credit policy, which sets out minimum requirements in order to do business with potential clients/customers. The policy includes specific targets for DSO, ageing of receivables, credit evaluation and payment collection.

STRATEGIC/REMUNERATION/RISK CONTEXT

Adherence to this policy helps to ensure that the Group's exposure to customer/client default is minimised. The policy also helps to protect the Group in less favourable economic conditions.

For comparison purposes, 52 week data, before exceptional items and the results of the IT Job Board, is disclosed for financial KPIs for the current and prior years.

* FY 2014 is adjusted due to timing of period ends (an additional 45 placements in DACH)



GARY ELDEN
Chief Executive Officer
23 January 2015

BOARD OF DIRECTORS & SECRETARY

The Board brings together a wealth of experience across differing sectors and businesses on an international basis. Most importantly, all share a passion for the business and have a desire to maximise the opportunities available.



GARY ELDEN *Chief Executive Officer,*
Gary Elden was appointed to the Board in July 2008, having been with the Group since 1990, when he joined Computer Futures. He has held a number of senior positions, including that of founding Managing Director of Huxley Associates. In his role as Chief Strategy Officer, he had responsibility for the expansion of the Group's international operations and non-ICT disciplines. In June 2012, he was appointed as Deputy Chief Executive Officer and took over from Russell Clements as Chief Executive Officer on 1 January 2013.



STEVE HORNBUCKLE *Group Company Secretary and Legal Director*
Steve Hornbuckle joined the Group as Company Secretary in October 2006, taking charge of IR matters in 2011 and was appointed Legal Director in 2013. Steve has over twenty five years' company secretarial experience, having held senior positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the Institute of Chartered Secretaries ('ICSA'), sits on the ICSA Company Secretaries' Forum and Investor Relations Society Policy Committee and was voted Company Secretary of the Year in 2011.



CLAY BRENDISH *Chairman*
Clay Brendish, CBE joined the SThree Board in May 2010 as Non Executive Chairman. Clay is currently the Non Executive Chairman of Anite plc and a Director of the Test and Itchen Association Limited. In December 2012, Clay was appointed a Trustee of the Wessex Chalk Stream and Rivers Trust. Clay resigned as a Trustee of Economist Newspapers Ltd and as a Member of the Administrative Board of the Elster Group SE in mid 2012, whilst he also resigned as a Non-Executive Director of the BT Board in August 2011. In May 2001, Clay retired as Deputy Chairman of CMG plc, a European ICT company that was established in 1964. Clay's appointment as Deputy Chairman followed CMG's merger with Admiral plc in June 2000. Prior to the merger Clay was Executive Chairman of Admiral plc which he co-founded in 1979. Admiral plc employed over 2500 people in 8 countries.



TONY WARD *Non Executive Director (Senior Independent Non Executive Director)*
Tony Ward, OBE was appointed to the SThree Board in August 2006 and to the SThree Remuneration and Nomination Committees in October 2006. Tony currently chairs the Remuneration Committee and has over thirty years experience in a variety of senior executive roles with blue chip companies, including BAA plc, Kingfisher plc and Grand Metropolitan Group plc. He joined BAA in 1997 as Group HR Director and was Services Director from 1999 until March 2007, being responsible for activities including IT, Security, Rail and Airside Operations. Tony was a board director of BAA plc between November 1999 and July 2006. Tony is a Non Executive Director of OCS Group Limited, a Consumers' Association Council Member, a Which? Board Member, a Fellow of the Chartered Institute of Personnel Development, a former Deputy Chairman of the Commission for Racial Equality, and a graduate of the University of Leeds.



ALEX SMITH *Chief Financial Officer*

Alex Smith joined SThree in May 2008, having held a number of senior financial and operational roles in the leisure and retail sectors. He previously held the position of Integration Finance Director at TUI Travel PLC and he was Finance Director of First Choice's UK Mainstream business. Prior to these positions he was Managing Director of WH Smith's Travel Retail business and held senior financial roles at Travelodge and Forte PLC. Alex has a degree in Economics from Durham University and is an Associate of the Institute of Chartered Accountants in England & Wales.



STEVE QUINN *CEO, Americas*

Steve Quinn was appointed to the Board in June 2012. He joined Progressive as a Trainee Recruiter in 1996. Moving quickly into management, he established the contract division of Real in 1999, becoming MD of Real in 2006. Steve's strategy for growth enabled Real to grow into a global brand and he led our move into the Life Sciences Sector, founding the Real Pharma brand in 2007.

In 2009 he led the merger of four brands to form the Real Staffing Group. Steve has served as MD of the UK & Ireland and EMEA before becoming COO in 2012. As COO Steve led the Connect programme which delivered a support services infrastructure for our growth in the Americas and APAC.

He is now based in New York as Regional CEO and is leading SThree's growth in the Americas. Steve has a degree in Economic History from Queens University Belfast and is a graduate of the Senior Executive Program at Columbia University, New York. He also holds a Postgraduate Diploma in Law from Nottingham.



JUSTIN HUGHES *CEO, Asia Pacific and MENA*

Justin Hughes joined SThree in 1994, as a trainee recruitment consultant at Progressive. Making dynamic progress to Sales Director and ultimately to Managing Director of Progressive in 2007, he was the strategic driving force behind Progressive's international and global growth, as well as overseeing the business' diversification into new market sectors, notably Oil and Gas. Appointed to the SThree board in June 2012, Justin is currently based in Hong Kong, from where he is responsible for realising SThree's strategic growth plans across Asia Pacific and MENA. He holds an Honours Degree in Economics and is a graduate of the Senior Executive Program at Columbia University, New York.



ALICJA LESNIAK *Non Executive Director*

Alicja Lesniak was appointed to the SThree Board in May 2006 and sits on all SThree Committees. Alicja has chaired the Audit Committee since May 2014. Alicja is currently a Non Executive Director of Channel 4 and Next Fifteen Communications Group plc and was, until 30 September 2009, CFO of Aegis plc and has over thirty years experience in fast moving service businesses, in the latter twenty years holding senior financial and managerial roles within the advertising/media sector, including seven years with BBDO Worldwide, latterly as Chief Financial Officer for BBDO EMEA, and seven years at WPP Group plc, where she held positions as Chief Financial Officer for Ogilvy & Mather Worldwide and Managing Director of J Walter Thompson in the UK. Prior to joining the advertising sector she held senior management positions with Arthur Andersen & Co, having originally qualified as a Chartered Accountant with them in 1976. Alicja is a Fellow of the Institute of Chartered Accountants in England & Wales and holds a degree in Mathematics from Imperial College.



FIONA MACLEOD *Non Executive Director*

Fiona MacLeod was appointed to the SThree Board and all Committees in July 2014. As a senior executive at BP with 23 years international energy sector experience, Fiona sat on a range of JV and Investment Boards across some 20 countries. Fiona directly led operational businesses in the UK, Europe, USA, Japan, Mexico and Australasia. She was Chief of Staff to BP's Downstream Executive Committee, CEO of its European Gas, Power & Renewables business and most recently held the role of President of Retail sales for USA, Mexico and Venezuela. In these and other roles, Fiona regularly managed businesses in the \$1Bn+ turnover range.

Her company, Glendevon Leadership, now provides advice to Boards and senior teams on business transformation, market valuation and board effectiveness. She has a broad international client base.

Fiona also sits on the Development Board of Pancreatic Cancer UK, Chairs the Board of Women's Fund for Scotland and spent 5 years on the New York City Board of the global microfinance organisation, SWWB.



NADHIM ZAHAWI *Non Executive Director*

Nadhim Zahawi, MP was appointed to the SThree Board and to the Remuneration and Audit Committees in May 2008. Nadhim is the former CEO and co-founder of YouGov plc, a leading international online market research agency and became MP for Stratford on Avon in May 2010. He is a member of the Business Innovation and Skills Select Committee and the Foreign Affairs Select Committee of the House of Commons and sits on the No.10 Policy Board. He is the author of *Masters of Nothing – The crash and how it will happen again unless we understand human nature*. He is a member of the Policy and Advocacy Board of the International Rescue Committee and is a trustee of UpRising. He was previously European marketing director at Smith & Brooks, with responsibility for marketing brands such as Warner Bros, Disney and Barbie. Nadhim is a patron of Peace One Day and holds a degree in Chemical Engineering from UCL.





STEVE QUINN

CEO OF AMERICAS

2014 was a significant year for the region. For the second year in a row the Americas was the fastest growing region in the Group and now accounts for 15% of Group Gross Profit. On the back of 32%* growth in 2013, we delivered Gross Profit growth of 73%* year on year. Throughout the year we have doubled our office space in San Francisco, Houston and Boston and will be moving to new larger premises in New York in 2015.

All sectors grew strongly within the region. The largest sector is Life Sciences (Real Staffing) and the fastest growing sector is ICT (Computer Futures). We have expanded both brands in these sectors to 5 cities across the USA and we see huge opportunity to achieve scale in both Life Sciences and ICT. We changed our structure in Energy to a hub based model in Houston, withdrawing from Calgary and

Rio de Janeiro half-way through the year. We also closed our Banking offering in Brazil and focused on the opportunity in the USA. Our mix, in line with Group strategy, moved to a majority Contract mix and we delivered strong productive growth on Perm in all sectors. Perm Gross Profit grew at 52%* year on year whilst Contract Gross Profit grew at 98%* year on year.

We see opportunity in all our STEM sectors across the region and believe we are still at the beginning of an exciting opportunity. We have a diversified client base and continue to focus on niche markets with high demand. We have further invested in our support services hub in Houston and have strengthened the Americas Management Board with the addition of two US experienced Advisory Directors.

** growth in constant currency*



JUSTIN HUGHES

CEO FOR ASIA PACIFIC AND MENA

The Asia Pacific ("APAC") and Middle East North Africa ("MENA") regions have seen impressive and consistent recent growth, today accounting for 9% of Group's Gross Profit. Though still a predominantly Perm business, the priority since the beginning of 2014 has been to put in place the business model, support infrastructure and payroll capability to enable the regions to further grow Contract. Progress has been very positive with a 62%* year on year growth in Contract Gross Profit across APAC and MENA.

As the Contract division grows, the Energy sector is becoming increasingly important to both regions, with energy contract Gross Profit up 111%* year on year. In time we expect MENA to follow the rest of SThree with a majority Contract mix, whilst APAC will most likely remain balanced towards Perm, reflecting the lack of maturity in the high end Contract market in Asia in comparison with Europe and the USA.

With already strong Banking & Finance, Energy, ICT and Life Sciences businesses with huge opportunities in all four sectors within APAC and the substantial Energy and Banking & Finance markets in MENA, the region sits naturally within SThree's global STEM sector strategy.

In line with our global "hub" office strategy, we have amalgamated our Middle East and Indian businesses into a hub office in Dubai and replicated this with Sydney in Australia. This allows for efficiencies as well as a concentration of management and back office support to provide a strong developmental environment for our staff and a joined up approach to clients.

Still a relatively young part of SThree, the regions now have the infrastructure, management and business support network to further build on this year's success.

** growth in constant currency*







DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2014
STEVE HORNBUCKLE, GROUP COMPANY SECRETARY

OVERVIEW

The Directors present their Annual Report on the activities of the Group, together with the financial statements for the year ended 30 November 2014 and the Board confirms that these, taken as a whole, are fair, balanced and understandable and that the narrative sections of the Report are consistent with the financial statements and accurately reflect the Group's performance and financial position.

The Strategic Report, Chairman's and the other officers' sections of this Annual Report provide information relating to the Group's activities, its business and strategy and the principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These sections, together with the Directors' Remuneration, Corporate Governance and CSR Reports, provide an overview of the Group, including environmental and employee matters and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects, in accordance with the latest narrative reporting requirements. The Group's principal subsidiary undertakings are disclosed in the notes to the financial statements.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company and the Group, including those that would threaten the business model, future performance, solvency or liquidity and explained how they are being managed or mitigated (see analysis of key risks, mitigation and impact on strategy within the Strategic Report section).

RESULTS, DIVIDENDS, EXCEPTIONAL ITEMS, GOING CONCERN AND POST BALANCE SHEET EVENTS

Information in respect of the Group's results, dividends, exceptional items and other key financial information is contained within the Strategic Report, Chairman's and other officers' sections

of this Annual Report. A going concern statement is included within the Corporate Governance Report. No significant events have occurred since the year end.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company, including their biographies, are shown within the Board of Directors and Secretary section of this Annual Report, with further details of Board Committee membership being set out in the Corporate Governance Report. All Directors served throughout the financial year, except as disclosed, and in accordance with the UK Corporate Governance Code, will retire at the 2015 AGM and submit themselves for election or re-election, as necessary. Further information is contained in the Notice of Meeting.

Other than employment contracts and tracker share/LTIP JOP loans, none of the Directors had a material interest in any contract with the Company or its subsidiary undertakings. Key terms of the Directors' service contracts, interests in shares and options and tracker share ('Minority Interest') loans are disclosed in the Directors' Remuneration Report.

ESSENTIAL CONTRACTORS AND IMPLICATIONS FOLLOWING A CHANGE OF CONTROL OR TAKEOVER

The Group has business relationships with a number of contractors but is not reliant on any single one and there are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the RBS revolving credit facility agreement.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's share plans and tracker share ('Minority Interest') arrangements, may cause options, awards or minority

shareholdings to vest on a takeover.

TRACKER SHARE ARRANGEMENTS ('MINORITY INTERESTS OR MI MODEL')

The Group regards its tracker share model as a key factor in its success and it is planned to create more of these going forward, on similar terms to those previously created, subject to shareholder approval.

Entrepreneurial employees within the Group often create ideas for new business opportunities, which the Group may elect to pursue and develop. Historically the Group has engaged with such individuals in setting up new businesses for the purpose of pursuing these new ideas, which have typically evolved organically out of one of the existing SThree businesses, with the relevant managers then being given the opportunity to manage and develop that new business. Typically, those managers of the new SThree business will be able to invest, at the Company's discretion, in the new venture and share in its success as well as the risk of failure.

As in prior years, only key individuals will be invited to invest in the creation of any new tracker share business. In order to receive equity ownership such individuals must invest at fair value and be actively engaged in that business for a minimum term of between three and five years. Should the individual ultimately wish to dispose of their stake, the Company retains pre-emption rights.

The minimum term for each new tracker share stake is set at the outset and will normally be five years, but will never be less than three years, in order to allow the Group flexibility to adapt to the individual needs of its brands and businesses and differing rates of growth.

Although there are a number of different businesses in which individuals are invited to invest, each invitation will be on generally similar terms to that used previously and it is normally therefore appropriate to put only one resolution to shareholders each year, with each authority being granted for five years,

although automatically renewed at each following AGM, or any adjournment thereof.

The proposed resolution, together with the standard terms upon which the tracker shares are normally based, are outlined within each notice of AGM.

AUTHORITY TO MAKE PURCHASES OF OWN SHARES

The Company is, until the date of the forthcoming AGM, generally and unconditionally authorised to buy back a proportion of its own ordinary shares. No shares were purchased in the market during the year, although the Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the AGM.

DIRECTORS' INDEMNITIES, DIRECTORS' AND OFFICERS' INSURANCE AND CONFLICTS OF INTEREST

Section 236 of the Companies Act 2006 allows companies the power to extend indemnities to Directors against liability to third parties (excluding criminal and regulatory penalties) and also to pay Directors' legal costs in advance, provided that these are reimbursed to the Company should the individual Director be convicted or, in an action brought by the Company, where judgment is given against the Director. The Group currently has in place and has maintained such a policy throughout the year, which will reimburse the Company for payments made to Directors (including legal fees), for all admissible claims. The Board also confirms that there are appropriate procedures in place to ensure that its powers to authorise Directors' conflicts of interest are operated effectively.

CORPORATE GOVERNANCE, FINANCIAL INSTRUMENTS AND RESEARCH AND DEVELOPMENT

Please refer to the Corporate Governance Report. Information in respect of financial instruments is set out in the notes to the financial statements. The only expenditure

incurred in the area of research and development relates to software and system development, as shown in the notes to the financial statements.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

Details of the authorised and issued share capital of SThree plc, together with movements during the year are shown in the notes to the financial statements.

As at the date of this report, the Group has been notified, in accordance with the Companies Act, of the following significant interests in the ordinary share capital of the Company. Any interests of Directors which amount to over 3% are shown in the Directors' interests table within the Directors' Remuneration Report.

CORPORATE & SOCIAL RESPONSIBILITY ('CSR'), INCLUDING CARBON DIOXIDE EMISSIONS

The Board pays due regard to environmental, health and safety and employment responsibilities and devotes appropriate resources to monitoring compliance with and improving standards. The Chief Executive Officer has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources. Further information, including carbon dioxide emissions data, is contained in the CSR Report, whilst information on employee share plans and share ownership is contained in the Directors' Remuneration Report.

Health, safety and equal opportunities –

The Group is committed to providing for the health, safety and welfare of all employees and every effort is made to ensure that country health and safety legislation, regulations or similar codes of practice are complied with.

The Group is also committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged

SUBSTANTIAL SHAREHOLDINGS		
NAME OF SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE SHAREHOLDING
Franklin Templeton Institutional LLC	13,741,919	10.86%
William Frederick Bottriel	7,238,245	5.71%
JP Morgan Chase	7,021,061	5.55%
HBOS plc	6,983,314	5.52%
J O Hambro	6,280,338	4.96%
FMR LLC	6,400,868	4.95%
Legal & General	4,841,179	4.91%
Blackrock	6,137,031	4.85%
F&C Management	6,096,679	4.82%
Fidelity	6,028,475	4.76%
Standard Life Investments Ltd	5,845,830	4.62%
AXA S.A. and its group of companies	5,153,356	4.07%
Martin Currie	4,314,627	3.41%
Russell Clements	3,841,406	3.03%

to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to sex, sexual orientation, marital status, race, religion or belief, age or disability and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

In the event of employees becoming disabled, every effort is made to ensure that employment continues within the existing or a similar role and it is the Group's policy to support disabled employees in all aspects of their training, development and promotion where it benefits both the employee and the Group.

Employee involvement – The Group systematically provides employees with information on matters of concern to them, consulting where appropriate by surveys or other means, so that views can be taken into account when making decisions likely to affect their interests. Employee involvement is encouraged, as achieving a common awareness on the part of all employees of the financial, economic or other factors affecting the Group, plays a major role in ensuring shared success. The Group encourages this involvement predominantly by communicating via the Group's intranet articles or email updates and by participation in the Group's employee share plans.

Community – The Group is committed to providing support to the community and society through a number of charitable activities and donations, although no donations for political purposes of any kind were made during the year.

ANNUAL GENERAL MEETING ('AGM')

The AGM of the Company will be held on 23 April 2015, at 1st Floor, 75 King William Street, London, EC4N 7BE. A separate notice details all business to be transacted.

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

As required by Section 418(2) of the Companies Act 2006, each Director in office, at the date of this report, hereby confirms that:

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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, a resolution will be put to the forthcoming AGM proposing their re-appointment as auditors for the ensuing year

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company's financial statements in accordance with

International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Consolidated Group and the Company and of the profit or loss of the Consolidated Group for that period. In preparing these 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 applicable IFRSs as adopted by the European Union have 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.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are shown within the Board of Directors and Secretary section of this Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report, together with the Strategic Report, Chairman's and other Officers' sections of this Annual Report, include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that are faced.



BY ORDER OF THE BOARD
STEVE HORNBUCKLE
Group Company Secretary

23 January 2015
Registered Office:
1st Floor,
75 King William Street
London
EC4N 7BE



DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2014
**STATEMENT BY REMUNERATION COMMITTEE CHAIRMAN,
TONY WARD, OBE**

The Remuneration Committee ('the Committee') continues to develop the Group's overall Executive remuneration arrangements in the context of changes in strategic objectives; the business/organisational model; best practice; market changes; and the wider employee base. It is assisted in this activity by external advisors, Deloitte LLP, together with internal specialists.

Following extensive shareholder consultation a number of changes have been made within the framework of the approved Directors' Remuneration Policy, which is still intended to apply until 2017. These changes are intended to ensure that Directors' remuneration continues to support high performance and shareholder value growth.

SHAREHOLDER CONSULTATION ON KEY REMUNERATION MATTERS SINCE THE LAST AGM

As part of an ongoing dialogue, the Committee has taken into account observations of shareholders in relation to various aspects of last year's Remuneration Report and the implementation of our policy.

Long Term Incentive Plan ('LTIP'):

A number of our shareholders had specific comments in relation to EPS performance targets. The main observation related to those set for the 2014 LTIP award and, since the 2014 AGM, we have met with several major investors to better understand concerns around the Group's EPS targeting strategy, which is to deliberately set a

consistent target which is appropriate through all economic cycles and which incentivises participants to drive results that deliver an appropriate level of shareholder return over the long term.

From these meetings, it was apparent that we needed to better communicate the key elements and reasoning behind this strategy, which we summarise as follows:

- The EPS measure was introduced (in addition to the relative TSR measure), in 2010 to ensure that vesting of LTIP awards would be related to sustained improvement in underlying financial performance as well as relative TSR performance.
- The EPS related element has historically comprised 50% of the total LTIP award and required growth of RPI plus 6% pa for threshold vesting and RPI plus 15% pa for maximum vesting (with intermediate targets for vesting between these levels). The currently proposed targets are set out in the main body of this report.
- For the 2010 LTIP awards, two thirds of the EPS component vested, whilst there was zero vesting for the 2011 and 2012 awards. This has resulted in an EPS payout of circa 22% of maximum, on average, versus a 79% average payout for the TSR element, hence, over time, the EPS targets set by the Committee have proven to be stretching.
- It should be noted that the EPS CAGR required for currently outstanding LTIP awards to vest at maximum is actually substantially higher than their performance targets. As a result, the Committee feels that there is already a high level of stretch built in to the LTIP and is cognisant of this in its review.

In our dialogue with investors, the lack of sector visibility/guidance and the consequent difficulties in modelling performance for a cyclical business

have been recognised. In fact, our broker analysis has shown that, for the four main UK listed recruiters (SThree, Hays, Page Group and Robert Walters), since 2007 there has been little correlation between the 1-3 year consensus forecasts (where available over the full 3 year term) and the eventual outcome.

Consequently, we have tried to take an approach which considers what might be an appropriate level of return over the longer term cycle, building in flexibility to align consensus, business plan and internal budgets, etc, whilst also stripping out any outlying estimates.

A key component of our analysis is the latest available macroeconomic forecasts for each of our trading regions, albeit hampered by limited forward visibility. Whilst we have started to see optimism return to some markets/sectors, a number of the Group's trading regions continue to be impacted by significant political and economic uncertainty, particularly within the Eurozone, where the Group operates its more established businesses.

Because of the difficulties experienced with consensus forecasts, we chose to target EPS growth at a sustainable level, over the longer term, as we felt this approach would better generate appropriate returns for our shareholders.

The uncertainties and risks that remain in the outlined plans for profit growth, despite the improving conditions in some of our markets, were discussed at the 2014 Investor Day. Since then some of these macro factors have been reinforced by

recent events, in particular, the very sharp downward trend in oil prices which could have a key impact on our projections, which are heavily reliant on growth in that sector.

The Committee is therefore seeking to strike the right balance of stretching but achievable targets, whilst taking account of current business plans and shareholder consultation responses, and recognising the points made by investors in relation to the starting point for EPS measurement.

Whilst the Committee does believe that the growth rates represented by the chosen EPS targets have been stretching, given the strength of investor comments, the Committee has nonetheless revisited the EPS targets for LTIP awards made in early 2014 and these have now been retrospectively adjusted such that 14.1p will become the base level of EPS from which targets will be measured, rather than 9.1p, thus making the targets even more stretching.

Furthermore, for the 2015 LTIP allocation, we propose to increase the EPS targets in line with the table below.

We feel that these measures address the concerns expressed by shareholders and reinforce the stretching nature of the EPS targets.

As part of the ongoing review of the LTIP performance measures and in response to shareholder feedback, the Committee have also conducted a thorough review of the TSR related element of the LTIP award (which applies to 50% of the total award granted).

EPS AWARD MAX PAYOUT	CURRENT EPS TARGET	PROPOSED EPS TARGET
30% OF AWARD	RPI +6%	RPI +6%
80% OF AWARD	RPI +13%	RPI +14%
100% OF AWARD	RPI +15%	RPI +19%

The TSR comparator group was last reviewed in 2009 and, in the time since then, the market has changed significantly. Having undertaken the review it was determined by the Committee that the comparator group for TSR purposes should be updated.

More detail on this is set out in the main body of the report, however, in summary, for future awards we propose to adopt a group of circa 35-40 companies, which comprises mid/large cap global listed recruiters or other business services/ benchmark comparator companies. The vast majority of these comparators are of a similar cyclical nature to SThree and we feel that this group will provide the most meaningful comparison for future awards.

Finally, to further align both Director and shareholder interests, for LTIP awards from 2015, we propose to implement an additional two year holding period, post any vesting, subject to allowing individuals to discharge any tax or similar liabilities that may arise.

Malus and clawback arrangements are already in place for both the LTIP and annual bonus arrangements, which is in line with the updated Corporate Governance code.

Salary, fees and other benefits -

The Group's long standing policy is to position the base salaries of Directors and senior management between lower quartile and median for the relevant comparable market.

During the year the Group further strengthened its regional focus, following last year's creation of CEO roles in both the Americas and Asia Pacific & MENA, reflecting the importance of our strategic growth plans for these regions.

Whilst some benchmarking analysis was carried out for both Executive and Non Executive roles, the Committee has concluded that, for the second year in a row, cost of living increases only should

be awarded to Executives, reflecting the Group's mixed performance in certain markets. This is despite the growing experience of our Executive team.

Accordingly, increases of 2.5% will apply to the main Board Executives from 1 December 2014, which broadly aligns with our wider employee base (our normal policy is to reflect the growth in both competency and experience of individuals in the levels of annual increases to basic pay).

As regards the Non Executives, the fees for these roles remain broadly competitive, except that the Chairman's fees have now fallen well below the Group's policy position and, whilst the Board was not minded to increase these fees this year, it has committed to increasing them next year, subject to satisfactory business performance.

In terms of other benefits, such as salary supplement in lieu of pension, car allowance, etc, the Committee has concluded that no changes are necessary.

Tracker share or Minority Interest ('MI') arrangements in SThree subsidiaries/ businesses -

SThree has always regarded this model as a key element in its success and it is therefore planned to expand on this model going forwards, for which shareholder approval will be sought at each AGM. This will entail the creation of new structures over SThree businesses globally, (including via the UK LLP), on broadly similar terms to those created in prior years, with subsidiaries being used to track the performance of the relevant underlying business in which an individual is allocated a stake. The AGM notice summarises the key terms upon which these are normally offered to individuals.

The Committee is confident that the above reflects the strong linkage between remuneration and performance, in pursuit of strategic business objectives, with overall policy consistent with the implementation

in prior years.

POLICY REPORT

This report provides details on the Group's remuneration policy and will be put to shareholders by way of a binding vote every three years, having been last approved at the AGM in 2014. The policy is intended to take effect immediately following shareholder approval. Application of the policy during this period is intended to be consistent with the parameters set out opposite.

The report also complies, as necessary, with other regulations, including the Listing Rules and the UK Corporate Governance Code. Regulations currently require the auditors to report to the Company's shareholders on the 'Annual Report on Remuneration' and to state whether in their opinion this part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended).

Remuneration policy is designed to support the strategic business objectives of the Group in order to attract, retain and motivate Directors and senior managers of a high calibre to deliver sustainable increases in shareholder value. Where possible, the Committee tries to ensure a greater focus on performance, rather than base pay elements and also considers investor guidelines and reward across the wider employee group in setting total or individual items of remuneration for senior executives. This is designed to reward high performance and reflects the Group's long established entrepreneurial culture.

Following formal shareholder adoption of the policy in 2014, as a result of shareholder feedback, we have strengthened our approach in two areas: (i) post vesting holding periods for the LTIP and (ii) in relation to the buy out of incentives or other payments necessary to recruit exceptional candidates (see commentary in table opposite).

CURRENT AND FUTURE POLICY **TABLE**

ELEMENT	PURPOSE & LINK TO STRATEGY	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE METRICS
EXECUTIVE DIRECTORS				
BASE SALARY	Attracts, retains and motivates high calibre executives to deliver sustainable increases in shareholder value	Reviewed annually, with full benchmarking normally undertaken by advisors every 2/3 years, which considers the remuneration of equivalent senior cohort in comparable companies	Between lower quartile and median of the relevant comparable market, subject to approved exceptions, eg to attract or retain in key roles	Individual pay levels are determined by reference to personal performance, capability, potential and relevant external comparators
BENEFITS, INCLUDING CAR ALLOWANCE, MEDICAL COVER, LIFE INSURANCE, PENSION SALARY SUPPLEMENT AND HOUSING ALLOWANCE (ONLY IF RELOCATED)	Attracts, retains and motivates high calibre executives to deliver sustainable increases in shareholder value	Up to median of the relevant comparable market, subject to approved exceptions, eg to attract or retain in key roles. Based on general market assessment against FTSE 250/350 and/or similar sized companies	See operation section	N/A
ANNUAL BONUS	Encourages high levels of personal and team performances, focused on the key business strategies and financial/ operational measures	At target performance, 60% of salary is payable, with maximum bonus for 110% of target. No bonus is paid below 90% of target, with pro rata paid between 90% and 110% of target. All of this is subject to clawback/ malus being applied, if appropriate	Maximum award is 120% of annual salary (may be uncapped below Board level), with deferral into shares for achievement over 100% of salary, vesting in equal tranches over two years, subject to continued employment	Achievement of agreed strategic and financial/ operational annual business targets, weighted in line with business priorities. These also include risk based measures
SHARE BASED INCENTIVES, INCLUDING THE LTIP, SAYE, SIP, ETC	The LTIP motivates and rewards executives for the delivery of substantial relative and absolute increases in shareholder value. SAYE and SIP participation is available to all UK employees, including Directors, on similar terms	The LTIP has agreed targets over three years, as set out below, with no re-testing. For new awards made from FY 2015 onwards, a further two year holding period post vesting also applies for Executive Directors.* Criteria may differ below main Board. All of this is subject to clawback/ malus being applied, if appropriate	For the LTIP, the maximum award is 450% of salary in any three year period (capped at 175% pa)	For the LTIP, achievement of relative TSR, absolute EPS, or other agreed measures over three years, as set out below. Targets are reviewed annually, with no re-testing. At median (threshold) performance, 30% of awards normally vest

*reflects strengthening of approach since formal policy adoption

CURRENT AND FUTURE POLICY TABLE

ELEMENT	PURPOSE & LINK TO STRATEGY	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE METRICS
BENCHMARKING REVIEWS AND FREQUENCY	Ensures that the Committee is informed on current market practice in fulfilling its TORs and providing value for money arrangements	The Committee monitors best practice, in rewarding its senior cohort, comparing remuneration arrangements with other FTSE 250/350 companies and specifically, with some 20 businesses of similar size/complexity to STthree. A full external review is normally undertaken every 2/3 years, carried out by Deloitte LLP. This is supplemented by annual high level assessments in between	Related to each element in this table	N/A
APPROACH TO RECRUITMENT – NEW APPOINTMENTS/ PROGRESSION	Allows for growth in individual capability, so aiding retention/ motivation, on a value for money basis and promoting sustainable increases in shareholder value	Newly appointed or promoted executives are appointed at remuneration levels, in line with their existing experience/capability, to allow for progression from the 'entry' level within agreed ranges	Appointments between lower quartile and 90th percentile of median of the relevant comparable market position, subject to approved exceptions and within scheme limits, eg to attract or retain in key roles. May also include buy out of incentives/ other payments in order to recruit exceptional candidates or overcome particular circumstances in the market	Continued satisfactory performance in the role and against agreed objectives
SHARE OWNERSHIP/ RETENTION	Policy ensures alignment of Executive Director interests with those of investors	Executives should attain a level of shares equivalent to at least 100% of base salary within five years of being appointed. Lower targets are in place for senior roles below Executive level, proportional to the level of LTIP awards. For the LTIP, a further two year holding period post vesting also applies for Executive Directors for new awards made from FY 2015 onwards*	N/A	N/A
NON EXECUTIVE DIRECTORS ('NEDS')				
FEES	Attracts, retains and motivates high calibre NEDs to provide experience, capability and governance in the interest of shareholders	Fees set by reference to the median of fees paid in similar companies, related to allocated responsibilities and subject to the limits contained in the Company's Articles of Association	Basic fees plus payment for additional responsibilities, eg for chairing Committees. NEDs do not participate in the Group's incentive schemes	Obligation to perform satisfactorily and attend/contribute at meetings, assessed via Board effectiveness reviews
APPOINTMENT AND RE-ELECTION	Appointed for at least 3 years, subject to satisfactory performance and re-election at each AGM. NEDs are expected to serve for at least 6 years, to provide a mix of independence, balance and continuity of experience	Appointment may be terminated by either the Company or the NED at will, with 3 months prior notice. In practice NEDs may be requested to serve up to 9 years, subject to rigorous review and their agreement	Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment	Obligation to perform satisfactorily and attend/contribute at meetings, assessed via Board effectiveness reviews

*reflects strengthening of approach since formal policy adoption

In relation to the buy out of incentives or other payments necessary to recruit exceptional candidates or overcome particular circumstances in the market, the Committee confirms that any remuneration arrangement specifically established to recruit an individual (i.e. whether in the form of a buy out of incentives or other payments) would take a similar form to that surrendered, with the value of such incentive buy out or other payment being capped at no greater than those which the individual had agreed to surrender in order to be recruited. The Committee does not therefore envisage that a cash or other payment over and above the value surrendered (i.e. a 'golden hello') would be offered. The policy that exists for current Directors would then apply to the balance of the individual's remuneration package.

PERFORMANCE RELATED ELEMENTS ANNUAL BONUS

The Committee's policy is to review measures for the bonus scheme annually, across a range of metrics, so that they continually align with strategic objectives

Although measures are re-calibrated annually in order to reflect the prevailing strategic emphasis and underlying market, profit based metrics will continue to comprise a significant portion of the overall bonus.

The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. For FY 2014, the Committee exercised discretion in respect of the Energy sector component within the regional financial target of the CEO Asia Pacific & MENA, reflecting the excellent performance achieved during the year in that relatively new sector and to adjust for the timing of delivery of contract related profit. The total payout under this element represented 6.2% of salary for that individual.

The Committee also pays due consideration to risk management as well as environmental, social and governance ('ESG') issues, to ensure that the bonus structure does not inadvertently encourage irresponsible behaviour. Clawback or malus provisions may also be applied if the

Committee considers that there has been deliberate manipulation or dishonesty, leading to an inappropriate bonus payment.

LONG TERM INCENTIVE PLAN ('LTIP')

The LTIP has been designed to reward consistently high earnings growth, as well as delivery against appropriate comparators. Key policy features of the LTIP are as follows:

- Performance criteria is reviewed annually and, for the Group CEO and CFO, is split equally between relative Total Shareholder Return ('TSR') and Earnings Per Share ('EPS') measures. Regional growth targets were introduced last year for both the Americas and Asia Pacific & MENA CEOs, reflecting the importance of the Group's strategic growth plans for both regions. These targets apply to up to one third of their total LTIP award, are based on delivery against budgeted regional growth forecasts and are therefore commercially sensitive;
- The Committee's policy is to set LTIP performance measures designed to withstand variable market conditions, as explained earlier. Following the most recent review, the TSR comparator peer group will, from 2015, consist of circa 35-40 companies, being mid/large cap global listed recruiters or other business services/ benchmark comparator companies, the vast majority of which have a high historical cyclical correlation coefficient with SThree, being as follows: Adecco 'R', Amadeus Fire, Bovis Homes Group, Brunel International, Carillion, Dice Holdings, Electrocomp, Exova Group, Galliford Try, Grafton Group UTS, Groupe Crit, Harvey Nash Group, Hays, Hogg Robinson Group, Impellam Group, Insperity, Kelly Services 'A', Kforce, Korn Ferry International, Manpower Group, Matchtech Group, Page Group, Morgan Advanced Material, On Assignment, Premier Farnell, Ranstad Holding, Regus, Restaurant Group, Robert Half International, Robert Walters, Savills, Shaftesbury, Staffline Group, Sythomer, Telecity Group, Trueblue, USG People, Wetherspoon (JD);
- The TSR comparator group is reviewed annually and may be changed for future awards at the discretion of the Committee.

For those comparator group companies listed outside the UK, the TSR relative share price performance movement is assessed using local currency in order to exclude the impact of exchange rate changes on the calculation;

- The TSR and EPS targets to be used for the next planned LTIP awards (anticipated in early 2015), are summarised in the table overleaf. The performance measures, targets and the proportion of awards linked to each, are reviewed and communicated annually by the Committee, in the light of the current trading environment, internal and external forecasts, as well as the guidelines of key investor bodies and may be changed for future awards to ensure that they remain appropriate;
- The preferred EPS growth measure is Compound Average Growth Rate ('CAGR'), as it rewards value creation equally over the period covered by the incentive. Pre-exceptional, basic EPS is used as the basis for measuring awards, so that any material abnormal influences are excluded, with any abnormal influences which are not material but still significant being highlighted to the Committee for consideration as to their treatment;
- The Committee may use discretion in assessing the performance of the LTIP, provided that it would be fair and reasonable to do so. No discretion was operated during the year.
- Clawback or malus provisions may also be applied if the Committee considers that there has been deliberate manipulation or dishonesty, leading to an inappropriate LTIP award.

SERVICE CONTRACTS AND OUTSIDE APPOINTMENTS

Executive Directors have rolling service contracts providing a maximum of 12 months' notice and are encouraged to undertake external appointments, where they are able to combine these with their existing role. This helps to broaden experience and capability, which can benefit the Company. Currently, no such outside positions are held by Executive Directors.

OBLIGATIONS UNDER SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

Each service contract gives a right to base salary and benefits in the event of early termination, subject to otherwise satisfactory job performance, with mitigation generally required to reduce any compensation payable. Service contracts include the requirement for a maximum of 12 months' notice by either party, with pro-rating normally applied by the Committee where relevant. Good leavers without cause (eg redundancy or retirement) may generally retain any earned bonus or share based awards, on a pro rata basis, subject to still achieving any relevant performance criteria.

TRACKER SHARE OR MINORITY INTEREST ('MI') ARRANGEMENTS IN STHREE SUBSIDIARIES/BUSINESSES

The Company's policy is, following a decision to purchase any underlying business, to generally settle the related

Any loans outstanding are expected to be repaid in full, should the tracker business be purchased from the individual concerned. Details of these arrangements are set out in the AGM notice. Directors of SThree plc are not eligible to participate in new arrangements.

LIMITED LIABILITY PARTNERSHIP ('LLP')

An LLP was created in December 2013, with appropriate shareholder approval. A number of senior individuals within the UK business became LLP partners during FY 2014 and are therefore incentivised as partners within the LLP including via capital rights similar to the tracker share arrangements. Executive Directors cannot participate in these arrangements.

EMPLOYEE BENEFIT TRUST AND SHARE PLANS

The Group has a culture that encourages tax efficient share participation at all levels. An Employee Benefit Trust ('EBT'), originally funded by gifts from Directors, holds assets

award schemes, which include the LTIP, Savings Related Share Option Scheme ('SAYE Scheme') and a Share Incentive Plan ('SIP') as well as to satisfy tracker share settlements. The Company intends to make available similar share plans in other jurisdictions, subject to local laws, etc, where commercially viable and has set the critical mass of headcount for roll out in each country to at least 100 employees.

In the event of a takeover, or similar, under the Group's share plans, shares may generally vest or options become exercisable early, with the Committee normally taking into account the length of time between the start of any holding period and the triggering event, as well as the level of any performance criteria achieved, up to the same date. The Committee may also alter the rules of any share plan provided that this is not to the advantage of participants, in which case prior shareholder approval is needed. Under the SIP, shares are purchased on a monthly basis, at the then market price and matching shares are awarded on a 1:2 basis, provided that participants do not sell their purchased shares and also remain in employment within the Group for an agreed period. In terms of dilution, awards under the LTIP, EBT and other share plans are satisfied by a combination of Treasury Shares, market purchases and new issue shares. Where new issue shares are used, this will comply with the guidelines provided by the Investment Management Association. Expected value calculations of share incentives are not disclosed, as these are not considered necessary, given that sufficient information on which to carry out such calculations is already disclosed.

JOINT OWNERSHIP PLAN ('JOP')

A Joint Ownership Plan ('JOP') remains in place in respect of some of the historical unapproved LTIP awards, with remaining JOP options exercisable at prices of 60p, 73p and 78p per share, over the underlying award. In order to satisfy upfront tax and NIC liabilities on JOP awards, loans have been made available to all participants. These loans carry interest at the prevailing HMRC official rate and are normally to

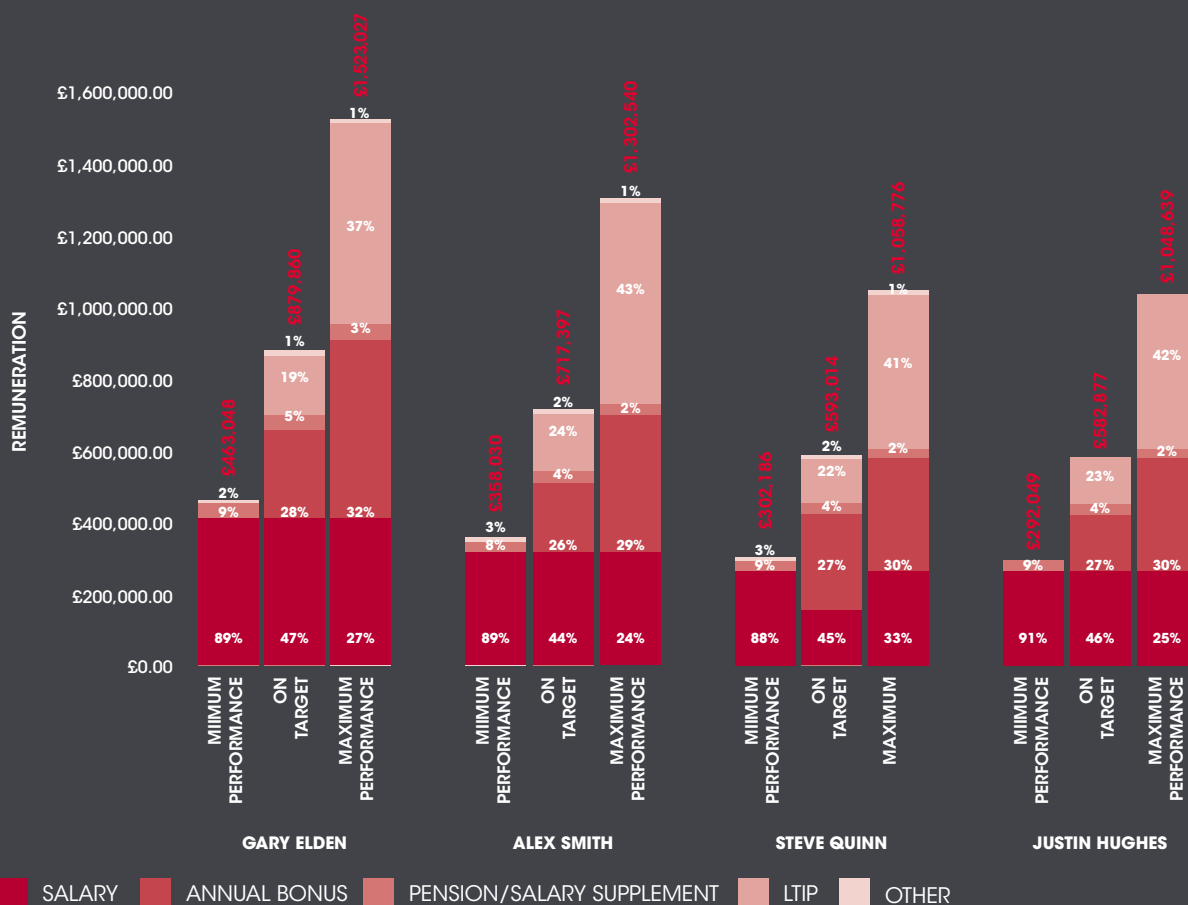
LTIP PERFORMANCE CONDITIONS

PERCENTAGE OF AWARD THAT VESTS	COMPANY'S TSR RANKING AGAINST COMPARATOR GROUP OVER PERFORMANCE PERIOD	COMPANY'S EPS GROWTH OVER PERFORMANCE PERIOD
None	Below median	Below RPI plus 6% pa
30%	Median	RPI plus 6% pa
80%	N/A	RPI plus 14% pa or better
100%	Upper quartile or better	RPI plus 19% pa or better
Pro rata on a straight line	Between median and upper quartile	Between RPI plus 6%-14% and RPI plus 14%-19%

vested tracker shares using SThree plc shares as consideration. Gary Elden, Justin Hughes and Steve Quinn continue to hold legacy share rights in a number of SThree businesses under these arrangements.

comprising shares in the Company, with shares also held separately as 'Treasury Shares'. Shares in the EBT or held in Treasury, are held for awards and grants under the Group's various share option and share

ILLUSTRATION OF FY 2015 EXECUTIVE DIRECTORS' REMUNERATION*



*Using FY2015 base salary, FY 2014 other benefits (excluding housing allowance) and LTIP/Annual Bonus thresholds of nil, on target and maximum vesting

be repaid at exercise. Current JOP loan amounts outstanding are: Gary Elden £43,957; Alex Smith £43,021; and Justin Hughes £13,032. Prior to the introduction of the JOP, the Committee sought appropriate assurance from advisors that the Group was not exposed to any significant additional cost exposure.

APPLICATION OF POLICY

Executive Directors' base salary changes/comparison to broader employee population

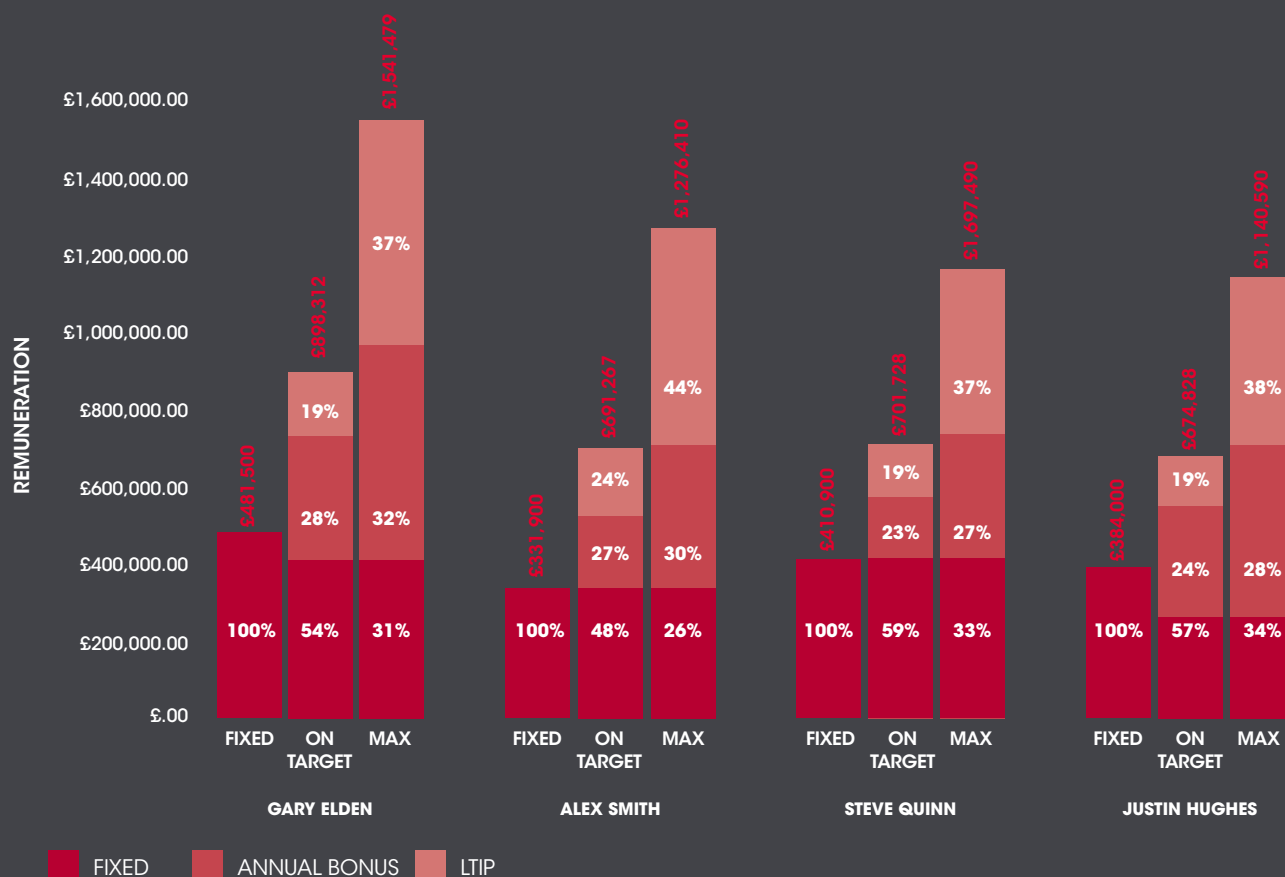
For FY 2015, the Committee has concluded that, for the second year in a row, cost of living increases only should be awarded for Executives, reflecting the Group's mixed performance in certain markets. This is despite the growing experience of our

Executive team. Accordingly, increases of 2.5% will apply to the main Board Executives from 1 December 2014, which broadly aligns with our wider employee base (although employees were not

specifically consulted). The table below illustrates these changes (effective for FY 2015), as well as showing Executives' dates of appointment.

EXECUTIVE DIRECTOR	DATE APPOINTED TO BOARD	BASE SALARY - 2013	BASE SALARY - 2014	INCREASE (FROM 1 DEC 2014)	BASE SALARY (FROM 1 DEC 2014)
Gary Elden, CEO	14 April 2008	£390,000	£401,700	2.5%	£411,743
Alex Smith, CFO	7 May 2008	£300,000	£309,000	2.5%	£316,725
Steve Quinn, CEO Americas	1 June 2012	£252,000	£259,560	2.5%	£266,049
Justin Hughes, CEO Asia Pacific & MENA	1 June 2012	£252,000	£259,560	2.5%	£266,049

RATIO OF FIXED TO VARIABLE PAY AT **VARIOUS PERFORMANCE LEVELS**



ANNUAL REPORT ON REMUNERATION

NON EXECUTIVE DIRECTORS' ('NEDS') (AUDITED)

NED fees are set out, along with dates of appointment, in the table below. Fees have not been increased since December 2011.

NED FEES

NON EXECUTIVE DIRECTOR	DATE APPOINTED	TOTAL FEES - 2013	TOTAL FEES - 2014	COMMITTEE CHAIR
Clay Brendish	1 May 2010	£125,000	£125,000	Nomination Committee
Alicja Lesniak	3 May 2006	£40,000	£43,614 *	Audit Committee
Fiona MacLeod	1 July 2014	-	£16,667 *	N/A
Nadhim Zahawi	1 May 2008	£40,000	£40,000	N/A
Tony Ward	14 August 2006	£46,000	£46,000	Remuneration Committee
TOTAL		£251,000	£271,281	

*pro rated due to appointment or change in current year

SINGLE TOTAL FIGURE FOR DIRECTORS' REMUNERATION (AUDITED)

The table below shows Directors' emoluments for the current and prior year. Other than the LTIP awards disclosed below, no other awards vested to any Director in the year to 30 November 2014.

DIRECTORS' EMOLUMENTS						
DIRECTOR	SALARY & FEES 2014 £'000	OTHER TAXABLE BENEFITS (II) 2014 £'000	ANNUAL BONUS 2014 £'000	EQUITY AWARDS 2014 £'000 (IV)	SALARY SUPPLEMENT IN LIEU OF PENSION (I) 2014 £'000	2014 TOTAL £'000
Gary Elden	401.7	19.5	263.3	107.4	60.3	852.2
Alex Smith	309.0	11.3	209.9	107.2	46.4	683.8
Steve Quinn (III)	259.6	218.7	203.2	83.0	46.8	811.3
Justin Hughes (III)	259.6	79.2	172.6	83.0	40.4	634.8
NON EXECUTIVE DIRECTORS (VII)	271.3	-	-	-	-	271.3
AGGREGATE EMOLUMENTS DIRECTOR	1,501.2	328.7	849.0	380.6	193.9	3,253.4
EXECUTIVE DIRECTORS						
	SALARY & FEES 2013 £'000	OTHER TAXABLE BENEFITS (II) 2013	ANNUAL BONUS 2013 £'000	EQUITY AWARDS 2013 £'000 (V)	SALARY SUPPLEMENT IN LIEU OF PENSION (I) 2013 £'000	2013 TOTAL £'000
Gary Elden	390.0	11.3	207.1	105.4	39.0	752.8
Alex Smith	300.0	11.3	159.3	102.7	30.0	603.3
Steve Quinn (III)	253.6	19.7	134.7	44.2	18.9	471.1
Justin Hughes (III)	264.2	49.8	140.3	44.2	31.7	530.2
NON EXECUTIVE DIRECTORS (VII)	297.0	-	-	-	-	297.0
AGGREGATE EMOLUMENTS	1,504.8	92.1	641.4	296.5	119.6	2,654.4

(I) Senior employees, including the Executive Directors, are eligible for a salary supplement in lieu of pension of up to 15% of their base salary. For Steve Quinn the total includes an amount to rectify underpayment of this supplement in the current and prior year, which occurred whilst he was setting up local arrangements. This payment is within the maximum permitted annual allowance for each year under the Group's policy.

(II) Other taxable benefits include a car allowance, medical cover and life/income protection insurance, as well as payments to cover housing costs, being £46,789 (2013: £49,757) for Justin Hughes and £172,117 (2013: £8,465) for Steve Quinn.

(III) Justin Hughes (based in Hong Kong) and Steve Quinn (based in the USA), are paid in local currency, which have been converted into pounds sterling at average exchange rates of 0.07772 (Hong Kong) and 0.60271 (USA).

(IV) FY 2014 equity awards comprise LTIP awards granted in early 2012, vesting in early 2015, based on performance assessed over FY 2012 – 2014, but also including the value of any related dividends paid during the vesting period. This has been calculated using a share price of 311.25p, being the share price as at 28 November 2014, the last dealing day before the current year end.

(V) FY 2013 equity awards comprise LTIP awards granted in early 2011, vesting in early 2014, based on

performance assessed over FY 2011 – 2013, but also including the value of any related dividends paid during the vesting period. This has been calculated using a share price of 326.25p, being the share price as at 29 November 2013, the last dealing day before the prior year end.

(VI) There were no deferred loss of office, or other payments made to current or former Directors during the year, except for £136,061 paid as FY 2013 pro rata bonus to Russell Clements under his departure arrangement.

(VII) Audited information includes the individual NED fees set out in the previous section.

ANNUAL BONUS

The table below shows the measures/weighting and result for FY 2014, with targets for FY 2015 being commercially sensitive as this may provide confidential information to competitors. The Committee will disclose such information once it is deemed no longer commercially sensitive.

ANNUAL BONUS											
PERFORMANCE MEASURE FY 2014	CEO MAX POTENTIAL (% SALARY)	CEO ACTUAL RESULT (% SALARY)	CFO MAX POTENTIAL (% SALARY)	CFO ACTUAL RESULT (% SALARY)	CEO, AMERICAS MAX POTENTIAL (% SALARY)	CEO, AMERICAS ACTUAL RESULT (% SALARY)	CEO, ASIA PAC / MENA MAX POTENTIAL (% SALARY)	CEO, ASIA PAC / MENA ACTUAL RESULT (% SALARY)	PERF TARGET THRESHOLD	PERF TARGET MAX	ACTUAL RESULT
Financial Objectives (1)											
PBT (pre-exceptionals)	35.1%	19.2%	35.1%	19.2%	28.1%	15.4%	28.1%	15.4%	£27.2m	£30.2m	£29.8m
Conversion ratio	23.4%	13.1%	23.4%	13.1%	18.7%	10.5%	18.7%	10.5%	12.60%	14.00%	13.90%
Cash conversion	19.5%	-	19.5%	-	15.6%	-	15.6%	-	59.0%	N/A	48.0%
Regional financial (2)	-	-	-	-	15.6%	15.6%	15.6%	6.2%			
Shared Objectives (2)											
Churn	6.0%	4.2%	6.0%	4.2%	6.0%	4.2%	6.0%	4.2%	39%	35%	36%
ECM & contractor services	6.0%	4.5%	6.0%	4.5%	6.0%	4.5%	6.0%	4.5%			Model rolled out in 5 countries in year
Client strategy	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%			
Growth in contract	6.0%	4.1%	6.0%	4.1%	6.0%	4.1%	6.0%	4.1%			
Efficient shared services	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%			
Personal (3)											
	12.0%	8.4%	12.0%	10.8%	12.0%	12.0%	12.0%	9.6%			
Total	120.0%	65.5%	120.0%	67.9%	120.0%	78.3%	120.0%	66.5%			

- Notes**
- For bonus purposes, PBT was adjusted to £29.8m from £29.3m in order to ensure it was measured on a like for like basis, based on calendar reporting changes. For FY2014 no deferral was triggered.
 - Regional and shared objectives are assessed based on delivery by the Group Management Board ("GMB") members of agreed medium term strategic targets, which are commercially sensitive, but outlined as follows:
 - ECM & contractor services measures are based on a qualitative assessment of the delivery of a scalable ECM model within agreed new countries during 2014 and 2015
 - Client strategy measures are based on a qualitative assessment of the growth in placements for all clients, using the agreed client categorisation framework
 - Growth in contract measures are based on achieving an agreed multiple of contract over perm business of at least 2x, scaled to also ensure a minimum level of perm delivery
 - Efficient shared services measures are based on achieving a reduction of the cost per sales head to an agreed base level
 - Personal targets are based on delivery of agreed deliverables to deliver value or efficiency gains.

SAVE AS YOU EARN ('SAVE') (AUDITED)

Executive Directors' awards of options under the SAYE scheme are set out in the table below, with each award being exercisable three years from the date of grant, for a period of six months, at the relevant option price. Options are issued at a 20% discount to the market price and are not subject to performance conditions. Any gains made during the current/prior year are set out in the table.

SAYE							
DIRECTOR	DATE OF GRANT/ AWARD	OPTION PRICE AT GRANT/ AWARD	SHARES AWARDED	SHARES LAPSED	VESTING DATE	ACTUAL GAIN MADE ON EXERCISE	REMAINING UNEXERCISED AT 30 NOV 2014
Gary Elden	14/09/2012	223.00p	4,035	-	1/12/2015	-	4,035
Alex Smith	14/09/2012	223.00p	4,035	-	1/12/2015	-	4,035
Steve Quinn	14/09/2012	223.00p	4,035	-	1/12/2015	-	4,035
Gary Elden	12/09/2014	276.76p	3,251	-	1/12/2017	-	3,251
Alex Smith	12/09/2014	276.76p	3,251	-	1/12/2017	-	3,251

LTIP AND OTHER SHARE OPTIONS/AWARDS LTIP (AUDITED)

Executive Directors' awards of forfeitable, deferred shares or options under the LTIP are set out in the table below, showing initial awards, dividends paid in shares or other changes during the year, including the monetary gain made. Awards are subject to the performance criteria detailed in the policy report earlier, with the next awards due to be made in early 2015 at the relevant multiple of base salary. As a result of not meeting the agreed performance criteria, some 81.5% of 2012 awards and 74.5% of 2011 awards lapsed. All awards made were of performance shares, except those made in 2010 as options. The face value of each award equals the number of shares originally awarded multiplied by the market price at grant.

Awards may be structured to include tax approved options, granted at market value, with a corresponding funding award granted at an option exercise price of £1 per total award granted.

LTIP							
DIRECTOR	DATE OF GRANT/ AWARD	MARKET PRICE AT GRANT/ AWARD	SHARES ORIGINALLY AWARDED	SHARES VESTING IN RELEVANT PERIOD (INCL DIVIDEND SHARES)	VESTING DATE	ACTUAL GAIN MADE ON EXERCISE	REMAINING UNEXERCISED AT 30 NOV 2014 (INCL DIVIDEND SHARES)
Gary Elden	11/2/2010	299.40p	120,991	123,964	10/2/2013	-	132,345
Gary Elden	1/2/2011	371.30p	107,217	32,299	1/2/2014	-	33,061
Gary Elden	1/2/2012	272.00p	157,191	-	1/2/2015	-	157,191
Gary Elden	8/2/2013	331.50p	176,470	-	8/2/2016	-	176,470
Gary Elden	4/2/2014	364.00p	165,535	-	4/2/2017	-	165,535
Alex Smith	11/2/2010	299.40p	117,935	120,832	10/2/2013	-	129,008
Alex Smith	1/2/2011	371.30p	104,511	31,483	1/2/2014	-	32,226
Alex Smith	1/2/2012	272.00p	156,789	-	1/2/2015	-	156,789
Alex Smith	8/2/2013	331.50p	135,746	-	8/2/2016	-	135,746
Alex Smith	4/2/2014	364.00p	127,335	-	4/2/2017	-	127,335
Steve Quinn	1/2/2011	371.30p	45,005	13,557	1/2/2014	-	13,877
Steve Quinn	1/2/2012	272.00p	52,516	-	1/2/2015	-	52,516
Steve Quinn	18/7/2012	261.00p	68,966	-	18/7/2015	-	68,966
Steve Quinn	8/2/2013	331.50p	114,027	-	8/2/2016	-	114,027
Steve Quinn	4/2/2014	364.00p	106,961	-	4/2/2017	-	106,961
Justin Hughes	11/2/2010	299.40p	39,228	40,191	10/2/2013	£172,667.06	0
Justin Hughes	1/2/2011	371.30p	45,005	13,557	1/2/2014	-	13,877
Justin Hughes	1/2/2012	272.00p	52,516	-	1/2/2015	-	52,516
Justin Hughes	18/7/2012	261.00p	68,966	-	18/7/2015	-	68,966
Justin Hughes	8/2/2013	331.50p	114,027	-	8/2/2016	-	114,027
Justin Hughes	4/2/2014	364.00p	106,961	-	4/2/2017	-	106,961

DIRECTORS' INTERESTS IN SHARES (AUDITED)

Executive Directors must attain a level of shares equivalent to at least 100% of base salary within five years of their date of appointment and all Directors have attained this level. For awards under the LTIP from FY 2015, a two year holding period applies post vesting.

Directors' interests in the share capital of the Company are shown in the table, including any changes since the start of the current year. No Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any option during the year, other than as disclosed. All shares shown in the table are fully exercised/vested, with no further performance measures.

For the Executive Directors, changes during the year include the acquisition and subsequent disposal of shares transferred to satisfy tracker share settlement by the Company, as well as LTIP exercises and related share disposals to discharge tax/NIC liabilities. Interests in shares relate generally to fully vested ordinary shares of 1p each, but may include partnership, matching or dividend re-investment shares held in trust under the SIP which are subject to forfeiture conditions in certain circumstances.

DIRECTORS INTEREST IN SHARES

DIRECTOR	ORDINARY SHARES HELD AT 1 DEC 2013*	ORDINARY SHARES ACQUIRED	ORDINARY SHARES DISPOSED	ORDINARY SHARES HELD AT 30 NOV 2014	PERCENTAGE OF SHARE CAPITAL
Gary Elden	3,640,884	67,973	490,956	3,217,901	2.54%
Alex Smith	199,848	808	-	200,656	0.15%
Steve Quinn	31,359	348,143	-	379,502	0.29%
Justin Hughes	635,792	113,010	100,000	648,802	0.51%
Clay Brendish	38,300	-	-	38,300	0.03%
Alicja Lesniak	4,245	-	-	4,245	0.003%
Fiona MacLeod	-	5,000	-	5,000	0.004%
Tony Ward	14,063	-	-	14,063	0.01%
Nadhim Zahawi	15,988	27,240	-	43,228	0.03%

*or later if joined the Board during the year

Shareholders may also reinvest dividends by way of a Dividend Reinvestment Plan ('DRIP').

TOTAL SHAREHOLDER RETURN ('TSR')

The graph below shows the Total Shareholder Return ('TSR') of the Company since flotation

in November 2005, compared to the FTSE 350 Support Services and FTSE 250 indexes. These are considered the most illustrative comparators for investors, as the Company is either a constituent, or the constituents are used for comparing pay and benefit levels.



HISTORICAL LEVELS OF AND PERCENTAGE CHANGE IN CEO REMUNERATION VERSUS OTHER EMPLOYEES

The tables show historical levels of CEO total remuneration, as well as annual variable and LTIP vesting percentages achieved. The tables also include the percentage change in total remuneration, including share awards vesting, between the current and previous financial periods for the CEO, compared with all Group employees. Significant changes in headcount, in line with economic cycles or strategic investment in new markets can materially impact percentage movements.

HISTORICAL LEVELS OF CEO PAY					
YEAR	CEO	CEO REMUNERATION ELEMENT	CEO REMUNERATION ELEMENT £'000	CEO MOVEMENT %	ALL GROUP EMPLOYEES MOVEMENT % (PER CAPITA)
2014	Gary Elden	Salary & fees	401.7	3.00%	7.83%
2014	Gary Elden	Other taxable benefits incl salary supplement re pension, etc.	79.8	58.65%	2.27%
2014	Gary Elden	Annual bonus	263.3	27.14%	38.86%

*including equity awards vesting as disclosed previously in relevant year, i.e. as at then market value.

HISTORICAL LEVELS OF CEO PAY							
YEAR	CEO	CEO REMUNERATION ELEMENT	CEO REMUNERATION ELEMENT £'000*	CEO MOVEMENT %	ALL GROUP EMPLOYEES MOVEMENT % (PER CAPITA)	CEO ANNUAL BONUS % PAY OUT VERSUS MAXIMUM (AS A % OF SALARY)	CEO LTIP VESTING % ACHIEVED VERSUS MAXIMUM
2014	Gary Elden	Total	852.2	13.2%	(1.9%)	65.5%	18.5%
2013	Gary Elden	Total	752.8	(41.9%)	2.7%	53.1%	25.5%
2012	Russell Clements	Total	1,295.0	2.4%	(3.4%)	92.9%	88%
2011	Russell Clements	Total	1,264.9	(1.5%)	(1.9%)	67.2%	100%
2010	Russell Clements	Total	1,284.2	108.4%	3.0%	113.9%	100%
2009	Russell Clements	Total	616.1	13.2%	(0.2%)	50%	44%

*including equity awards vesting as disclosed previously in relevant year, i.e. as at then market value.

Prior to 2013, CEO pay increases reflected an acceleration of base salary approved by the Committee in consultation with shareholders, in order to correct the uncompetitive level which existed when the Group first listed.

THE REMUNERATION COMMITTEE (THE 'COMMITTEE') AND ITS ADVISORS

The Committee determines the remuneration policy and the individual remuneration packages of the Chairman, the Executive Directors, the Group Company Secretary and certain key senior management posts. The Committee's Terms of Reference (available at www.sthree.com) are reviewed periodically and are in alignment with the UK Corporate Governance Code and ICSA best practice guidelines. During the year the Committee comprised only independent Non Executive Directors,

RELATIVE IMPORTANCE OF SPEND OF PAY			
ITEM	PROFIT DISBURSEMENTS 2014	PROFIT DISBURSEMENTS 2013	% CHANGE
Dividends (incl tracker shares), share buyback, or other significant distributions of profit	£28,814,000	£23,465,934	22.8%
Remuneration paid to all employees	£141,273,000	£128,782,000	9.7%

being Tony Ward (Chairman), Alicja Lesniak, Nadhim Zahawi and Fiona McLeod. The Chief Executive Officer and the most senior HR representatives regularly attend meetings by invitation, except for matters related to their own remuneration. The Committee met four times during the year and no member of the Committee

has any personal financial interest (other than as a shareholder) in the matters decided.

The Committee appointed Deloitte LLP ("Deloitte") as its remuneration advisor in 2007, following a competitive tender. During the year the Company paid £46,900 (2013: £18,800), excluding VAT, for advice

from Deloitte in relation to remuneration matters, although Deloitte also provide advice in relation to other tax matters to SThree. Deloitte have confirmed that they have complied with the Code of Conduct for remuneration consultants and the Committee are satisfied that their advice is objective and independent.

STATEMENT OF VOTING AT LAST YEAR'S AGM

At the last AGM, the following resolutions received over 10% of votes against:

RESOLUTION	VOTES AGAINST
Directors' Remuneration Report	49.42%
Remuneration Policy	15.05%

Actions taken to address shareholder concerns since the last AGM are detailed in the statement by the Remuneration Committee Chairman, set out earlier.

APPROVAL

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on its behalf by:



TONY WARD,

OBE, Senior Independent Director

Chairman of the Remuneration Committee

23 January 2015



CORPORATE GOVERNANCE **REPORT**

FOR THE YEAR ENDED 30 NOVEMBER 2014
STEVE HORNBUCKLE, GROUP COMPANY SECRETARY

The Board believes that high standards of corporate governance are intrinsic to the Group's strategy, culture and values, which are founded on integrity, professional excellence and sustainability. High governance standards underpin the objectivity of our processes in support of financial and operational risk management, the design and operation of remuneration structures, succession planning, as well as our work on diversity and values and provide the basis for the accountability of senior management to the Board and of the Board to the

Company's shareholders.

The following table outlines how the Group has applied the main/ supporting principles and provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2012 ('the Code'), as amended. The Group considers that it has complied with all sections of the Code (other than for a short period when it was recruiting an NED to replace one who retired at the 2014 AGM – see sections B.1.2 and C.3.1 below).

A. LEADERSHIP

A.1 THE ROLE OF THE BOARD

The Board provides entrepreneurial leadership and overall control of the Group, setting a framework of prudent and effective controls to enable risks to be properly assessed and managed. Its primary role is to create value for stakeholders, to agree and approve the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices, whilst ensuring that the necessary financial and other resources are in place to enable those objectives to be met. In undertaking this, the Board also reviews management performance and sets the Company's values and standards, with all Directors acting in what they consider to be the best interests of the Company, consistent with their statutory duties. Certain powers are delegated to the Remuneration Committee, Audit Committee and Nomination Committee, with details of the roles and responsibilities of these Committees being set out under the relevant section below. In addition, the Board has agreed Terms of Reference for its other formal committees in order to facilitate more efficient working practices and these include the Group Management Board (formerly the Executive Committee), the Investment Committee, a Routine Business Committee, a Disclosure Committee and CSR Committee, all of which provide a clear framework of delegated authorities. All Terms of Reference (available at www.sthree.com) are reviewed periodically and are aligned with the UK Corporate Governance Code and ICSA best practice guidelines.

A.1.1 The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of senior management to be reviewed and monitored. These are set out in a schedule of matters reserved to the Board, which is reviewed on a regular basis. The schedule outlines all matters requiring specific consent of the Board, which include, inter-alia, the approval of Group strategy, operating plans and annual budget, the Annual Report, the Interim Report and trading updates, major divestments and capital expenditure, meaningful acquisitions and disposals, the recommendation of dividends and the approval of treasury and risk management policies. The schedule therefore facilitates structured delegation, subject to certain financial limits and provides a practical framework for executive management/reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved to the Board is available on the Company's website, www.sthree.com.

A.1.2 The Directors of the Company, including biographies, are set out earlier in this Annual Report, with further details of Board Committee membership being set out below. The number of, and attendance at, Board and Committee meetings during the year, is also shown in a table (Page 60). Almost all meetings were fully attended and, outside these, there was frequent contact between Directors on a range of matters.

A.1.3 Appropriate insurance cover was in place during the year and as at the date of this report, in respect of legal action against the Directors.

A.2 DIVISION OF RESPONSIBILITIES

A.2.1 There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, set out in writing and approved by the Board so that no one individual has unfettered powers of decision.

A.3 THE CHAIRMAN

The Chairman leads the Board in the determination of its strategy and achieving its objectives and is responsible for co-ordinating the business of the Board, ensuring its effectiveness, timing and setting its agenda, although he has no involvement in the day-to-day running of the Group's business. The Chairman allows adequate debate by

all, whilst facilitating the effective contribution of the Non Executive Directors ('NEDs'), overseeing Board induction and evaluation, ensuring constructive relations between each Executive and NEDs and that the Directors receive accurate, timely and clear information to undertake Board affairs and facilitate effective communication with shareholders. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and overall responsibility to the Board for the operational and financial performance of the Group, under a job description which clearly sets out these responsibilities.

A.3.1. As stated below, on appointment, the Chairman met the independence criteria set out under the Code.

A.4 NON EXECUTIVE DIRECTORS ('NEDS')

A.4.1 Tony Ward is appointed as the Senior Independent NED ('SID') and is available to shareholders to discuss strategy or governance issues or should there be matters of concern that have not, or cannot, be addressed through normal channels.

A.4.2 The Chairman meets with the NEDs without the Executive Directors being present, either before or after each Board meeting and this is formally minuted, whilst the SID holds annual discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

A.4.3 Each Director ensures that if he/she has any concerns which cannot be resolved, about the Company or a proposed action, such concerns are recorded in the minutes, whilst upon resignation, Non-Executives are invited to provide a written statement to the Chairman for circulation to the Board, of any concerns.

B. EFFECTIVENESS

B.1 COMPOSITION OF THE BOARD

The Board comprises a balance of Executive and NEDs who bring a wide range of skills, experience and knowledge to its deliberations. The NEDs fulfil a vital role in corporate accountability and have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long term interests of shareholders, but also to take proper account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their mix of skills and business experience they contribute significantly to the effective functioning of the Board and its Committees, ensuring that matters are fully debated and that no one individual or small group dominates the decision making process. Directors have a wide range of experience of various industry sectors relevant to the Group's business and each member brings independent judgement to bear in the interests of the Company on issues of strategy, performance, resources and standards of conduct. The Board is of sufficient size to match business needs and members have an appropriate and varied range of skills, vital to the success of the Group. The composition and performance of the Board and each Committee is periodically evaluated so as to ensure the appropriate balance of skills, expected time commitment, knowledge and experience and the Directors can thereby ensure that the balance reflects the changing needs of the Group's business, and is refreshed if necessary. Most importantly of all, Board members feel a strong cultural affinity with the Group, engaging fully as a committed team and in a wide variety of activities with our employees around the globe, whether it be an office visit, conference, or presentation by management.

B.1.1 Excluding the Chairman, the other NEDs have been determined by the Board throughout the year as being independent in character and judgment with no relationships or circumstances which are likely to affect, or could appear to affect, each Director's judgment.

B.1.2 The Board has a Non Executive Chairman, who is not classed as independent because of his position but who met the independence criteria set out in the Code on appointment. Following the retirement of Paul Bowtell at the AGM in April 2014, the Company fell below the Code requirement which requires at least half of its Board to consist of independent NEDs. To rectify this and in line with the Board's succession plans, an additional NED was appointed in July 2014 and the Board now comprises four Executive Directors and four independent NEDs, thus fully complying with the Code. Recruitment of a further NED, with suitable financial experience, is well advanced, in view of the impending retirement of Alicja Lesniak at the AGM in 2015.

B.2 APPOINTMENT TO THE BOARD

Appointments to the Board are the responsibility of the full Board, upon the recommendation of the Nomination Committee and after appropriate external consultation, bearing in mind the Board's existing balance of skills and experience, the specific role needs identified, and with due regard for diversity, including gender. Succession planning aspects are regularly reviewed by the Committee, in order to ensure an orderly progression/refreshment of senior management/Board members and maintain an appropriate balance of skills, experience and diversity both within the Company and on the Board. The Chairman's Trading & Governance Overview and Strategic Report sections (earlier in this Annual Report), contain further information on succession and diversity aspects.

B.2.1/2 Under the direction of the Nomination Committee, each formal selection process is conducted, using external advisors, consisting of a series of interview stages, involving Directors and other senior Executives, against the background of a specific role definition and objective criteria. Details of the composition, work and responsibilities of this Committee are set out under the relevant section below.

B.2.3 All Directors are subject to annual re-election, although NEDs are expected to serve for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/re-election at each AGM, would be extended to at least a second three year term. NEDs may be requested to serve for a further (third) three-year term subject to rigorous review at the relevant time and their agreement. The Company's Articles of Association also contain provisions regarding the removal, appointment, election/re-election of Directors.

B.3 COMMITMENT

B.3.1 For all Board vacancies the Nomination Committee approves the detailed job specification, which sets out the indicative time commitment expected. All potential Director candidates are required to disclose any significant outside commitments prior to appointment and must undertake that they have sufficient time to meet these, in addition to Company business, particularly in the event of a crisis.

B.3.2 Upon joining, each NED receives a formal appointment letter which identifies their responsibilities and expected minimum time commitment, being typically two days per month. These letters are available for inspection at the Company's registered office.

B.4 DEVELOPMENT

At scheduled Board and Committee meetings, Directors receive detailed reports/ presentations from management on the performance of the Group or specific areas of focus/responsibility. NEDs attend the Group's annual conference in order to join senior management from each geographic area to discuss current initiatives, whilst Board meetings are also regularly held at office locations globally, in order to allow Directors to meet local managers and improve their understanding of the business. Directors are briefed regarding their responsibilities and on other relevant regulatory, legal, governance or accounting matters. Regular updates are provided on all relevant topics, as required and Directors are encouraged to attend external seminars on areas of relevance to their role in order to facilitate their professional development. These measures help to ensure that the Directors continue to develop their knowledge of the Group's business and get

to know its senior management, as well as being aware of their general responsibilities. In addition, the Board encourages Executive Directors to accept external appointments in order to broaden their experience, although currently no such positions are held.

B.4.1 An induction programme is tailored for new appointments to ensure that it is appropriate for their role, dependent on previous experience. Directors and other senior Executives attend analysts' briefing sessions and major shareholders may, upon appropriate request, meet new NEDs.

B.4.2 As part of the annual Board evaluation process, the Chairman assesses and agrees any training and development needs in respect of individual Directors, including on environmental, social and governance ('ESG') matters, if appropriate. Subject areas identified to be addressed during the last full evaluation exercise included risk management, brand, regional and sectoral knowledge.

B.5 INFORMATION & SUPPORT

Board and Committee meeting papers are circulated well in advance of the relevant meeting and where a Director is unable to attend he/she is provided with a copy of the papers and has the opportunity to comment on the matters under discussion. Minutes of all Committee meetings are circulated to all the Directors, irrespective of Committee membership. The Group Company Secretary is responsible for ensuring good information flows between the Board/Committees and senior individuals/NEDs, as well as assisting in other areas and has primary responsibility for advising the Board, via the Chairman, on all governance matters.

B.5.1 Directors are entitled to obtain independent professional advice, at the Company's expense, in the performance of their duties as Directors, although no such advice was sought during the year. All Committees are serviced by the Group Company Secretary's team and are appropriately resourced.

B.5.2 Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that its procedures are complied with and to assist in arranging any additional information as required. The appointment and removal of the Group Company Secretary is a matter reserved for the Board as a whole and the last appointment was made in October 2006.

B.6 BOARD EVALUATION

B.6.1/2 As recommended by the Code, the Board has again commissioned Lintstock Ltd, an independent third party, to undertake its annual Board/Committee evaluation exercise. Lintstock Ltd have no other relationship with the Group. The first stage of this review involved agreeing with Lintstock Ltd the context for the evaluation and tailoring each questionnaire. Respondents were then requested to complete these online, addressing the performance of the Board, Committees, Chairman and individuals, with anonymity of respondents ensured, in order to promote an open and frank exchange of views. Questionnaires addressed the following issues:

- Board composition, expertise and dynamics;
- Board support, time management and Board Committees;
- Strategic, operational and risk oversight;
- Succession planning and human resource management; and
- Priorities for change.

This exercise was undertaken in January 2015 and all responses are currently being reviewed. Subsequent evaluations will build upon the lessons gained in this and ongoing annual evaluations, to ensure that recommendations resulting from each review are followed up and that year on year progress is measured. As part of this process, the Chairman also discusses the individual performance of Directors, in consultation with other

B.7 RE-ELECTION

Directors. The evaluation process is considered to be both formal and rigorous and past assessments have concluded that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that Directors demonstrate full commitment in their respective roles. See also the Chairman's Trading & Governance Overview section earlier in the Annual Report.

B.6.3 The SID holds annual discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

B.7.1 Although the Company's Articles of Association permit Directors to remain in office for up to three years before Annual General Meeting ('AGM') re-election, all Directors now retire and seek re-election annually, as recommended by the Code.

B.7.2 Reference to performance and commitment of Directors, as well as an explanation of the reason why each retiring Director should be re-elected, are all provided in the Notice of AGM. The Company also complies fully with the Code in respect of its AGM voting arrangements and RNS disclosure of the voting outcome.

C. ACCOUNTABILITY

C.1 FINANCIAL & BUSINESS REPORTING

The Strategic Report, Chairman's and other officers' sections of this Annual Report, taken together, provide information relating to the Group's activities, its business and strategy and principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These, together with the Directors' Remuneration Report, Directors', Corporate Governance and CSR Reports, provide an overview of the Group, including environmental and employee matters and gives an indication of future developments in the Group's business. This provides a fair, balanced and understandable assessment of the Group's position and prospects, in accordance with the Code.

C.1.1 The Directors' responsibility for preparing the accounts and the statement by the auditors about their reporting responsibilities are set out in the Directors' Report and Independent Auditors' Report, respectively.

C.1.2 An explanation of the business model and the strategy for delivering the objectives of the Group is included as part of the Strategic Report, Chairman's and other officers' sections of this Annual Report.

C.1.3 A 'going concern' statement is set out towards the end of the Corporate Governance Report section.

C.2 RISK MANAGEMENT & INTERNAL CONTROL

C.2.1 The Board's statement regarding its review of the effectiveness of the Group's risk management and internal control systems is set out below and is reviewed annually.

C.3 AUDIT COMMITTEE & AUDITORS

Details of the composition, work and responsibilities of this Committee are set out under the relevant section on the following page.

D. REMUNERATION

D.1 LEVEL & COMPONENTS

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

D.2 PROCEDURE

Details of the composition, work and responsibilities of this Committee are set out under the relevant section below and in the Directors' Remuneration report.

E. RELATIONS WITH SHAREHOLDERS

E.1 DIALOGUE WITH SHAREHOLDERS

Communications with shareholders are given a high priority. The Company produces Annual and Interim Reports for shareholders and the Company's website contains up-to-date information on the Group's activities, investor presentations and published financial results. Shareholders can also subscribe for e-mail alerts of important announcements made. There are regular meetings with institutional shareholders, whilst ensuring that price sensitive information is released at the same time to all, in accordance with the requirements of the UK Listing Authority. Presentations are made after the Company has published its full and half yearly results and there was also dialogue on specific issues, such as the LLP, tracker share model, LTIP, other remuneration issues and appointment of Chairman.

E.1.1 The Chairman, Senior Independent and other NEDs are available to shareholders to discuss governance or strategy issues, should there be matters of concern that have not, or cannot, be addressed through the Executive Directors. During the year, both the Chairman and SID conversed with shareholders, with appropriate feedback being provided to the Board.

E.1.2 Views of analysts, brokers and institutional investors are sought on a non attributed basis via periodic sentiment surveys and these, as well as regular analyst and broker publications, are circulated to all Directors to ensure that they develop a full understanding of the views of major shareholders. Any issues or concerns can be raised at the Board, and Directors routinely receive regular reports on share price, trading activity and sector updates.

E.2 CONSTRUCTIVE USE OF AGM

The Board views the AGM as a valuable opportunity to communicate with private and institutional investors and welcomes participation.

E.2.1 The Company proposes a separate resolution 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 the resolution or to withhold their vote.

E.2.2 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 via RNS and on the Company's website as soon as practicable after the AGM.

E.2.3 All Board members are encouraged to attend the AGM and the Chairmen of the Audit, Nomination and Remuneration Committees are available to answer questions.

E.2.4 The Notice of AGM is posted at least twenty working days prior to the date of the meeting and the Company's website contains copies of all Notices issued.

BOARD & COMMITTEE COMPOSITION & ATTENDANCE (IN ACCORDANCE WITH A.1.2 OF THE CODE)

As stated, the Board has established various Committees, each with clearly defined terms of reference, procedures and powers. All Terms of Reference (available at www.sthree.com) are reviewed regularly and are aligned with the UK Corporate Governance Code and ICSA best practice guidelines.

In addition to the scheduled Board meetings held during the year, the Board met for a separate strategy session and for the AGM. The number of Board/Committee meetings held and attendance at each is set out in the table below:

REQUIRED ATTENDANCE AS A FORMAL MEMBER					ACTUAL ATTENDANCE			
DIRECTORS	BOARD	AUDIT	REMUNERATION	NOMINATION	BOARD	AUDIT	REMUNERATION	NOMINATION
Gary Elden	10	N/A	N/A	N/A	10	5	4	2
Alex Smith	10	N/A	N/A	N/A	10	5	1	N/A
Steve Quinn	10	N/A	N/A	N/A	10	N/A	N/A	N/A
Justin Hughes	10	N/A	N/A	N/A	10	N/A	N/A	N/A
Clay Brendish	10	N/A	N/A	3	10	N/A	N/A	3
Alicja Lesniak	10	5	4	3	10	5	4	3
Fiona MacLeod*	4*	2*	3*	1*	3	1	2	1
Tony Ward	10	N/A	4	3	10	N/A	4	2
Nadhim Zahawi	10	5	4	N/A	10	5	4	1

*Fiona MacLeod joined the Board on 1 July 2014

Directors were unable to attend meetings due to unavoidable other business commitments, although full Board packs were distributed and separate discussions were held with, or comments were sought by, the Chairman on all matters of relevance.

AUDIT COMMITTEE (IN ACCORDANCE WITH C.3.1 TO C.3.7 OF THE CODE)

COMMITTEE COMPOSITION, INCLUDING AT LEAST THREE INDEPENDENT NEDS

The Committee consists of Alicja Lesniak (Chairman), Fiona MacLeod (from 1 July 2014) and Nadhim Zahawi. Following the retirement of Paul Bowtell as Committee Chairman at the AGM in April 2014, the Committee fell below the Code requirement, which requires it to have at least three independent NEDs. To rectify this and in line with the Committee's succession plans, an additional NED was appointed in July 2014, thus fully complying with the Code. The CEO, CFO, Group Company Secretary, external auditors and Internal Audit also attend meetings.

WHY THE BOARD CONSIDERS MEMBERS TO HAVE RECENT AND RELEVANT FINANCIAL, INCLUDING RELEVANT AUDIT, EXPERIENCE

Alicja Lesniak is a Chartered Accountant and former CFO, whilst Fiona MacLeod and Nadhim Zahawi have held general management positions, which include financial responsibility.

THE COMMITTEE'S PRINCIPAL RESPONSIBILITIES (AS SET OUT IN TERMS OF REFERENCE)

- To monitor the integrity of the consolidated financial statements of the Group and any announcements relating to financial performance;
- Reviewing significant financial reporting issues and judgments;
- To review the Group's internal financial controls, internal control and risk management systems and reporting, including advising on risk appetite, tolerance or strategy, as well as risk exposures and assessment;

- Advising on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects;
- Assessing material breaches of risk limits; advising on risk performance and related aspects;
- Reviewing arrangements by which Group employees may raise concerns about possible improprieties in financial reporting or other such matters and ensuring appropriate follow up;
- Assessing procedures for detecting fraud or preventing bribery;
- Overseeing the risk management function;
- To monitor and review the effectiveness of the Group's internal audit function;

RESPONSIBILITIES IN RELATION TO EXTERNAL AUDITORS (AS SET OUT IN TERMS OF REFERENCE)

- To make recommendations to the Board, for it to be put to shareholders, the appointment, re-appointment or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- To annually review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- To develop and implement policy on the engagement of the external auditor and supply of non-audit services, taking into account relevant ethical and professional guidance regarding the provision of such, reporting to the Board and identifying any matters for which it considers that action or improvement is necessary, making appropriate recommendations.

EXTERNAL AUDITORS – APPOINTMENT, OBJECTIVITY AND INDEPENDENCE

The Committee considers and recommends to the Board and shareholders, the appointment, re-appointment, remuneration and terms of engagement of the Company's external auditor, PricewaterhouseCoopers LLP ('PwC'). Both the Committee and the external auditors themselves have safeguards in place to ensure that objectivity and independence is maintained and the Committee regularly reviews independence taking into consideration relevant UK professional and regulatory requirements. The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner was appointed in 2014.

PERFORMANCE, FEES AND TENDERING

The Committee reviews performance and fees and meets with the external auditor regularly, without management present. PwC replaced BDO as auditor in 2000 and, since then, it has not been considered necessary for PwC to re-tender for audit work. This will be reviewed periodically, to ensure that the audit remains high quality and effective and is in line with the latest tendering requirements. There are no contractual obligations restricting the Group's choice of external auditor and the Committee considers that the existing relationship is working well and remains satisfied with PwC's effectiveness.

FRAMEWORK USED BY THE COMMITTEE TO HELP ASSESS THE EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS, AS REPORTED TO THE BOARD

The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: the audit partners with particular focus on the lead audit engagement partner, the audit team, planning and scope of the audit and identification of areas of audit risk, the execution of the audit, the role of management in an effective audit process, communications by the auditor with the Committee, how the auditor supports the work of the Committee, how the audit contributes insights and added value, a review of independence and objectivity of the audit firm and the quality of the formal audit report to shareholders.

Feedback is provided to both the external auditor and management by the Committee and its attendees, based on the above, with any actions reviewed by the Committee.

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements, management's approach to the value of independent audit and the booking of any audit adjustments arising as well

POLICY ON NON AUDIT WORK - GENERAL

POLICY ON NON AUDIT WORK - IN DETAIL

FEES PAID TO EXTERNAL AUDITORS FOR AUDIT AND NON AUDIT WORK

COMMITTEE REPORT ON HOW IT HAS ADDRESSED KEY JUDGEMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS AND SIGNIFICANT ISSUES CONSIDERED IN RELATION THERETO

as the timely provision of documents for review by the auditors and the Committee.

The Committee sets clear guidelines on non audit work, which is only permitted where it does not impair independence or objectivity and where the Committee believes that it is in the Group's best interests to make use of built up knowledge or experience. Such work has included detailed local statutory audits or services required due to legislation, assurance work or other specialist services where no internal resource is available. The Committee continuously monitors the quality and volume of this work, fees incurred, as well as safeguards, in order to consider whether to use other firms and continues to use other firms to provide general tax advice or for projects.

In accordance with APB Ethical Standards and FRC guidance, policy clearly specifies: (i) which types of non audit work are excluded, for example, book-keeping; design, implementation and operation of systems; actuarial and internal audit/control functions; executive management functions and legal or other financial services; (ii) the types of work for which external auditors can be engaged without Committee referral, i.e. provided such services are specifically listed within the policy and fall below £50,000; and (iii) for which types of work Committee referral is needed, i.e. non listed services or those listed within the policy which are above £50,000.

Audit fees are broadly in line with the prior year. The Committee reviews all non audit work against policy to ensure it is appropriate and the fees justified. Non audit fees continue to reduce compared to prior years and for the current year non audit work again mainly related to the approval of overseas accounts. Full details are contained in the Notes to the financial statements.

Significant issues considered by the Committee in relation to the FY 2014 financial statements and how these were addressed include the following:

Classification of costs as exceptional items - following a re-focussing of resources away from sub-scale businesses towards those which deliver the greatest return, the Group closed its offices in Brazil, India, Australia and Canada. The exceptional items recognised in the year related mainly to restructuring costs, including redundancy costs, onerous lease charges and overlapping rent costs. Restructuring provisions remain at year end in relation to onerous contracts and redundancies and the valuation of these provisions is judgmental.

In the accompanying financial statements, the results of these events have been separately disclosed as 'exceptional items'. As the classification of these restructuring costs and the valuation of the provisioning is judgemental, the matters were discussed with senior members of the finance team. The Committee has also reviewed the size, incidence and nature of the restructuring costs and consider that an appropriate disclosure as exceptional items provides a better understanding of the Group's underlying results and is in accordance with the Group's accounting policies.

Judgements applied in the valuation of the restructuring provisions are considered to be appropriate by the Committee and in line with IFRS requirements. Both external and internal audit teams have performed detailed verification procedures on the restructuring costs and related provisions and the external auditors have reported their findings to the Committee.

Capitalisation of development costs - the Group capitalises project development costs, including appropriate directly attributable internal time from the point at which it is virtually certain that the project will proceed to completion. Capitalisation of the development costs is judgemental and business cases, including an assessment of the project versus updated recognition criteria, are required for all significant projects and approved by the Executive. Judgements applied are discussed with management and considered to be appropriate by the Committee and continue to be in line with IFRS requirements. The external auditors have also reported to the Committee on the results of their testing in this area.

Revenue recognition - revenue is recognised when the supply of professional services has been rendered. It also includes an assessment of professional services received by the client for the placement of temporary services between the date of the last received timesheet and the year end, with unsubmitted timesheets being estimated to the extent that an open contract has not expired during the period under assessment.

Management apply judgement based on the time worked by contractors, to estimate revenue and cost of sales accruals; any difference compared to the actual time worked by the contractor would result in the amount payable to the contractor and receivable from the client being adjusted in the next financial year. The judgement applied, and the assumptions underlying these judgements are considered to be appropriate by the Committee and continue to be in line with IFRS requirements. The Committee also noted adjustments that would be made to gross profit based on timesheets actually received post year end and remains comfortable that any difference is not material. External and internal auditors have verified procedures around revenue recognition and reported their findings.

Tracker shares - tracker share arrangements are complex in nature and challenging to disclose in a way that is understandable to the reader, including the judgements involved. In light of this, the Committee has critically re-examined the key areas of judgement in order to be satisfied that each remained appropriate. There are significant accounting differences between an equity settled versus a cash settled treatment and, with regard to the material quantum of amounts involved, the Committee focused on this significant judgement. The Board also reconfirmed that it remains the intention to settle in equity and that this policy is disclosed within the financial statements.

In addition, the Committee noted a number of other judgements made by management, none of which had a material impact on the Group's results. These included judgements concerning claims in the ordinary course of business and bad debt provisions.

Management confirmed to the Committee that they were not aware of any material misstatements and the external auditors confirmed that they had found no material misstatements during the course of their work.

After reviewing reports from management and following its discussions with the external auditors, the Committee is satisfied that the financial statements appropriately address critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of assets and liabilities have been appropriately reviewed or challenged and are sufficiently robust.

INTERNAL AUDIT FUNCTION

The Committee ensures that the Group's internal audit function remains at an appropriate size and skill mix for the business and firmly believes that this function remains effective and continues to add significant value.

WHISTLE BLOWING HOTLINE

The Group has in place a dedicated independent whistle blowing hotline, as part of the arrangements set up and monitored by the Committee, so that employees are able to report any matters of concern, where this does not conflict with local laws or customs (see the Company Information and Corporate Advisors section for details).

NOMINATION COMMITTEE (IN ACCORDANCE WITH B.2.1, B.2.2 AND B.2.4 OF THE CODE)

COMMITTEE COMPOSITION, INCLUDING A MAJORITY OF INDEPENDENT NEDS

The Committee consists of Clay Brendish (Chairman), Tony Ward, Alicja Lesniak and Fiona MacLeod.

SUMMARY OF TERMS OF REFERENCE

The Committee's terms of reference are, broadly, to regularly review the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board, make recommendations with regard to any changes and to review and prepare relevant job descriptions for new appointees. The Committee also considers future succession planning for Board or other senior Executive roles, reviewing leadership and role needs, bearing in mind the balance of skills, knowledge, experience and diversity already on the Board, so as to maintain an appropriate balance.

USE OF EXTERNAL SEARCH CONSULTANTS

The Committee engages external search consultants with respect to both Executive and Non-Executive appointments and considers applicants from all backgrounds, as was the case for the most recent external appointment, being Fiona MacLeod. In this, and in other previous roles, the Committee first conducted an evaluation of the balance of skills, knowledge and experience on the Board and, in the light of this, prepared an appropriate description of the role and capabilities required for the particular appointment, with the successful appointee being selected from candidates proposed by external advisors and chosen entirely on merit.

SUCCESSION PLANNING

Succession planning and development initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels. See also the Chairman's Trading & Governance Overview section earlier in the Annual Report.

REMUNERATION COMMITTEE (IN ACCORDANCE WITH D.2.1 AND D.2.2 OF THE CODE)

COMMITTEE COMPOSITION, INCLUDING AT LEAST THREE INDEPENDENT NEDS

The Committee comprises at least three independent NEDs. Full information on the composition, role and operation of the Committee and other remuneration details are disclosed in the Directors' Remuneration Report.

COMMITTEE RESPONSIBILITIES

The Remuneration Committee is responsible for making recommendations to the Board on Group policy for the remuneration of the Chairman, the Executive Directors, the Group Company Secretary and certain key senior management posts and for the determination, within agreed terms of reference, of additional benefits for each of the Executive Directors, including pension rights and any compensation for loss of office. The Committee is also responsible for the implementation and operation of the Group's employee share incentive arrangements.

EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (IN ACCORDANCE WITH C.2.1 OF THE CODE)

GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for monitoring the effectiveness of the Group's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, to carry out a review of the effectiveness of these controls. This monitoring and review process includes all material controls, including financial, operational and compliance controls. Executive Directors and senior management are responsible for the implementation and maintenance of the underlying control systems, subject to such review. The Audit Committee, on behalf of the Board, has identified no significant failings or weaknesses from its review. The Group's internal audit function also assists to facilitate the review process.

IDENTIFICATION OF CRITICAL RISKS, INCLUDING ENVIRONMENTAL, SOCIAL & GOVERNANCE ('ESG') MATTERS

The Board monitors the continuous process by which critical risks to the business are identified, evaluated and managed and this process explicitly includes risks and opportunities to enhance the value arising from ESG matters. The process is consistent with the Turnbull Guidance on Internal Control and has been in operation for the period

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

under review and up to the date of approval of this Annual Report.

The Board assesses the Group's risk management and internal control systems, including material controls such as financial, operational and compliance controls and enterprise risk management ('ERM') systems. These are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and accordingly provide reasonable, not absolute, assurance against material misstatement or loss. The Board considers, in assessing what constitutes reasonable accuracy, the materiality of financial and non financial risks and the relationship between the cost or benefit, resulting from such systems. In order to manage the business effectively, the Board continually assesses actual results compared with budgeted and forecast performance, as well as against other KPIs, as detailed in the Strategic Report.

ASSESSMENT OF RISK AND ENTERPRISE RISK MANAGEMENT ('ERM') FRAMEWORK

ERM FRAMEWORK

The Board, through the Audit Committee, has overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs and this forms the basis for the Group's ERM framework. Under this framework, all Executive, Regional and Country Directors, key support functions and other relevant parties take ownership of their related risks, creating specific sub-Group risk registers, with risks being categorized according to probability and financial impact and measured according to strictly defined criteria, as set out under the Board approved risk management policy. More significant risks are distilled to form the Group's key risk register, which is closely monitored by the Committee and risks include, amongst others, those relevant to the processes for financial reporting and the preparation of consolidated accounts, with appropriate mitigation measures.

ERM PROCESSES

As part of these processes, regular strategy and risk leadership workshops are held, bringing together Executive Directors, Regional MDs, Country Directors and key function heads, with ERM specialists in attendance, underpinned as follows:

- Country Directors own localised risk registers, with regular presentations made to the Board which include progress on risk mitigation, with underlying reviews of risks/integrity;
- Board or Audit Committee meetings may include presentations by MDs/Country Directors, etc, on their approach to business risk management and tracking of improvement areas;
- A Board approved risk management policy and procedure are in place, communicated Group-wide;
- Group risk appetite has been defined and formalised, with strategic and localised measures agreed, monitored via appropriate KPIs, with bonus also subject to specific risk or compliance targets;
- Job descriptions include reference to risk responsibilities.

ERM ARRANGEMENTS

The Group's ERM arrangements have been designed to meet, as closely as possible, the appropriate BSI standard (BS 3100) on risk management processes. Consequently, the Group has continued to reap the benefits of its enhanced ERM framework through improved strategic and individual region/sector focus on key risk areas, with greater clarity on risk ownership, identification of opportunities as well as threats, whilst also facilitating better monitoring of progress, mitigation measures and ensuring appropriate forward looking assessment, including, where relevant, ESG matters.

INVESTMENT MANAGEMENT ASSOCIATION ('IMA') GUIDELINES ON RESPONSIBLE INVESTMENT DISCLOSURES

In respect of the Company's compliance with the IMA guidelines on responsible investment disclosures, the Board confirms the following, in relation to its responsibilities, policies and procedures, with appropriate KPIs detailed within the Strategic Report:

- As part of its ERM procedures, the Board takes account of the significance of ESG

matters to the business of the Company. Adherence to these procedures and disclosure of relevant issues is monitored by the internal audit function and also reviewed by external ERM specialists, as part of the overall risk management framework.

- The Board has reviewed but has not identified any significant ESG risks to the Company's short and long-term value or opportunities to enhance value.
- The Board has received adequate information to make this assessment by way of its ERM procedures and, where necessary, has taken account of ESG matters in the training of Directors as well as ensuring inclusion in bonus structures.
- The Board has ensured that the Company has in place effective systems for managing and mitigating significant risks. Where relevant, these incorporate performance management systems and appropriate remuneration incentives.
- There are no ESG-related risks and opportunities that may significantly affect the Company's short and long term value or the future of the business.

GOING CONCERN STATEMENT

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review. In addition, the Notes to the financial statements include details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks, including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance and the Group's available banking facilities. Based on this review, and after making enquiries, 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, the Directors continue to adopt a going concern basis in preparing the Annual Report.

CORPORATE AND ENVIRONMENTAL RESPONSIBILITY

The Board recognises that the Group has a responsibility to act ethically in relation to the physical and social environment in which it operates, and that failure to do so could adversely impact on the Group's long and short term value as a result of financial penalty and/or loss of stakeholder support. It takes such responsibilities seriously, paying due regard to international and local laws in all its dealings. Further details are disclosed in the CSR Report.

SHARE CAPITAL AND DIRECTORS' POWERS TO ISSUE OR BUY BACK SHARES

Information on the Company's share capital and directors' powers to issue or buy back shares is set out within the Directors' Report.



STEVE HORNBUCKLE

Group Company Secretary

23 January 2015

Registered Office:

1st Floor,

75 King William Street,

London,

EC4N 7BE



CSR REPORT

INTRODUCTION

In line with our business strategy, everything we do is about creating value. Be that stronger client relationships, employment opportunities for candidates, or creating fulfilling roles for our employees.

CSR is a key aspect of how we build business relationships and work together to achieve more for all involved. For example, CSR projects connect our global workforce, helping us to cement our 'one team, one company' motto. Employees develop skills and leadership through driving new initiatives, which in turn impacts how they interact with clients.

CSR JOURNEY

This year we continued to communicate how CSR aligns with our commercial strategy. Our CSR vision of 'Transforming Lives through Skills and Work' provides clarity and focus across a comprehensive programme of activities.

We also increased the volume and quality of internal CSR stories through weekly articles on our CSR website and monthly CEO email updates.

Over the second half of the year we commenced a social media strategy to communicate CSR initiatives. This has resulted in an increase in the numbers of followers who visit our social media pages. Each CSR story was viewed by up to 20,000 people with around 200 people actively engaging, for example by liking or commenting.

This social media activity has given new visibility on CSR to potential candidates, clients and partners, which has helped us to strengthen relationships and assist the community organisations we work with, through external promotion.

HIGHLIGHTS

Volunteering scheme

Some 403 employees have shared their skills to positively impact 2,203 people in the community since the scheme started in July 2011.

Charitable giving

This year we donated over £195k to SOS Children, which brings our six year partnership total to over £575k.



Apprentices attend an induction session run by Learning and Development

Apprenticeships

Since March 2013 we have provided apprenticeships for seven young people in partnership with charity City Gateway.

Work experience

We have run supportive placements for 28 young people from underprivileged backgrounds since July 2012, and have employed six young people through the scheme.

University scholarships scheme

Since 2010 we have funded 15 University Scholarships, including one fully-funded two year scholarship for a young person who grew up in an SOS Children's Village in Zimbabwe, now studying in the USA.

Diversity and inclusion

This year we were listed in the Times Top 50 Employers for Women and our Executive Sponsor for diversity, Natasha Clarke won BITC's Diversity Champion award.

Employee engagement

In our most recent employee survey, of the 80% of employees who participated, 94% of all respondents would recommend SThree as a place to work.

Environment

We conducted our second global carbon footprint exercise and have reduced emissions by 30%, improving the intensity

measurement from 2.43 to 1.55 tonnes of CO2e per person.

COMMUNITY

Community involvement

We continued the central theme of 'Employability and Aspiration' with the understanding that we maximise our impact when we focus on core expertise.

In addition to employability workshops

for young people, we also ran bespoke training sessions for employee teams at City Gateway and Heart of the City to support both organisations to increase their social impact.

"The training workshop for our staff team was fantastic. We got a clear understanding of the recruitment lifecycle and the team benefited from the vast



Sales training session for City Gateway employees

experience of the sales managers on candidate psychology and preparing for client meetings. As a result, we have implemented new templates and processes to increase efficiency.” Jonathan Skaife, Senior Team Leader for Partnerships, City Gateway

From the first four apprentices who completed their year during 2014, we have permanently employed two at SThree, whilst another went on to full time employment. One was the first from his family to go to University.

“Getting the job at SThree is one of my biggest achievements and one of the happiest times of my life.” Apprentice who was employed permanently

“It’s amazing to see the impact that the opportunities at SThree are having on the lives on these apprentices.” Eddie Stride, CEO, City Gateway

Through our work experience programme we have employed six young people following their placements. We also assisted another to gain employment with a recruitment agency in Manchester.

We continue to work with University Access programmes to identify STEM



Economics scholar from the University of Birmingham learns about the banking sector during a placement with Huxley Associates in London



Children living in the SThree house in Chipata, Zambia with their Paint-it-forward artwork

students who would otherwise struggle financially to complete their degrees. This year we ran work experience placements for three of the scholars.

FUNDRAISING AND CORPORATE GIVING

We had set this year’s target to raise £500k by our six year anniversary of working with SOS Children’s Villages. By the end of the financial year, following some very successful fundraising, we exceeded this target to raise over £575k.

“SThree’s people around the world have surpassed our expectations, in terms of fundraising, committing their time, and coming up with innovative ways to work together. Through this partnership SThree have helped thousands of children and young people gain access to education, skills and training. On behalf of these children and our team at SOS, thank you so much, we are delighted.” Simon Etherington OBE, SOS Children UK CEO.

In December 2013 we created seasonal eCards embedded with a video to celebrate our five year partnership which was distributed to clients and suppliers.

During the summer, while World Cup fever gripped the world, we held a global fundraiser that enabled thirty young people in Sao Paulo, Brazil to learn basic computing and business skills.

In collaboration with Paint-it-Forward, two employees from the Netherlands spent a week in the SOS Children’s Village in

Chipata, Zambia to create artwork with the children. They asked the children what they wanted to be when they grew up and paintings included doctors, nurses and teachers etc. Fifty paintings were created by children aged 4 - 18 years old for auction to raise funds for young people to learn trades in Chipata.

A significant new development this year has been employees in the USA and Germany establishing local partnerships with SOS Children and driving their own initiatives to generate funds for projects in-country.

Our USA offices raised over \$62k for SOS Children’s Villages Illinois to support a programme in Chicago. Most of this funding was raised through Auction of Promise events designed and run by employees in four different locations. Seven employees spent half a day meeting children in Chicago and making dream boxes for new arrivals. The charity made SThree their Corporate Partner of the Year in recognition of not only fundraising but also the strategic advice they received.

Employees in Germany raised funds to support two apprentices studying and working with SOS Children in Berlin. One of the apprentices is a single parent who has been supported back to work through the scheme. A regional SThree director made a trip to visit the apprentices; whilst another employee supports a young person at an SOS Children site in Munich with her maths and reading on an ongoing basis.

SPONSORSHIP

We sponsored the GB inline hockey team for a fourth consecutive year to compete at the World Championships as the only amateur team in Pool A.

Since 2010 we have been making an annual contribution to the Tigers youth football team, which has enabled the team to participate in highly distinguished tournaments and helped to fund training, kit and equipment.

WORKPLACE

Diversity and inclusion

We have continued to embrace 'Identity', our Diversity and Inclusion programme, with our Senior Management Team championing open discussion and initiatives. This has resulted in SThree being listed in the 'Times top 50 employers of women', and Natasha Clarke, Managing Partner of Strategic Capability being recognised as Opportunity Now 2014 Diversity Champion.

We are proud to have sponsored the Lord Mayor's Diversity programme, which aims to improve diversity in the City of London. Our effective Diversity and Inclusion strategy has also been recognised by a number of industry bodies, resulting in SThree receiving a number of awards.

The initial focus of Identity was to empower women within the Company, and create an environment in which they are supported to succeed. We now have a platform to improve diversity and inclusion for all employees, and are currently collating data on ethnicity and disability within the company, with a view to continue to evolve our diversity impact in the workplace.

The Identity Steering Committee, comprising Senior Managers from across the globe, is responsible for ensuring the ongoing development of our Diversity and Inclusion strategy. It is accountable for reviewing and monitoring progress against objectives and targets, and driving

initiatives that provide support to maximise the potential of female talent.

Feedback from our engagement survey resulted in action planning to impact our Diversity objectives. For example, we identified that our employees would benefit from expanding our working programme to increase flexibility further across our business. We have therefore increased the agile working options available and provided education and awareness training on managing flexibility. We continue to invest in technology that will assist our employees to take advantage of the various flexible working options in the Group.

Further training has been implemented globally, to provide guidance to employees on diversity matters, including unconscious bias.

Our 'Diversity toolkit' provides employees with a selection of factsheets to ensure they are well equipped to share our internal information with candidates and clients, and support them during the recruitment process.

Sessions around Personal Branding, Unconscious Bias and Attracting Female Candidates have been provided, to raise awareness amongst our employees and provide them with advice and guidance on how to facilitate Diversity conversations with clients, as well as how to enhance and develop their own skills.

We have continued to improve our reporting capability and have established a reporting process that evaluates client and candidate information and provides analysis on recruitment trends. This will help customers impact their own Diversity and Inclusion strategies.

There has been a further review of our promotional criteria and career framework to continue to ensure a fair and transparent career and reward structure, introducing competencies and behavioural assessments that will help improve the opportunity for diverse employees.

Our Maternity buddy system was launched as planned in 2014. It provides expectant mothers and mothers returning to work with an informal support network.

Our structured mentoring programme was also launched as planned, with one



Natasha Clarke, Managing Partner of Strategic Capability wins BITC's Opportunity Now Diversity Champion award

of the strategic objectives being to develop future female leaders. Due to a high level of demand we have just completed the second intake into the programme. Some 18% of our eligible employees globally have now taken up the opportunity to be a Mentee within the programme within the first year. Initial analysis has shown that 35% of Mentees within the first cohort were promoted within the first 6 months of the programme and we have now developed a structured Sponsorship programme, to further support our future female leaders which will be launched in 2015.

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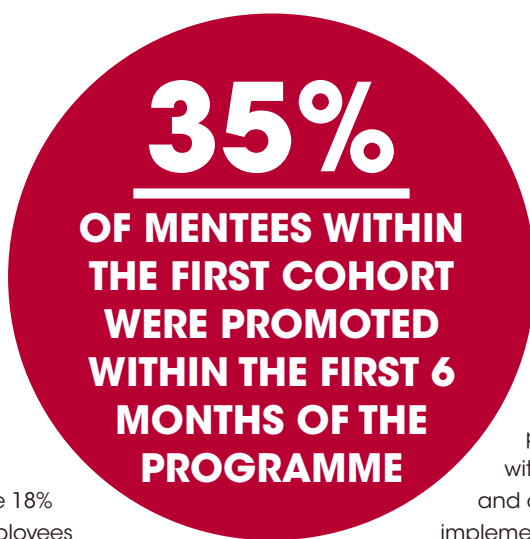
TALENT AND LEADERSHIP

Building on the previous strong foundation has been paramount and we have continued to develop capability at all levels, with a huge amount of upgrade work taking place across our core global learning initiatives.

Our first line management programme, the Certificate in Management Essentials Programme (CMEP) has become more practical and geared around on the job learning. Our Momentum Programme for more experienced managers has been updated to include new techniques for engaging employees, in line with the results of our 2014 engagement survey. Both management programmes have also become more strategically aligned so that they continue to support business growth.

Our updated, online Corporate Induction has gone from strength to strength, with hundreds of new employees at all levels working through it across the year. It continues to drive the key messages of our corporate strategy, including our ongoing commitment to CSR.

Acquiring external insight to keep us at the forefront of our leadership thinking has gained increased support at Executive



level and we have invested in a partnership with a consultancy specialising in behavioural change. The programme has been piloted in the UK with huge success and a Europe wide implementation will

take place through 2015. This programme will ensure we are developing leadership capability to manage through behaviour to drive performance, productivity and profitability.

EMPLOYEE ENGAGEMENT

A key priority for 2014 was to measure employee engagement within the Group at all levels. An engagement survey was rolled out across all regions and functions with an 80% response rate. Some 94% of all respondents confirmed that they would recommend SThree as a place to work.

From the survey responses we have been able to identify key engagement drivers; career progression and personal growth. These drivers are supported also by our on-boarder questionnaire which measures the levels of engagement amongst new starters. As a result we have worked on re-defining roles and career paths introducing a more transparent promotion process based on competency development as well as achievement of clearly defined promotion criteria. We also continue to develop people management skills in holding effective career conversations and agreeing development and career plans. A structured mentoring programme has been introduced and

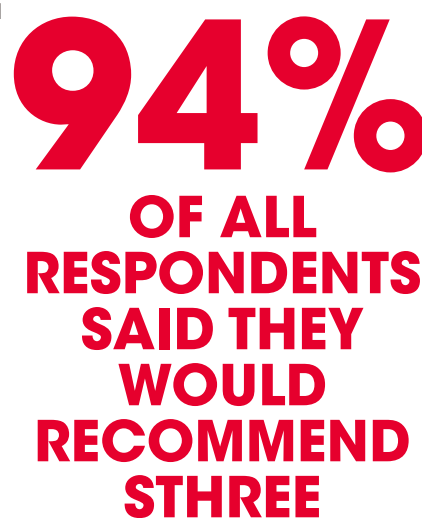
embedded as part of our commitment to leadership development and our diversity objectives.

Leaver questionnaires have been completed to further understand reasons for leaving to inform retention strategies. We have identified a key retention driver; well-being including work-life balance and developed with People Managers a number of guiding principles supported by technology to create a more flexible and autonomous working environment.

We have also piloted a behaviour change programme within part of the Group which is showing positive results and which will be rolled out further. This programme focuses on employee engagement and customer engagement joining up different parts of the front line and support services functions.

The Group continues to maintain and develop its policies and procedures, such as maternity, parental leave, Health and Safety, performance management and diversity. All policies are accessible and

communicated via the HR Intranet site cascaded through HR Business Partners and Line Managers.



ENVIRONMENT Carbon management and mandatory reporting information

We conducted our second global carbon footprint exercise for the Group in accordance with UK legislation,

following four years of UK carbon reporting. The overall footprint was 3,840 tonnes of CO2e for the year.

Environmental charity Global Action Plan conducted the footprint exercise to measure emissions over a reporting period of 1 December 2013 - 30 November 2014. The 2013 UK Government environmental reporting guidance was followed and we used the 2014 UK Government's Conversion Factors for company reporting.

We used the financial control approach, and measured scope 1 and 2 emissions, as well as water in scope 3 emissions. Further scope 3 emissions have been calculated separately for the UK, which include paper, business travel and waste. These emissions which amount to an additional 378 CO₂e have not been included within the global reporting at this stage; it is intended that measurement frameworks will gradually be brought into place to allow this data to be collected for all sites in future.

As a service company we do not carry out physical or chemical processes that result in CO₂e emissions. We lease all of our properties and fugitive emissions from air conditioning and refrigeration units have not been included due to the unavailability of the data.

BASE YEAR

The financial year 2012 - 2013 is the base year for our carbon reporting, being the first year we completed a global calculation.

Our base year recalculation policy is to recalculate our base year for changes to the scope of operation and measurement going forward. This will include addition or loss of office premises if due to change of ownership and any additions to measured scope 3 data. The base year and previous year's data will also be recalculated if in carrying out future years' analysis better quality data for the previous years is identified.

INTENSITY MEASUREMENT

We have chosen to use global scope 1 and 2 emissions in tonnes of CO₂e per full time equivalent employee as our intensity measurement.

CARBON DISCLOSURE PROJECT

We submitted environmental data to the Carbon Disclosure Project for the first time through the Climate Change survey and achieved a performance band for our first scoring.

EFFICIENCY DRIVE AND CHANGING BEHAVIOURS

We continue to look at ways to increase efficiencies across our business to reduce

		2013/2014	BASELINE 2012/2013	
SCOPE 1	Gas consumption	427	526	tonnes CO ₂ e
	Leased transport	480	855	tonnes CO ₂ e
	Process emissions	None	none	tonnes CO ₂ e
	Fugitive emissions	None	none	tonnes CO ₂ e
	Total scope 1	907	1,381	tonnes CO₂e
SCOPE 2	Electricity consumption	2,889	4,077	tonnes CO ₂ e
	Total scope 2	2,889	4,077	tonnes CO₂e
SCOPE 3				
	Total Scope 1&2	3,796	5,458	
	Water	43	42	tonnes CO ₂ e
	Total scope 3	43	42	tonnes CO₂e
	Global staff numbers (full time equivalent)	2,441	2,245	
	Total reported emissions	3,840	5,500	tonnes CO₂e
	Intensity measurement	1.55	2.43	Scope 1&2 tonnes CO₂e/person

costs, unnecessary employee time and environmental impacts.

Key improvements this year include our support office functions consolidating into one premises in the City of London, which has enabled better team working while reducing travel time and emissions.

This year we have developed new technology solutions to support better communications across the company. For example, we introduced a new Virtual Meeting Room (VMR) system so that individual employees can set up their own meetings online whether through Video Conferencing, computers or handheld devices to provide maximum flexibility. Since the VMR system was launched in June 2014, employees have set up 9,000

online meetings.

Twenty-five UK employees joined the tax-free bicycle scheme this year, which allows employees to save on average half the price of their bike and its accessories. The scheme helps to improve productivity and reduce travel emissions.

CARBON OFFSETTING

Following our first global carbon footprint, we made a full offset by investing into wind farms in India through two projects which are verified to Voluntary Carbon Standard status.

Both projects generate clean and reliable electricity in southern India, where energy demand outstrips supply and is usually met through the burning of polluting



SThree wins APSCo CSR Initiative of the Year award

fossil fuels like coal. These projects not only bring a more stable power supply to rural communities but they also provide jobs and skills for local people.

AWARDS AND MEMBERSHIPS

- APSCo CSR Initiative of the Year
- Mitie Foundation Business Partner
- SOS Children's Villages Illinois Corporate Partner of the Year
- Times Top 50 Employer for Women
- BITC Opportunity Now Diversity Champion Award
- Commended in the Most Effective Diversity and Inclusiveness Strategy category by Recruiter - Investing in Talent Awards
- FTSE4Good for six years
- Heart of the City Contributor - presentations and advice for newcomer companies - this included a CEO talk on the business value of CSR to 200 senior business leaders at Mansion House with the Lord Mayor of London

TARGETS AND COMMITMENTS FOR THE YEAR AHEAD

In 2015 we will look to build internal capacity to sustain the existing level of quality for our activities and assess where we can increase

the impact of the programme.

Charitable giving

We aim to reach £1m of donations by our tenth year anniversary of working with SOS Children by December 2018. We also plan to better communicate the payroll giving scheme and assist 3% of UK employees to sign up to it.

OUTLOOK

We have made further significant strides forward over the last year on embedding our internal policies and communication so that CSR is seen as something that involves everyone within the business. We plan to build on this in the coming year, whilst also continuing to focus on quality and engagement across our global regions and sectors.

A handwritten signature in black ink, appearing to read 'Gary Elden'.

GARY ELDEN

CHIEF EXECUTIVE OFFICER

23 January 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STHREE PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- SThree plc's Group financial statements and parent Company financial statements (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 30 November 2014 and of the Group's profit and the Group's and the parent Company's cash flows 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

SThree plc's financial statements comprise:

- The Statements of financial position as at 30 November 2014;
- the Consolidated income statement and the Consolidated statement of comprehensive income for the year ended 30 November 2014;

- the Consolidated and Company statements of changes in equity for the year then ended;
- the Statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

OUR AUDIT APPROACH

Overview

Materiality

- Overall Group materiality: £1.5 million (2013: £1.1 million) which represents 5% of profit before tax and exceptional items.

Audit scope

- The Group has a shared service centre in the UK which operates the Group's accounting function and the whole Group was audited by the central audit team at the shared service centre.

Areas of focus

- Classification of exceptional items;
- Capitalisation of internal costs spent on system development;
- Accrued revenue cut-off; and
- Tracker shares.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the outcome of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF **FOCUS**

HOW OUR AUDIT ADDRESSED THE AREA OF **FOCUS**

CLASSIFICATION AND RECOGNITION OF EXCEPTIONAL ITEMS

The Group excludes exceptional items from its underlying earnings measure. This involves management judgement as to what costs qualify as exceptional. There can also be judgement as to the point at which costs should be recognised and the amount to record.

The exceptional items recognised in the year related mainly to restructuring costs as the Group refocused resources away from sub-scale businesses towards those which deliver the greatest return, as explained in Note 3 of the Annual report. The principal restructuring exceptional items were redundancy costs of £2.0 million, onerous lease charges of £1.5 million and overlapping rent costs of £0.7 million. The year-end restructuring provision was £4.8 million.

The audit risks and responses associated with these exceptional items differed depending on their nature and magnitude:

Redundancy costs – the restructuring was announced during July 2014 and involves redundancies in a number of territories. We focused on whether redundancy costs were sufficiently committed to, had been communicated to the affected staff to an appropriate extent, and the accuracy of the charge.

Onerous leases – the properties that the Group no longer plans to use after the restructuring include the UK, Australia and Canada. Our work centred on the completeness and accuracy of the charge.

Overlapping rent – as part of the restructuring programme, certain operations were diverted or consolidated into one location, resulting in periods of overlapping rent. Our work focused on ensuring the accuracy of this charge and that the periods of overlap had been correctly determined.

Also included in exceptional items this year was a £0.5 million charge for the impairment of software licences as part of the above restructuring.

Refer to Note 3 to the financial statements, Critical accounting estimates and judgements (Page 92) and the Audit Committee section of the Corporate Governance report (pages 62 to 63).

We considered whether the exceptional items recorded were non-recurring in nature and recognised and presented in accordance with the Group's disclosed accounting policy and agreed that it was appropriate to classify costs directly associated with the restructuring programme as exceptional.

In relation to the specific types of cost incurred:

Redundancy costs – we verified that redundancies were communicated to impacted employees during the year and tested the costs incurred for settlement.

Onerous leases – management made full provision for all committed payments under the onerous leases except in the case of two premises where heads of terms have been agreed to sublet. These were provided for to the point of sublet.

In making their judgements as to the amount of provision to recognise, management referred to research by external property surveyors. We met with management to discuss the assumptions they had made and considered the consistency of these with the surveyor's reports and our own expectations of the prospects of subletting in the relevant locations. We were satisfied that management's judgements appropriately took into account the locations and prospects for the relevant properties within the remaining period of the Group's leases.

Overlapping rent – we examined lease agreements, confirmed office vacation dates and were satisfied with the accuracy of management computations of the periods of overlapping rent.

In relation to the software licences, we checked that the Group's IT roadmap, approved by the Board, showed that the relevant licences would not be used so concurred with management's approach. We also verified that the IT roadmap showed continued use of those licences for which no impairment charge was recorded.

CAPITALISATION OF INTERNAL COSTS SPENT ON SYSTEM DEVELOPMENT

We focused on this area because of the significant level of judgement involved in determining whether internal costs incurred in respect of system development satisfy the requirements of the financial reporting framework (International Accounting Standard 38 Intangible assets) to be capitalised, including that they are separable from the other assets of the business and will provide future economic benefits for the Group.

Refer to Note 12 to the financial statements, Critical accounting estimates and judgements (Page 92) and the Audit Committee section of the Corporate Governance report (pages 62 to 63).

We tested the key control surrounding the approval of business cases for IT projects, which was the review by a senior management committee. We obtained evidence of this approval for a sample of projects.

We discussed the anticipated benefits with relevant personnel and obtained satisfactory explanations for the assumptions made. We also examined internal analyses on the outcome of completed projects and considered whether the planned benefits were being realised.

We tested that a sample of projects where costs were capitalised satisfied the recognition criteria in IAS 38. We also tested a sample of internal costs to supporting payroll records and verified the allocation of employee costs to the correct projects.

Where projects were completed, we tested their functionality to evaluate whether they were fit for purpose and operating as intended in the original business case.

We noted that there were a number of smaller projects being capitalised as intangible assets which collectively amounted to £0.8 million. In the case of these projects we verified that these were functionality changes or enhancements to existing systems rather than updates or maintenance.

AREA OF FOCUS

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

ACCRUED REVENUE CUT-OFF

The Group's accounting process means that there is a material amount of accrued rather than billed contractor revenue at each period end, including the year-end. This is a system-computed amount which is then reviewed by management, and adjusted to reflect actual data when contractor timesheets are received.

Contractor revenues represented 61% of the Group's Gross Profit during the year and the accrued revenue was a particular area of audit focus this year because the Group recorded an increase of 27% in its Gross Profit in the fourth quarter.

We also focused on this area because of a particular characteristic of the Group's accounting processes whereby revenue is accrued for contractors where no timesheet has been received but the individual is 'live' on the Group's systems, or where a customer has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained.

Revenue from permanent placements involves limited estimation and is recognised when the employee starts their placement, so we carried out our normal audit procedures in this area.

For contractor revenue we tested the automated controls in the system to see that it calculated accrued revenue correctly based on contracted hours and billing rates. We also compared a sample of the timesheets submitted and/or billings raised subsequent to the year end to the revenue that had been accrued in relation to them and found them to be consistent.

We verified that accrued revenue was not older than three months in age in accordance with Group policy, and examined the ageing profile of the balance in general, and found that management were following their policies in this area.

In addition, we tested a sample of manual journals recorded within revenue to check that the system-driven amounts were appropriately reflected in the financial records.

For permanent placement revenue we obtained contracts for revenue recognised around year end, and agreed placement start dates to activity logs or confirmations from the customer.

TRACKER SHARES

Tracker shares can be settled with either cash or SThree plc shares at the Company's discretion. The Company's policy is to settle these using SThree plc shares. Therefore this share based payment scheme was accounted for in the year as equity settled. There are significant accounting differences between an equity settled versus a cash settled treatment. Therefore, with regard to the material quantum of amounts involved, we focused on this significant judgement.

Details of the tracker share scheme are set out in the Directors' report (page 35) and Note 1 to the financial statements. Refer also to Note 20 to the financial statements, Critical accounting estimates and judgements (Page 92) and the Audit Committee section of the Corporate Governance report (pages 62 to 63).

We verified that SThree's policy for settling tracker shares is to use SThree plc shares via new issues or market purchases. We tested settlement of tracker shares during the year and verified that these were settled with SThree plc shares in accordance with this policy.

We obtained representations from management and the Board that it remains their intention to settle in equity, and that this policy was disclosed within the financial statements.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has a shared service centre in the UK which is responsible for processing the transactions of the whole Group. Our audit was therefore conducted from the UK at the shared service centre and addressed the whole of the Group's profit.

This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

MATERIALITY

The scope of our audit is influenced by our

application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the

effect of misstatements, both individually and on the financial statements as a whole.

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

Overall Group materiality

£1.5 million (2013: £1.1 million).

How we determined it

5% of profit before tax and exceptional items.

Rationale for benchmark applied

We believe that profit before tax, adjusted for exceptional items, provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring disproportionate impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1 million (2013: £0.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 66, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements

were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and parent Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- 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 information given in the Corporate Governance Statement set out on pages 64 to 66 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Adequacy of accounting records and information and explanations received

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Directors' Remuneration Report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

ISAS (UK & IRELAND) REPORTING

UNDER ISAS (UK & IRELAND) WE ARE REQUIRED TO REPORT TO YOU IF, IN OUR OPINION:

<ul style="list-style-type: none"> • Information in the Annual Report is: <ul style="list-style-type: none"> - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent Company acquired in the course of performing our audit; or - otherwise misleading. 	<p>We have no exceptions to report arising from this responsibility.</p>
<ul style="list-style-type: none"> • the statement given by the directors on page 58, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent Company acquired in the course of performing our audit. 	<p>We have no exceptions to report arising from this responsibility.</p>
<ul style="list-style-type: none"> • the section of the Annual Report on page 60, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	<p>We have no exceptions to report arising from this responsibility.</p>

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the

disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



CHRISTOPHER BURNS

Senior Statutory Auditor

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London

23 January 2015

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

		52 weeks ended 30 November 2014			53 weeks ended 1 December 2013		
	Note	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Continuing operations							
Revenue	2	746,924	–	746,924	634,297	–	634,297
Cost of sales		(528,701)	–	(528,701)	(434,480)	–	(434,480)
Gross profit	2	218,223	–	218,223	199,817	–	199,817
Administrative expenses	3	(188,453)	(5,507)	(193,960)	(178,644)	(10,763)	(189,407)
Gain on disposal of subsidiaries	4	–	205	205	–	5,267	5,267
Operating profit	5	29,770	(5,302)	24,468	21,173	(5,496)	15,677
Finance income	7	64	–	64	130	–	130
Finance costs	7	(547)	–	(547)	(285)	–	(285)
Profit before taxation		29,287	(5,302)	23,985	21,018	(5,496)	15,522
Taxation	8	(9,093)	1,027	(8,066)	(9,956)	1,821	(8,135)
Profit for the year attributable to owners of the Company		20,194	(4,275)	15,919	11,062	(3,675)	7,387
Earnings per share	10	pence	pence	pence	pence	pence	pence
Basic		16.3	(3.4)	12.9	9.1	(3.0)	6.1
Diluted		15.1	(3.2)	11.9	8.2	(2.7)	5.5

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Profit for the year	15,919	7,387
Other comprehensive loss:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on retranslation of foreign operations	(1,592)	(902)
Other comprehensive loss for the year (net of tax)	(1,592)	(902)
Total comprehensive income for the year attributable to owners of the Company	14,327	6,485

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2014

		CONSOLIDATED		COMPANY	
		30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
	Note				
ASSETS					
Non-current assets					
Property, plant and equipment	11	4,219	3,950	–	–
Intangible assets	12	11,080	12,033	–	–
Investments in subsidiaries	13	–	–	312,040	298,413
Deferred tax assets	19	3,424	3,481	398	274
Trade and other receivables	14	–	1,449	–	1,449
		18,723	20,913	312,438	300,136
Current assets					
Trade and other receivables	14	169,270	124,905	3,831	2,802
Current tax assets		1,361	510	5,970	2,074
Cash and cash equivalents	15	14,071	13,690	11,314	1,314
		184,702	139,105	21,115	6,190
Total assets		203,425	160,018	333,553	306,326
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	1,266	1,240	1,266	1,240
Share premium		14,470	4,961	14,470	4,961
Other reserves		(5,680)	(5,440)	884	(468)
Retained earnings		41,290	50,854	286,503	269,501
Total equity		51,346	51,615	303,123	275,234
Non-current liabilities					
Provisions for liabilities and charges	18	3,216	4,748	–	625
Trade and other payables	16	379	758	–	–
		3,595	5,506	–	625
Current liabilities					
Provisions for liabilities and charges	18	8,807	7,361	705	625
Trade and other payables	16	114,583	88,500	5,725	24,842
Current tax liabilities		1,094	2,036	–	–
Borrowings	17	24,000	5,000	24,000	5,000
		148,484	102,897	30,430	30,467
Total liabilities		152,079	108,403	30,430	31,092
Total equity and liabilities		203,425	160,018	333,553	306,326

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 23 January 2015. They were signed on its behalf by:



ALEX SMITH
Chief Financial Officer

Registered number: 3805979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 25 November 2012		1,234	4,138	168	878	(5,928)	(4,070)	65,503	61,923
Profit for the 53 weeks ended 1 December 2013		-	-	-	-	-	-	7,387	7,387
Other comprehensive loss for the year		-	-	-	-	-	(902)	-	(902)
Total comprehensive income for the year		-	-	-	-	-	(902)	7,387	6,485
Dividends paid to equity holders	9	-	-	-	-	-	-	(16,934)	(16,934)
Distributions to tracker shareholders		-	-	-	-	-	-	(264)	(264)
Issue of new shares	20(a)	6	823	-	-	-	-	(829)	-
Purchase of own shares	20(a)	-	-	-	-	(1,272)	-	-	(1,272)
Treasury shares used for settlement of vested tracker shares	20(a)	-	-	-	-	5,091	-	(5,439)	(348)
Treasury shares used for share-based payments	20(a)	-	-	-	-	595	-	(223)	372
Credit to equity for equity-settled share-based payments		-	-	-	-	-	-	1,555	1,555
Current and deferred tax on share-based payment transactions	8	-	-	-	-	-	-	98	98
Total movements in equity		6	823	-	-	4,414	(902)	(14,649)	(10,308)
Balance at 1 December 2013		1,240	4,961	168	878	(1,514)	(4,972)	50,854	51,615
Profit for the 52 weeks ended 30 November 2014		-	-	-	-	-	-	15,919	15,919
Other comprehensive loss for the year		-	-	-	-	-	(1,592)	-	(1,592)
Total comprehensive income for the year		-	-	-	-	-	(1,592)	15,919	14,327
Dividends paid to equity holders	9	-	-	-	-	-	-	(17,177)	(17,177)
Distributions to tracker shareholders		-	-	-	-	-	-	(170)	(170)
Issue of new shares for settlement of vested tracker shares	20(a)	24	9,191	-	-	-	-	(9,412)	(197)
Settlement of share-based payments		2	318	-	-	-	-	280	600
Treasury shares used for settlement of vested tracker shares	20(a)	-	-	-	-	1,352	-	(1,306)	46
Credit to equity for equity-settled share-based payments	20(b)	-	-	-	-	-	-	2,256	2,256
Current and deferred tax on share-based payment transactions	8	-	-	-	-	-	-	46	46
Total movements in equity		26	9,509	-	-	1,352	(1,592)	(9,564)	(269)
Balance at 30 November 2014		1,266	14,470	168	878	(162)	(6,564)	41,290	51,346

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury shares £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 25 November 2012		1,234	4,138	168	878	(5,928)	249,418	249,908
Total comprehensive income for the 53 weeks ended 1 December 2013	1	-	-	-	-	-	35,069	35,069
Dividends paid to equity holders	9	-	-	-	-	-	(16,934)	(16,934)
Issue of new shares	20(a)	6	823	-	-	-	(4)	825
Purchase of own shares	20(a)	-	-	-	-	(1,272)	-	(1,272)
Treasury shares used for settlement of vested tracker shares	20(a)	-	-	-	-	5,091	689	5,780
Treasury shares used for share-based payments	20(a)	-	-	-	-	595	(331)	264
Credit to equity for equity-settled share-based payments	20(b)	-	-	-	-	-	1,555	1,555
Deferred tax on share-based payment transactions	19	-	-	-	-	-	39	39
Total movements in equity		6	823	-	-	4,414	20,083	25,326
Balance at 1 December 2013		1,240	4,961	168	878	(1,514)	269,501	275,234
Total comprehensive profit for the 52 weeks ended 30 November 2014	1	-	-	-	-	-	31,180	31,180
Dividends paid to equity holders	9	-	-	-	-	-	(17,177)	(17,177)
Issue of new shares for settlement of vested tracker shares	20(a)	24	9,191	-	-	-	-	9,215
Settlement of share-based payments	2	2	318	-	-	-	280	600
Treasury shares used for settlement of vested tracker shares	20(a)	-	-	-	-	1,352	476	1,828
Credit to equity for equity-settled share-based payments	20(b)	-	-	-	-	-	2,256	2,256
Deferred tax on share-based payment transactions	19	-	-	-	-	-	(13)	(13)
Total movements in equity		26	9,509	-	-	1,352	17,002	27,889
Balance at 30 November 2014		1,266	14,470	168	878	(162)	286,503	303,123

Of the above reserves, only retained earnings of £286,503,000 (2013: £269,501,000) are distributable.

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

	Note	CONSOLIDATED		COMPANY	
		52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Cash flows from operating activities					
Profit before taxation after exceptional items		23,985	15,522	31,042	35,066
Adjustments for:					
Depreciation and amortisation charge	11,12	5,210	5,800	-	-
Impairment of intangible assets and property, plant and equipment	11,12	756	1,190	-	-
Finance income	7	(64)	(130)	(57)	(275)
Finance cost	7	547	285	782	365
Loss/(gain) on disposal of property, plant and equipment		34	(14)	-	-
Gain on disposal of subsidiaries	4	(205)	(5,267)	(205)	(1,923)
Gain on tracker share transactions		-	(423)	-	-
Non-cash charge for share-based payments	20(b)	2,256	1,555	462	1,555
Operating cash flows before changes in working capital and provisions		32,519	18,518	32,024	34,788
Increase in receivables		(44,583)	(10,932)	(610)	(19,706)
Increase/(decrease) in payables		27,700	(7,881)	(19,074)	11,712
(Decrease)/increase in provisions		(277)	4,535	(545)	-
Cash generated from operations		15,359	4,240	11,795	26,794
Finance income	7	64	130	57	275
Income tax paid		(9,439)	(4,539)	(3,894)	(1,495)
Net cash generated from/(used in) operating activities		5,984	(169)	7,958	25,574
<i>Cash generated from operating activities before exceptional items</i>		10,768	5,063	8,658	25,812
<i>Cash outflow from exceptional items</i>		(4,784)	(5,232)	(700)	(238)
<i>Net cash generated from/(used in) operating activities</i>		5,984	(169)	7,958	25,574
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(2,720)	(1,171)	-	-
Purchase of intangible assets		(3,192)	(4,430)	-	-
Cash investment in a subsidiary		-	-	-	(22,000)
Proceeds from disposal of subsidiaries	4	401	6,003	401	7,176
Net cash (used in)/generated from investing activities		(5,511)	402	401	(14,824)
Cash flows from financing activities					
Finance cost	7	(547)	(285)	(782)	(365)
Employee subscription for tracker shares	20(b)	275	311	-	-
Settlement of unvested tracker shares		(10)	(205)	-	-
Proceeds from exercise of share options		600	372	600	372
Purchase of own shares		-	(1,423)	-	(1,423)
Proceeds from borrowings	17	19,000	5,000	19,000	5,000
Dividends paid to equity holders	9	(17,177)	(16,934)	(17,177)	(16,934)
Distributions to tracker shareholders		(126)	(264)	-	-
Net cash generated from/(used in) financing activities		2,015	(13,428)	1,641	(13,350)
Net increase/(decrease) in cash and cash equivalents		2,488	(13,195)	10,000	(2,600)
Cash and cash equivalents at beginning of the year		13,690	28,291	1,314	3,914
Effect of exchange rate changes		(2,107)	(1,406)	-	-
Cash and cash equivalents at end of the year	15	14,071	13,690	11,314	1,314

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 NOVEMBER 2014

1 ACCOUNTING POLICIES

SThree plc ('the Company') and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom & Ireland, Continental Europe, the Americas and Asia Pacific & Middle East. The Group's activities and business are set out in the Directors' Report.

The Company is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom and registered in England and Wales. Its registered office is 1st Floor, 75 King William Street, London, EC4N 7BE.

The Group's principal accounting policies, as set out below, have been consistently applied in the preparation of the consolidated and Company only financial statements of all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and IFRS Interpretations Committee ('IFRIC') as adopted and endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Therefore the Group financial statements comply with Article 4 of the EU International Accounting Standards Regulation.

The Group's consolidated financial statements have been prepared under the historical cost convention. The Company's financial statements have been prepared on the same basis. The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent Company alone. The profit for the parent Company for the year was £31.2m (2013: profit of £35.1m).

Certain reclassifications, disaggregations and regroupings have been made to prior year amounts to conform to the current year presentation.

The financial year of the Group and the Company comprises 52 weeks (2013: 53 weeks) and not a calendar year.

ADOPTION OF NEW AND REVISED STANDARDS

There were no new IFRSs or IFRIC interpretations that had to be implemented during the year that significantly affect these financial statements.

As at the date of authorisation of these financial statements, the following key standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards and interpretations in the preparation of these financial statements.

IFRS 9 'Financial instruments'

IFRS 15 'Revenue from contracts with customers'

Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'

Amendments to IFRS 10, 11 and 12 on transition guidance

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation

Amendments to IAS 27, 'Separate financial statements' on the equity method

IFRIC 21 'Levies'

Annual improvements 2014

The impact on the Group's financial statements of the future adoption of these and other new standards, interpretations and amendments is still under review, but the Group does not expect any of these changes to have a material effect on the results or net assets of the Group or the Company.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review. In addition, note 24 to these financial statements include details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance, and the Group's available banking facilities. Based on this review and after making enquiries, the Directors have a

1 ACCOUNTING POLICIES (continued)

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

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Uniform accounting policies are adopted across the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group disposes of a subsidiary, the profit or loss on disposal represents (i) the aggregate of the fair value of the consideration received or receivable net of amounts payable to any non-controlling interests, (ii) the carrying amount of the subsidiary's net assets (including goodwill) at the date of disposal and (iii) any directly attributable disposal costs. Amounts previously recognised in other comprehensive income in relation to the subsidiary are removed from equity and recognised in the income statement as part of the gain or loss on sale.

REVENUE AND REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the provision of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax and other sales-related taxes, returns, rebates and discounts and after elimination of sales within the Group.

Contract revenue for the supply of professional services, which is mainly based on the number of hours worked by a contractor, is recognised when the service has been provided. Revenue earned but not invoiced at year end is accrued and included in 'Accrued income'.

Revenue from permanent placements is typically based on a percentage of the candidate's remuneration package and is recognised when candidates commence employment.

Revenue from retained assignments is recognised on completion of certain pre-agreed stages of the service. Fees received for the service are non-refundable.

A provision is established for non-fulfilment of permanent placement and contract obligations, which is offset within trade and other receivables on the face of the statement of financial position and offset against revenue in the consolidated income statement.

COST OF SALES

Cost of sales consists of the contractors cost of supplying services.

GROSS PROFIT

Gross profit represents revenue less cost of sales and consists of the total placement fees of permanent candidates and the margin earned on the placement of contractors.

EXCEPTIONAL ITEMS

Exceptional items, as disclosed on the face of the income statement, are items which due to their size and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the financial statements and to show the underlying profits of the Group.

Restructuring costs

Provision is made for restructuring costs, including the costs of redundancy and office closures, when the Group has an actual or constructive obligation to pay amounts to third parties. An obligation exists when the Group has a detailed formal plan for the restructuring and has raised a valid expectation of those affected by starting to implement the plan or announcing its main features.

Disposal of subsidiaries

The results of subsidiary undertakings that have been sold during the year are included in the consolidated results up to the date of disposal. The gain or loss on disposal represents the disposal proceeds net of amounts payable to any non-controlling interests less carrying values of subsidiary's net assets including attributable goodwill and any directly attributable disposal costs.

1 ACCOUNTING POLICIES (continued)

LEASES

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the lease periods.

FINANCE INCOME

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset.

TAXATION

The tax expense comprises both current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or 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 reporting date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which to offset the deductible temporary differences.

FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which that subsidiary operates (its 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Consolidation

The results and financial position of all of the Group's subsidiaries (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the rate ruling at the end of the reporting period;
- income and expenses for each income statement are translated using the average rate of exchange (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

The Group treats specific inter-company loan balances, which are not intended to be settled for the foreseeable future, as part of its net investment in the relevant subsidiaries. On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity and are included in the Group's currency translation reserve ('CTR'). When a foreign operation is sold, such exchange differences are removed from CTR and are included in the calculation of gain or loss on disposal.

1 ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the income statement over their useful economic lives after they have been brought into use at the following rates:

Computer equipment	33.33% per annum
Leasehold improvements	20% per annum
Fixtures and fittings	20% per annum
Motor vehicles	33.33% per annum

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

INTANGIBLE ASSETS

Goodwill

Goodwill arising on consolidation represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

The cost of acquired computer software licenses is capitalised. The cost includes the expenditure that is directly attributable to the acquisition of the software. The costs are amortised over their estimated useful lives of three to seven years.

Costs associated with maintaining computer software are recognised as an expense as they are incurred.

Assets under construction

Purchased assets or internally generated intangible assets that are still under development are classified as 'assets under construction'. These assets are reclassified over the phased completion dates and are amortised from the date they are reclassified.

Software and system development costs

Costs incurred on development projects (relating to the introduction or design of new systems or improvement of the existing systems) are only capitalised as intangible assets if capitalisation criteria under IAS 38 'Intangible Assets' are met, i.e. where the related expenditure is separately identifiable, the costs are measurable and management is satisfied as to the ultimate technical and commercial viability of the project such that it will generate future economic benefits based on all relevant available information. Capitalised development costs are amortised from the date the system is available for use over their expected useful lives (not exceeding five years).

Other costs linked to development projects that do not meet the above criteria such as data population, research expenditure and staff training costs are recognised as an expense as incurred.

Trademarks

Trademarks are initially recognised at cost. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (up to twelve years).

1 ACCOUNTING POLICIES (continued)

IMPAIRMENT OF ASSETS

Assets that are not subject to amortisation are tested annually for impairment. Any impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their respective carrying amounts 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, by analysing individual assets or classes of assets that naturally belong together. The recoverable amount represents higher of an asset's fair value less costs to sell and its value in use. Value in use is measured based on the expected future discounted cash flows ('DCF' model) attributable to the asset. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

INVESTMENTS

The Company's investments in shares in subsidiary companies are stated at cost less provision for impairment. Any impairment is charged to the income statement as it arises.

Where share-based payments are granted to the employees of subsidiary undertakings by the parent company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

FINANCIAL ASSETS

Non-derivative financial assets are classified as either 'held to maturity' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held to maturity financial assets

Held-to-maturity financial assets comprise investments with fixed or determinable payments and fixed maturity for which there is a positive intention and ability to hold to maturity and which have not been designated at fair value through the income statement or as available for sale.

Held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Trade and other receivables

Trade receivables are recorded at net realisable value after deducting an allowance for doubtful accounts. The Group makes judgements on an entity by entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Group analyses its historical collection experience and current economic trends. Trade receivable balances are written off when the Group determines that it is unlikely that future remittances will be received.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position unless they form part of a cash pooling arrangement in which case they are reported net of related cash balances.

FINANCIAL LIABILITIES AND OVERDRAFTS

All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

1 ACCOUNTING POLICIES (continued)

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including borrowings and overdraft, are initially measured at fair value, net of transaction costs and subsequently held at amortised cost.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event for which, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are recognised as the present value of the expenditures expected to be required to settle the obligation. No provision is recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision may be recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group's holding in its own equity instruments are classified as 'treasury shares'. The consideration paid, including any directly attributable incremental costs is deducted from the equity attributable to the owners of the Company until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

EMPLOYEE BENEFIT TRUST

The Employee Benefit Trust ('EBT') was originally funded by gifts from certain of the Company's shareholders and Directors. The assets and liabilities of the EBT are consolidated into the Group's consolidated financial statements.

The shares in the EBT are held to satisfy awards and grants under the employee share award, share option schemes and Long Term Incentive Plan ('LTIP'). The shares held in the EBT are a mix of gifted, newly issued or market purchased shares. No cost is attributed to those shares, hence, no amounts are shown in these financial statements.

DIVIDENDS

Interim dividends are recognised in the financial statements at the time they are paid. Final dividends declared to the Board are recognised as a liability in the Company's and Group's financial statements in the period in which they are approved by the Company's shareholders.

The Company recognises dividends from subsidiaries at the time that they are declared by its parent.

EMPLOYEE BENEFITS

Wages, salaries, bonuses, social security contributions, paid annual leave or sick leave are accrued in the period in which the associated services are rendered by employees of the Group.

Pension obligations – the Group has defined contribution plans and pays contributions to privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once contributions have been paid.

Bonus plans – the Group recognises a liability and an expense for bonuses based on the Directors' best estimate of amounts due. The Group also recognises a provision where contractually obliged or where there is a past practice of payments that has created a constructive obligation.

1 ACCOUNTING POLICIES (continued)

Termination benefits – termination benefits are payable once employment is terminated before an agreed retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

SHARE-BASED PAYMENTS

The Group operates a number of equity-settled share-based arrangements, under which it receives services from employees in return for equity instruments of the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which equity instruments are granted and is recognised as an expense over the vesting period, which ends on the date on which relevant employees become fully entitled to any award. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met.

At the end of the reporting period, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, it is treated as vesting as described above. The movement in cumulative expense since the previous year-end is recognised in the income statement, with a corresponding entry in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid, up to the fair value of the award, at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Tracker share arrangements ('minority interest/MI')

The Group invites selected senior individuals to invest in the businesses they manage, sharing in both the risk and reward. These individuals are offered equity ("Tracker Shares") in those businesses in return for making an investment. The amount of equity offered varies in different circumstances but is never over 25% of the overall equity of the business in question. The equity stake tracks the performance of the underlying business and gives the individuals certain rights to income and capital growth of a "tracked" business.

Individuals must pay the fair value for the Tracker Shares at the time of the initial subscription, as determined by an independent third party valuer in accordance with IFRS 2, "Share-based payments" and taking into account the particular rights attached to the shares as described in the relevant businesses' Articles of Association ('Articles'). The initial valuation takes into consideration factors such as the size and trading record of the underlying business, future projections, as well as the external market, sector and country characteristics. The external valuer is supplied with detailed financial information, including gross profit and EBITDA. Using this information an independent calculation of the initial Equity Value (EV) is prepared. This EV is then discounted to arrive at a valuation to take into account the relevant characteristics of the shareholding in a tracked business, e.g. small scale, minority status, stock liquidity and the absence of voting rights. The methodology for calculating the EV is applied consistently, although the data used varies depending on the size and history of the business.

If the individual leaves the Group before the pre-agreed period, they are entitled to receive the lower of the initial subscription amount they contributed or the fair value on the date of departure as set out under the relevant businesses' Articles. A provision in relation to tracker shares is recognised on initial subscription and reflects the consideration for Tracker Shares received from individuals (note 18).

Individuals may receive loans from the Group to pay part of the initial subscription for their tracker shares, on which interest is charged at or above the HMRC beneficial loan rate. These loans are repayable by the individuals either at the time of vesting of their tracker shares or if they leave the Group. These loans are included within other receivables (note 14).

If an individual remains a holder of the Tracker Shares for a pre-agreed period, typically 3 to 5 years depending on the vesting period applied to the Tracker Shares, they may then offer their vested tracker shares for sale to the Group, but there is no obligation from the Group to settle the arrangement. STthree will undertake a formal due diligence process to establish whether there is a sound business case for settling a Tracker Share and make an arm's length judgement. This will involve establishing the health of the business, its

1 ACCOUNTING POLICIES (continued)

market position and the overall market conditions in which SThree is operating at the time in question. Should the Group decide to settle the Tracker Shares, it will do so at a price based on the Tracker Shares' fair value at that date, which is determined using a formula stipulated in the tracker share Articles. SThree plc may settle in cash or in its shares, as it chooses, however the Group policy is to settle in shares. Consequently, the arrangements are deemed to be an equity-settled share-based payment scheme under IFRS 2. No share-based payment charge is recognised in the income statement on the basis that the initial subscription by the individual at the award date equates to the fair value at that date.

If the Company issues new shares to settle the Tracker Share arrangements, the nominal value of the shares is credited to share capital and the difference between the fair value of the Tracker Shares and the nominal value is credited to share premium. If the Company uses Treasury Shares to settle the arrangements, the difference between the fair value of the Tracker Shares and the weighted average value of the Treasury shares is debited/credited to retained earnings.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' knowledge of the amounts, actual results may ultimately differ from those estimates. The critical accounting judgements and estimates made by the Directors in these financial statements are set out below.

- (i) Contract revenue is recognised when the supply of professional services has been rendered. It also includes an assessment of professional services received by the client for the services provided by the contractors between the date of the last received timesheet and the year end. The value of unsubmitted timesheets for each individual contractor is system generated and the judgements are applied principally to the number of hours worked. The number of hours worked is based on the contractual hours and working days for each contractor and adjusted for expected holidays or other events that could reduce the revenue. An assumption is made that any timesheets not submitted within a fixed period of time are invalid and released from accrued income. The judgements applied, and the assumptions underlying these judgements, are considered to be appropriate. However, a change in these assumptions would impact both the amount of revenue and cost of sales recognised.
- (ii) The fair value of equity-settled share-based payments is partly derived from estimates of factors such as lapse rates and achievement of performance criteria. It is also derived from assumptions such as the future volatility of the Company's share price, expected dividend yields and risk-free interest rates.
- (iii) The Group's Tracker Share arrangements are considered to be an equity-settled share-based payment scheme under IFRS 2 as the Group's policy is to settle its obligations under the arrangements in Company shares. Most aspects of the Tracker Share arrangements follow a rule based approach, e.g. vesting period or settlement formula. Hence, there is very limited judgement involved in key areas of the arrangements. However, there are certain judgements involved at the time of the initial subscription valuation which is performed by an independent third party valuer based on discussions with management. Such judgements pertain to the forecast growth of the businesses, the operational and geographical risks relevant to those businesses and other similar areas.
- (iv) Judgement is required in the determination of the costs that satisfy the IAS 38 criteria for capitalisation as software and systems development costs or assets under construction. Judgement is also required for estimation of useful economic lives of those intangible assets and assessment of their recoverability to evaluate if there are any indicators of impairment.
- (v) The provision for impairment of trade receivables requires significant judgement as the Group evaluates, amongst other factors, the duration and extent to which the carrying value of a receivable is less than its cost, the risk profile of a customer and other credit rating factors, such as financial health, historical experience of and near-term business outlook for a customer.
- (vi) Exceptional items are classified separately and are excluded from the Group's underlying results. This involves management judgement as to which costs qualify as exceptional and at what point such costs should be recognised and at what amount.
- (vii) Provisions are held in respect of a range of obligations such as restructuring costs, litigation provisions and onerous contracts. The majority of the provisions involve significant management judgement about the likely outcome of various events and estimated

1 ACCOUNTING POLICIES (continued)

future cash flows. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation.

(viii) The Group recognised a net deferred tax asset of £3.4m (2013: £3.5m), of which £1.3m (2013: £1.4m) related to trading losses that are to be carried forward and relieved against profits arising from relevant subsidiary undertakings in future periods. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon subsidiary revenue and cost forecasts for future years, which contain a degree of inherent uncertainty, and historical performance.

2 SEGMENTAL ANALYSIS

IFRS 8 'Segmental Reporting' requires operating segments to be identified on the basis of internal results about components of the Group that are regularly reviewed by the entity's chief operating decision maker to make strategic decisions and assess segment performance.

Management has determined the chief operating decision maker to be the Group Management Board ('GMB') made up of the Chief Executive Officer, the Chief Financial Officer and the Regional CEOs, with other senior management attending via invitation. Operating segments have been identified based on reports reviewed by the GMB, which consider the business primarily from a geographic perspective. As a result, the Group segments the business into four regions: United Kingdom & Ireland, Continental Europe, Americas and Asia Pacific & Middle East.

The Group's management reporting and controlling systems use accounting policies that are the same as those described in note 1 in the summary of significant accounting policies.

REVENUE AND GROSS PROFIT BY REPORTABLE SEGMENT

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "Gross Profit" in the management reporting and controlling systems. Gross profit is the measure of segment profit comprising revenue less cost of sales.

Intersegment revenue is recorded at values which approximate third party selling prices and is not significant.

	REVENUE		GROSS PROFIT	
	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 Restated* £'000	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 Restated* £'000
United Kingdom & Ireland	280,125	247,288	66,338	63,248
Continental Europe	312,216	287,815	99,356	96,599
Americas*	111,110	62,825	33,403	20,982
Asia Pacific & Middle East*	43,473	36,369	19,126	18,988
	746,924	634,297	218,223	199,817

*These two segments were disclosed as one segment 'Rest of the world' up in the 2013 Annual Report. The new categorisation is in line with the revision that has been introduced to the Group's internal reporting. The comparatives have been restated.

Continental Europe includes Belgium, France, Germany, Luxembourg, Netherlands and Switzerland.

Americas includes the USA, Brazil and Canada.

Asia Pacific & Middle East includes Australia, Dubai, Hong Kong, India, Japan, Qatar, Russia and Singapore.

2 SEGMENTAL ANALYSIS (continued)

OTHER INFORMATION

The Group's revenue from external customers, its gross profit and information about its segment assets (non-current assets excluding deferred tax assets) by key location are detailed below:

	REVENUE		GROSS PROFIT	
	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
UK	255,780	238,840	58,882	59,859
Germany	141,488	121,972	49,471	47,131
Netherlands	85,271	76,532	22,268	21,121
USA	109,449	62,151	32,442	20,369
Other	154,936	134,802	55,160	51,337
	746,924	634,297	218,223	199,817

	NON-CURRENT ASSETS	
	30 November 2014 £'000	1 December 2013 £'000
UK*	12,531	14,991
Germany	425	246
Netherlands	155	236
USA	1,166	641
Other	1,022	1,318
	15,299	17,432

*During the year, £0.8m (2013: £1.2m) of non-current assets were impaired and included in exceptional items in the income statement (notes 11 and 12).

2 SEGMENTAL ANALYSIS (continued)

The following segmental analysis by brand, recruitment classification and discipline (being the profession of candidates placed) have been included as additional disclosure to the requirements of IFRS 8.

	REVENUE		GROSS PROFIT	
	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Brand				
Progressive	249,714	211,889	67,727	63,150
Huxley Associates	156,346	143,581	45,957	47,238
Computer Futures	182,053	157,113	54,607	49,339
Real Staffing Group	158,811	121,714	49,932	40,090
	746,924	634,297	218,223	199,817
Recruitment classification				
Contract	661,195	544,173	132,494	109,792
Permanent	85,729	90,124	85,729	90,025
	746,924	634,297	218,223	199,817
Discipline				
Information and communication technology	314,540	304,339	86,099	85,282
Others	432,384	329,958	132,124	114,535
	746,924	634,297	218,223	199,817

Others include Banking & Finance, Energy, Engineering and Life Sciences.

3 ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEMS

Exceptional items are those items that are required to be separately disclosed by virtue of their size or nature to help provide an understanding of the Group's underlying results for the year.

During the year, the Group undertook a review of its operations, to identify opportunities to refocus resources and effort away from sub-scale businesses that had little prospect of moving into profit in the foreseeable future towards those operations which will deliver the greatest return over the medium term. This resulted in closure and amalgamation of certain offices, redundancies and redeployment of staff and the impairment of assets. The total cost of this restructuring is considered exceptional by virtue of its size and nature and has been charged to the income statement in the current year.

The prior year amounts predominantly represent the cost of restructuring the Group's support services function.

Items classified as exceptional are as follows:

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Exceptional items – charged to operating profit		
Restructuring-related personnel costs	2,034	3,943
Office closures	2,158	3,659
Asset impairments and related onerous maintenance contract	1,145	1,724
Other	170	1,437
Exceptional items – before taxation	5,507	10,763

The above amounts are net of credits arising from the release of the 2013 restructuring provision for office closures (£0.2m) and other (£0.2m).

4 GAIN ON DISPOSAL OF SUBSIDIARIES – EXCEPTIONAL ITEMS

In 2013, the Group disposed of IT Job Board ('ITJB') and recognised a net gain of £5.3m. The net gain included an estimate of the deferred cash consideration receivable (subject to performance based conditions) of £1.9m of which £0.4m was settled in the year. During the year, the Group recognised an additional gain of £0.2m in relation to the final deferred cash consideration receivable in 2015.

5 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Depreciation (note 11)	2,049	2,704
Amortisation (note 12)	3,161	3,096
Foreign exchange gains	(383)	(406)
Staff costs (excluding exceptional items) (note 6)	141,273	128,782
Movement in bad debt provision and debts directly written off	965	466
Loss/(gain) on disposal of property, plant and equipment	34	(14)
Exceptional restructuring costs (note 3)	5,507	10,763
Gain on disposal of subsidiaries (note 4)	(205)	(5,267)
Operating lease charges (excluding exceptional items)		
– Motor vehicles	1,241	1,561
– Land and buildings	9,518	10,602

AUDITORS' REMUNERATION

During the year the Group (including its subsidiaries) obtained the following services from the Company auditors and its associates:

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Amounts payable to PricewaterhouseCoopers LLP and its associates:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	72	72
Fees payable to the Company's auditors and their associates for other services to the Group:		
– Audit of the Company's subsidiaries pursuant to legislation	373	358
– Tax advisory services	12	11
– All other non-audit services	22	28
Costs charged to operating profit	479	469

6 DIRECTORS AND EMPLOYEES

Aggregate remuneration of employees including directors (excluding exceptional items) was:

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Wages and salaries (including bonuses)	121,634	110,340
Social security costs	15,743	14,932
Other pension costs	1,330	1,336
Temporary staff costs	442	425
Share-based payments	2,124	1,749
	141,273	128,782

Staff costs of £2.0m (2013: £3.9m), not included in the above amounts, were charged to exceptional items (note 3). Further, the staff costs capitalised during the year on internally developed assets (note 12) and not included in the above amounts were £2.1m (2013: £2.0m).

The average monthly number of employees (including executive directors) during the year was:

	52 weeks ended 30 November 2014 Number	53 weeks ended 1 December 2013 Number
Geographic analysis		
United Kingdom & Ireland		
– Sales	593	523
– Non-sales	357	382
	950	905
Continental Europe and Rest of the World		
– Sales	1,408	1,144
– Non-sales	129	179
	1,537	1,323
Total average headcount	2,487	2,228

Included in the headcount numbers above are 132 (2013: 93) temporary short-term full time employees.

There were also on average 514 (2013: 196) contractors engaged under the employed contractor model. They are not included in the numbers above as they are not considered to be full time employees of the Group.

Details of the Directors' remuneration for the year, which form part of these audited financial statements, are given in the audited information section of the Directors' Remuneration Report.

7 FINANCE INCOME AND COSTS

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Finance income		
Bank interest receivable	7	39
Other interest	57	91
	64	130
Finance costs		
Bank loans and overdrafts	(547)	(285)
Net finance cost	(483)	(155)

8 TAXATION

(a) Analysis of tax charge for the year

	52 weeks ended 30 November 2014			53 weeks ended 1 December 2013		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Current taxation						
UK						
Corporation tax charged/(credited)	4,048	(293)	3,755	4,518	(1,421)	3,097
Adjustments in respect of prior periods	(919)	-	(919)	(214)	-	(214)
Overseas						
Corporation tax charged/(credited) on profits for the year	5,810	(706)	5,104	4,258	(396)	3,862
Adjustments in respect of prior periods	73	-	73	83	-	83
Total current tax charge/(credit)	9,012	(999)	8,013	8,645	(1,817)	6,828
Deferred taxation						
Origination and reversal of temporary differences	(492)	(28)	(520)	(720)	(4)	(724)
Adjustments in respect of prior periods (note 19)	573	-	573	2,031	-	2,031
Total deferred tax charge/(credit)	81	(28)	53	1,311	(4)	1,307
Total income tax charge/(credit) in the income statement	9,093	(1,027)	8,066	9,956	(1,821)	8,135

8 TAXATION (continued)

(b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2013: exceeds) the UK statutory rate and can be reconciled as follows:

	52 weeks ended 30 November 2014			53 weeks ended 1 December 2013		
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Profit before taxation	29,287	(5,302)	23,985	21,018	(5,496)	15,522
Profit before taxation multiplied by the standard rate of corporation tax in the UK at 21.67% (2013: 23.33%) on profits for the year	6,347	(1,149)	5,198	4,902	(1,282)	3,620
Effects of:						
Disallowable/(non-taxable) items	394	32	426	137	(943)	(806)
Differing tax rates on overseas earnings	1,379	(296)	1,083	648	(201)	447
Adjustments in respect of prior periods	(273)	-	(273)	1,900	-	1,900
Adjustment due to UK tax rate change	51	-	51	140	-	140
Tax losses for which no deferred tax was recognised	1,195	386	1,581	2,229	605	2,834
Tax expense/(credit) for the year	9,093	(1,027)	8,066	9,956	(1,821)	8,135
Effective tax rate	31.0%	19.4%	33.6%	47.4%	33.1%	52.4%

(c) Current and deferred tax movement recognised directly in equity

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Equity-settled share-based payments		
Current tax	(61)	(29)
Deferred tax	15	(69)
	(46)	(98)

The Group expects to receive additional tax deductions in respect of share options currently unexercised. Under IFRS the Group is required to provide for deferred tax on all unexercised share options. Where the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the current or deferred tax should be recognised in equity. At 30 November 2014 a deferred tax asset of £0.8m (2013: £0.7m) has been recognised in respect of these options (note 19).

9 DIVIDENDS

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 4.7p (2013: 4.7p) per share ⁽ⁱ⁾	5,728	5,654
Final dividend of 9.3p (2013: 9.3p) per share ⁽ⁱⁱ⁾	11,449	11,280
	17,177	16,934

Amounts proposed as distributions to equity holders

Interim dividend for the six months ended 1 June 2014 of 4.7p (2013: 4.7p) per share ⁽ⁱⁱⁱ⁾	5,903	5,729
Final dividend of 9.3p (2013: 9.3p) per share for the year ended 30 November 2014 ^(iv)	11,712	11,357

(i) An interim dividend of 4.7 pence (2013: 4.7 pence) per share for the six months ended 26 May 2013 was paid on 6 December 2013.

(ii) A final dividend for the year ended 1 December 2013 of 9.3 pence (2013: 9.3 pence) per share was paid on 4 June 2014.

(iii) An interim dividend for the six months ended 1 June 2014 of 4.7 pence (2013: 4.7 pence) per share was paid on 5 December 2014 to shareholders on record at 6 November 2014.

(iv) The Board propose a final dividend for the year ended 30 November 2014 of 9.3 pence (2013: 9.3 pence) per share, to be paid on 5 June 2015 to shareholders on record at 1 May 2015. This proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 23 April 2015, hence, has not been included as a liability in these financial statements.

10 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ('EPS') is based on the following data:

Basic EPS is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held as treasury shares (note 20(a)) and those held in the EBT which are treated as cancelled.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares. Potential dilution resulting from tracker shares takes into account profitability of the underlying tracker businesses and SThree plc's earnings per share. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Earnings		
Profit after taxation before exceptional items	20,194	11,062
Exceptional items net of tax	(4,275)	(3,675)
Profit after taxation attributable to owners of the Company	15,919	7,387
	million	million
Number of shares		
Weighted average number of shares used for basic EPS	123.7	121.1
Dilutive effect of share plans	10.3	14.0
Diluted weighted average number of shares used for diluted EPS	134.0	135.1

10 EARNINGS PER SHARE (continued)

	52 weeks ended 30 November 2014 pence	53 weeks ended 1 December 2013 pence
Basic		
Basic EPS	12.9	6.1
Impact of exceptional items	3.4	3.0
Basic EPS before exceptional items	16.3	9.1
Diluted		
Diluted EPS	11.9	5.5
Impact of exceptional items	3.2	2.7
Diluted EPS before exceptional items	15.1	8.2

11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 25 November 2012	12,593	6,793	3,438	129	22,953
Additions	381	647	143	–	1,171
Disposals	(1,141)	(1,452)	(366)	(131)	(3,090)
Exchange differences	(23)	(41)	(2)	2	(64)
At 1 December 2013	11,810	5,947	3,213	–	20,970
Additions	602	1,643	475	–	2,720
Disposals	(470)	(674)	(237)	–	(1,381)
Exchange differences	(81)	(61)	(41)	–	(183)
At 30 November 2014	11,861	6,855	3,410	–	22,126
Accumulated depreciation and impairment					
At 25 November 2012	9,875	4,486	2,583	112	17,056
Depreciation charge for the year	1,577	805	320	2	2,704
Disposals	(1,060)	(1,175)	(346)	(116)	(2,697)
Exchange differences	(25)	(20)	–	2	(43)
At 1 December 2013	10,367	4,096	2,557	–	17,020
Depreciation charge for the year	1,068	698	283	–	2,049
Impairment charge for the year	96	127	21	–	244
Disposals	(440)	(571)	(223)	–	(1,234)
Exchange differences	(72)	(61)	(39)	–	(172)
At 30 November 2014	11,019	4,289	2,599	–	17,907
Net book value					
At 30 November 2014	842	2,566	811	–	4,219
At 1 December 2013	1,443	1,851	656	–	3,950

A depreciation charge of £2.0m (2013: £2.7m) is included in administrative expenses.

The disposals include assets with a net book value of £0.1m (2013: £0.2m) that were disposed as part of office closures (note 3).

As part of a Group restructuring exercise (note 3), the Group performed an impairment review of its assets to identify if any of the assets had become impaired due to restructuring actions. Based on the review, an impairment charge of £0.2m (2013: £nil) has been recognised in the year which has been shown above and included in exceptional items in the income statement.

The Group has not leased any assets under finance lease obligations.

12 INTANGIBLE ASSETS

				Internally generated		
	Goodwill	Computer	Assets under	Software	Trademarks	Total
	£'000	software	construction	and system	£'000	£'000
		£'000	£'000	development		
				costs		
				£'000		
Cost						
At 25 November 2012	206,935	8,921	2,149	21,573	71	239,649
Additions	-	213	2,841	165	-	3,219
Disposals	(622)	(86)	(10)	(1,444)	-	(2,162)
Reclassification	-	-	(3,249)	3,249	-	-
Exchange differences	-	(2)	-	-	-	(2)
At 1 December 2013	206,313	9,046	1,731	23,543	71	240,704
Additions	-	49	2,756	8	-	2,813
Disposals	-	(32)	-	(82)	-	(114)
Reclassification	-	-	(3,775)	3,775	-	-
At 30 November 2014	206,313	9,063	712	27,244	71	243,403
Accumulated amortisation and impairment						
At 25 November 2012	205,687	4,197	-	15,449	66	225,399
Amortisation charge for the year	-	883	-	2,212	1	3,096
Impairment charge for the year	-	665	-	525	-	1,190
Disposals	(207)	(27)	-	(780)	-	(1,014)
At 1 December 2013	205,480	5,718	-	17,406	67	228,671
Amortisation charge for the year	-	703	-	2,457	1	3,161
Impairment charge for the year	-	512	-	-	-	512
Disposals	-	(21)	-	-	-	(21)
At 30 November 2014	205,480	6,912	-	19,863	68	232,323
Net book value						
At 30 November 2014	833	2,151	712	7,381	3	11,080
At 1 December 2013	833	3,328	1,731	6,137	4	12,033

An amortisation charge of £3.2m (2013: £3.1m) is included in administrative expenses.

Additions to internally generated assets included the development of new systems (and the enhancement of the existing assets) relating to various front-office sales systems and HR and Finance ERP systems. Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the criteria under IAS 38.

As part of a Group restructuring exercise (note 3), the Group performed an impairment review of its assets to identify if any of the assets had become impaired due to restructuring actions. Based on the review, an impairment charge of £0.5m (2013: £1.2m) has been recognised in the year which has been shown above and included in exceptional items in the consolidated income statement.

The net book value of goodwill is allocated to SThree Staffing UK Limited, which is 100% (2013: 100%) owned by the Group.

Management has performed an impairment review of goodwill and concluded that no impairment is required. Disclosures required under IAS 36 'Impairment of Assets' have not been included on the basis that goodwill value is not considered material.

13 INVESTMENTS IN SUBSIDIARIES

COMPANY	£'000
Cost	
At 25 November 2012	262,084
Additions	
– Capital injection in a subsidiary	37,000
– Settlement of vested tracker shares	7,211
– Settlement of unvested tracker shares	121
Disposal	(984)
Capital contribution relating to share-based payments (IFRS 2)	1,239
At 1 December 2013	306,671
Additions	
– Capital injection in a subsidiary	100
– Settlement of vested tracker shares	11,467
– Settlement of unvested tracker shares	325
Capital contribution relating to share-based payments (IFRS 2)	1,735
Investment written off that was previously provided against	(1,403)
At 30 November 2014	318,895
Provision for impairment	
At 25 November 2012 and 1 December 2013	8,258
Investment written off that was previously provided against	(1,403)
At 30 November 2014	6,855
Net carrying value	
At 30 November 2014	312,040
At 1 December 2013	298,413

During the year, the Company settled a number of vested tracker shares by awarding 2,375,037 new shares (2013: 245,456) and 468,491 (2013: 1,806,772) shares from treasury stock to tracker shareholders.

The Company also settled certain unvested tracker shares where employees left the business prior to reaching the pre-agreed holding period.

Tracker share arrangements are detailed in note 1.

IFRS 2 requires that any options or awards granted to employees of a subsidiary company will increase the carrying value of the investment held. In 2014, the Company recognised an increase in the investments in its subsidiaries of £1.7m (2013: £1.2m) relating to share options and awards.

13 INVESTMENTS IN SUBSIDIARIES (continued)

Investments comprise the following principal subsidiary companies:

	Shareholding/ ownership		Country of incorporation	Principal activities
	2014	2013		
SThree Australia Pty Limited	100%	100%	Australia	Recruitment
Computer Futures Solutions NV	100%	100%	Belgium	Recruitment
Huxley Associates Belgium NV	100%	100%	Belgium	Recruitment
SThree Services NV	100%	100%	Belgium	Recruitment
SThree Belgium NV	100%	100%	Belgium	Recruitment
Specialist Staffing Solutions Recrutamento Ltda	100%	100%	Brazil	Recruitment
SThree SAS	100%	100%	France	Recruitment
SThree GmbH	100%	100%	Germany	Recruitment
SThree Limited	100%	100%	Hong Kong	Recruitment
SThree India Private Limited	100%	100%	India	Recruitment
SThree Staffing Ireland Limited	100%	100%	Ireland	Recruitment
SThree K.K.	100%	100%	Japan	Recruitment
SThree S.a r.l	100%	100%	Luxembourg	Recruitment
SThree Holdings BV	100%	100%	Netherlands	Recruitment
SThree Norway AS	100%	100%	Norway	Recruitment
SThree Qatar LLC	100%	100%	Qatar	Recruitment
SThree LLC	100%	100%	Russia	Recruitment
SThree Pte. Ltd.	100%	100%	Singapore	Recruitment
SThree Switzerland GmbH	100%	100%	Switzerland	Recruitment
Specialist Staffing Solutions, Inc	100%	100%	USA	Recruitment
Huxley Associates Global Limited	100%	100%	UK	Recruitment
Real Staffing Group Limited	100%	100%	UK	Recruitment
SThree Finance Limited*	100%	100%	UK	Support services
SThree Staffing UK Limited	100%	100%	UK	Recruitment
SThree IP Limited*	100%	100%	UK	Support services
SThree Management Services Limited*	100%	100%	UK	Management services
SThree Overseas Holdings Limited*	100%	100%	UK	Holding company
SThree UK Holdings Limited*	100%	100%	UK	Holding company
SThree UK Operations Limited	100%	0%	UK	Holding company
SThree Partnership LLP	100%	0%	UK	Recruitment

*Directly held subsidiaries. All other subsidiaries are indirectly held.

A full list of subsidiaries is available from the Company Secretary at 1st Floor, 75 King William Street, London, EC4N 7BE, United Kingdom.

The Directors believe that the carrying value of the investments is supported by their recoverable amounts.

14 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
Trade receivables	113,555	80,535	–	–
Provision for impairment	(1,846)	(1,439)	–	–
Trade receivables – net	111,709	79,096	–	–
Other receivables	4,633	5,837	3,069	3,282
Amounts due from subsidiaries (note 23)	–	–	527	858
Prepayments	3,007	3,160	235	111
Accrued income	49,921	38,261	–	–
	169,270	126,354	3,831	4,251
Less: non-current portion: other receivables	–	1,449	–	1,449
Current portion	169,270	124,905	3,831	2,802

Trade receivables and cash and cash equivalents are deemed to be all current loans and receivables for disclosure under IFRS 7 'Financial Instruments' – Disclosures (note 24). No interest is charged on trade receivables. Amounts due from subsidiaries are subject to interest at a rate of 1.3% (2013: 1.3%) above 3 month LIBOR of the respective currencies in which balances are denominated.

Other receivables include £1.7m (2013: £1.9m) in respect of the deferred cash consideration receivable in 2015 from the acquirer of the ITJB (note 4) and £1.8m (£2013: £1.5m) for the loans given to certain individuals towards their subscription for tracker shares (note 24(d)). Tracker share loans are unsecured and charged interest at a rate of 4% (2013: 4%).

Accrued income represents the contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the contractors for the services provided up to the year end. The corresponding costs are shown within trade payables, where the contractor has submitted an invoice and within accruals in respect of unsubmitted and unapproved timesheets (note 16).

The Group makes judgements on a customer by customer basis as to its ability to collect outstanding receivables and provides for impairment of trade receivables based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Group analyses its historical collection experience and current economic trends. These amounts are included within administrative expenses. Trade receivables are written off when the Group determines that it is unlikely that future remittances will be received.

	GROUP	
	30 November 2014 £'000	1 December 2013 £'000
Movements in the Group's provision for impairment of trade receivables are as follows:		
Provision at beginning of year	1,439	1,576
Charge for the year	1,278	935
Bad debts written off	(580)	(715)
Provision reversed as amounts recovered	(291)	(357)
Provision at end of year	1,846	1,439

Other classes within trade and other receivables do not contain impaired assets. Management considers that the carrying value of trade and other receivables is approximately equal to their fair values and are deemed to be current assets.

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
Cash in hand and at bank	14,071	13,690	11,314	1,314

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair values.

The Group has a cash pooling arrangement which allows netting of the overdraft balances to mitigate finance costs.

16 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
Trade payables	38,585	35,417	24	5
Amounts due to subsidiaries (note 23)	–	–	4,336	23,758
Other taxes and social security	8,546	7,276	237	230
Other payables	10,078	5,779	97	96
Accruals	57,753	40,786	1,031	753
	114,962	89,258	5,725	24,842
Less: non-current portion: trade payables	379	758	–	–
Current portion	114,583	88,500	5,725	24,842

The fair values of trade and other payables are not materially different from those disclosed above.

Trade and other payables are predominantly interest free.

Amounts due to subsidiaries are subject to interest at a rate of 1.3% (2013: 1.3%) above 3 month LIBOR of the respective currencies in which balances are denominated.

Accruals also include amounts payable to the contractors in respect of unsubmitted and unapproved timesheets (note 14).

17 BORROWINGS

	GROUP		COMPANY	
	30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
Revolving credit facility ('RCF')	24,000	5,000	24,000	5,000

On 27 May 2014, the Group signed a committed revolving credit facility of £50m with RBS and HSBC replacing a £20m facility it had in the prior year. The facility expires in May 2019 and funds borrowed under this facility bear interest at a minimum annual rate of 1.3% (2013: 1.3%) above 3 month Sterling LIBOR. The average interest rate paid on the RCF during the year was 1.8% (2013: 1.9%).

At the year end the Group and the Company have drawn £24.0m (2013: £5.0m) on this facility.

17 BORROWINGS (continued)

The facility is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover (note 24(c)). The Group has been in compliance with these covenants throughout the year.

The Group's exposure to interest rate, liquidity, foreign currency and capital management risks is disclosed in note 24.

18 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Dilapidations £'000	Tracker shares £'000	Legal £'000	Restructuring £'000	Onerous contract £'000	Total £'000
At 1 December 2013	2,289	3,736	529	4,305	1,250	12,109
Charged/(released) to the income statement	10	(17)	(60)	4,909	–	4,842
Utilised during the year	(90)	(380)	(110)	(4,423)	(545)	(5,548)
Tracker share consideration received	–	620	–	–	–	620
At 30 November 2014	2,209	3,959	359	4,791	705	12,023

	30 November 2014 £'000	1 December 2013 £'000
Analysis of total provisions:		
Current	8,807	7,361
Non-current	3,216	4,748
	12,023	12,109

Provisions are not discounted as the Group believes that the effect of the time value of money is immaterial. The provisions are measured at cost which approximates to the present value of the expenditure required to settle the obligation.

Dilapidations

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision has been made based on independent professional estimates of the likely costs based on current conditions and these have been spread over the relevant lease term.

Restructuring

The Group undertook a restructuring exercise in the second half of the year. The Group has charged the restructuring costs of \$5.5m (2013: £10.8m) to the income statement (note 3). At year end £4.8m (2013: £4.3m) remains unpaid in relation to various onerous property leases (2014: £3.1m, 2013: £2.6m), personnel costs (2014: £0.9m, 2013: £0.5m) and other costs (2014: £0.8m, 2013: £1.2m).

The liability in regards to dilapidation and restructuring provisions is expected to crystallise as follows:

	30 November 2014 £'000	1 December 2013 £'000
Within one year	3,784	2,471
One to five years	2,919	3,818
After five years	297	305
	7,000	6,594

18 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Tracker shares

The provision relates to the obligation to repay amounts received or receivable in relation to the subscription of tracker shares awarded to senior individuals under the terms of the Tracker Share arrangements (note 1). The timing of economic outflows is subject to the factors governing each tracker share and is considered to be within one year.

During the year, £0.4m (2013: £0.6m) of the provision was utilised, principally to settle vested tracker shares. New consideration of £0.6m (2013: £0.4m) represents subscriptions against the allotment of tracker shares in the year.

Legal

The provision relates to ongoing legal matters and the timing of economic outflows is subject to the factors governing each case.

Onerous contract – Group and Company

This relates to a long term service contract that was entered into in 2013 which was deemed to be onerous and therefore provided for.

	£'000
At 1 December 2013	1,250
Utilised during the year	(545)
At 30 November 2014	705

This liability is expected to be settled within 1 year (2013: 2 years).

19 DEFERRED TAX

GROUP	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Other £'000	Total £'000
At 25 November 2012	(38)	773	3,424	712	4,871
Credit/(charge) to income statement for the year	1,629	(69)	(671)	(18)	871
Prior year charge to income statement for the year	(603)	–	(1,224)	(204)	(2,031)
Adjustment due to tax rate changes	(68)	(45)	(10)	(24)	(147)
Resulting from disposals	34	(14)	(176)	(19)	(175)
Credit directly to equity	–	69	–	–	69
Exchange differences	9	–	26	(12)	23
At 1 December 2013	963	714	1,369	435	3,481
Credit/(charge) to income statement for the year	45	186	(140)	497	588
Prior year (charge)/credit to income statement for the year	(653)	–	49	31	(573)
Adjustment due to tax rate changes	(22)	(55)	–	9	(68)
Charged directly to equity	–	(15)	–	–	(15)
Exchange differences	(11)	1	(15)	36	11
At 30 November 2014	322	831	1,263	1,008	3,424

19 DEFERRED TAX (continued)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 November 2014 £'000	1 December 2013 £'000
Deferred tax assets	3,539	3,481
Deferred tax liabilities	(115)	–
Net deferred tax assets	3,424	3,481

Deferred tax assets are recognised for carry-forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits from the respective jurisdictions is probable. In assessing whether to recognise deferred tax assets, the Group has considered both current and the forecast trading performance in these territories and the expectations regarding the levels of profitability that can be achieved.

At the reporting date, the Group has unused tax losses of £30m (2013: £28.5m) available for offset against future profits. A deferred tax asset of £1.3m (2013: £1.4m) has been recognised in respect of £5.5m (2013: £5.9m) of such losses. No deferred tax asset has been recognised in respect of the remaining £24.5m (2013: £22.6m) of losses.

Included in unrecognised tax losses are losses of £4.4m (2013: £3.3m) subject to expiry. Of this amount, £1.6m expires in 2016, £0.8m in 2020, and £0.5m in 2023. The balance of £1.5m expires at various other times up to 2034. Other unrecognised tax losses of £20.1m (2013: £19.3m) may be carried forward indefinitely.

In March 2013, the Finance Bill 2013 reduced the main rate of UK corporation tax from 21% to 20% with effect from 1 April 2015. As a result, the Group's deferred tax asset has been reduced as at 30 November 2014 by £0.1m, resulting in a charge to the income statement.

COMPANY

The Company's deferred tax asset relates to the equity-settled share-based payments.

	£'000
At 25 November 2012	294
Charge to income statement for the year	(41)
Adjustment due to tax rate changes	(18)
Credit directly to equity	39
At 1 December 2013	274
Credit to income statement for the year	167
Adjustment due to tax rate changes	(30)
Charged directly to equity	(13)
At 30 November 2014	398

20 SHARE CAPITAL

GROUP AND COMPANY

(a) Share capital

Issued and fully paid	Number of ordinary shares	Share capital £'000	Treasury reserve £'000
At 1 December 2013	123,518,266	1,240	(1,514)
Issue of new shares	2,539,630	26	–
Utilisation of treasury shares	468,491	–	1,352
At 30 November 2014	126,526,387	1,266	(162)

At the year end, 596,728 (2013: 1,404,018) shares were held in Group's EBT.

Share issue

During the year, 2,539,630 (2013: 648,583) new ordinary shares were issued, resulting in a share premium of £9,509,000 (2013: £823,000). Of the shares issued, 2,375,037 (2013: 245,456) were issued to tracker shareholders on settlement of vested tracker shares, with the remaining issued pursuant to the exercise of awards under the Save As You Earn (SAYE) scheme.

Treasury reserve

During the year, SThree plc did not purchase its own shares to be held as treasury shares (2013: 377,903). 468,491 shares (2013: 2,019,867) were transferred from treasury for the settlement of vested tracker shares. Consequently, 55,953 (2013: 524,444) shares were held in treasury at the year end.

(b) Share-based payments

Tracker Share awards in subsidiary companies

As described in note 1, the Group makes awards of shares in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £11,467,000 (2013: £7,211,000) by issuing new shares and utilising treasury shares. This resulted in a credit to share capital, share premium and treasury reserve, with a corresponding debit to the retained earnings.

The Group also issued new tracker share awards during the year and net cash subscription proceeds of £275,000 (2013: £311,000) were received in respect of such awards.

20 SHARE CAPITAL (continued)

LTIP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except SIP) as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

Scheme	30 November 2014		1 December 2013		Vesting period	Expiry date	Valuation method	Performance metrics
	Charge* (£'000)	Number of share options	Charge (£'000)	Number of share options				
LTIP**	2,077	4,199,014	1,412	4,073,810	3 years	10 years	Montecarlo model	Incremental EPS growth/TSR ranking against comparator group
SAYE	179	602,708	143	1,032,153	3 years	6 months after 3 year vesting period	Binomial	None
Sub-total	2,256	4,801,722	1,555	5,105,963				
SIP	93	N/A	194	N/A	1 year	N/A	N/A	None
Total	2,349	4,801,722	1,749	5,105,963				

*Of this, £225,000 was charged to exceptional items within restructuring-related personnel costs (note 3).

**The conditions of the LTIP are provided in the Directors' Remuneration Report.

Long Term Incentive Plan (LTIP)

	Options
At 1 December 2013	4,073,810
Granted	1,251,673
Exercised	(468,912)
Lapsed	(569,899)
Forfeited	(87,658)
At 30 November 2014	4,199,014

Out of the 4,199,014 (2013: 4,073,810) options outstanding, 686,399 (2013: 748,826) options were exercisable. Options exercised during the year were satisfied by shares in the EBT (2013: new shares of 402,679 and treasury shares of 119,721). The related weighted average share price at the time of exercise was £3.67 (2013: £3.44) per share and related transaction costs were negligible.

At the end of the reporting period, share options outstanding under the LTIP were valued as follows:

	2014	2013
Weighted average fair value (£)	3.18	2.86
Key assumptions used:		
Weighted average share price (£)	3.73	3.32
Expected volatility	36%	41%
Expected option term (life)	3 years	3 years

Other schemes

The SAYE, SIP and EBT arrangements are not deemed material for further disclosure.

21 CONTINGENCIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. They are not anticipated to result in any material liabilities other than those provided for (note 18).

22 COMMITMENTS

OPERATING LEASES

The Group leases various office properties under non-cancellable operating lease arrangements. The lease terms are between 1 to 17 years, and the majority of the lease arrangements are renewable at the end of the lease period at market rate.

The Group also leases various motor vehicles under non-cancellable operating lease arrangements. The lease term is typically 3 years.

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	MOTOR VEHICLES		LAND AND BUILDINGS*	
	30 November 2014 £'000	1 December 2013 £'000	30 November 2014 £'000	1 December 2013 £'000
Within one year	493	755	11,816	10,321
In the second to fifth years inclusive	410	239	31,801	24,372
After five years	–	–	22,081	10,596
	903	994	65,698	45,289

*These include lease commitments of £1.9m (2013: £2.0m) at the year end in respect of leased offices which have been vacated as part of the restructuring during the current and prior year and are deemed to be onerous on the Group (notes 3 and 18).

Capital commitments

At the end of the reporting period, the Group contracted capital expenditure but not yet incurred of £0.6m (2013: £0.2m).

Guarantees

The Group issued bank guarantees for commitments which amounted to £2.4m (2013: £2.4m).

23 RELATED PARTY TRANSACTIONS

GROUP

Balances and transactions with subsidiaries (note 13) have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and members of the GMB, who are deemed to be key management personnel, are disclosed below.

Remuneration of key management personnel ("KMP")

The Group's key management comprises members of the GMB, other Directors (Executive and Non-Executive) and key managers who are deemed to influence the day to day activities. Details of Directors' remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors' Remuneration Report. Total remuneration for members of key management is detailed below.

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Short-term employee benefits	4,336	5,059
Share-based payments	1,289	659
Post-employment benefits	174	229
	5,799	5,947

23 RELATED PARTY TRANSACTIONS (continued)

COMPANY

The Company has related party relationships with its subsidiaries (note 13), with members of its Board and key managers. The Directors' remuneration which they receive from the Company is disclosed in the Directors' Remuneration Report. The Company did not have any transactions with the Directors during the financial year other than those disclosed in the Remuneration Report and below. Details of transactions between the Company and other related parties are disclosed below.

	52 weeks ended 30 November 2014 £'000	53 weeks ended 1 December 2013 £'000
Transactions with the related parties during the year		
Investments in subsidiaries	(13,627)	(45,571)
Loans and advances (repaid to)/received from subsidiaries	(19,422)	12,704
Loans and advances repaid by subsidiaries	331	2,125
Loans repaid by Directors and other KMP	53	305
Interest income received	52	266
Interest paid	(251)	(86)
Dividend income received	31,745	34,141

No purchase or sales transactions were entered into between the Company and its subsidiaries.

	30 November 2014 £'000	1 December 2013 £'000
Year end balances arising from transactions with related parties		
Amounts payable to subsidiaries	(4,336)	(23,758)
Amounts receivable from subsidiaries	527	858
Amounts receivable from Directors and other KMP	432	485

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group reports in Sterling and pays dividends out of Sterling profits. The role of the Group's Corporate Treasury function is to manage and monitor external and internal funding requirements and financial risks in support of corporate objectives. Treasury activities are governed by policies and procedures approved by the Board. A treasury management committee, chaired by the Chief Financial Officer, meets on a monthly basis to review Treasury activities. Its members receive management information relating to treasury activities. The Group's internal auditors regularly review the Treasury internal control environment and compliance with policies and procedures.

Each year, the Board reviews its currency hedging strategy to ensure it is appropriate. The Group does not hold or issue derivative financial instruments for speculative purposes and its Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Group Treasury enters into a limited amount of derivative transactions, principally currency swaps and forward currency contracts, with the purpose of managing the currency risks arising from operations and financing of subsidiaries.

At the year end, the Group had net foreign exchange swaps of: €2.5m, US\$11.9m, SG\$1.6m, CHF2.3m, NOK5m and AU\$0.6m, being an overall equivalent of £12.7m (2013: €7.0m, HK\$5.0m, US\$4.0m and SG\$0.9m equivalent, being an overall equivalent of £9.1m). The swaps were taken out close to the year end date for a period of 3 to 34 days (2013: 4 to 25 days). Hence, their fair values at the year end were not material.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Group is exposed to a number of different financial risks including capital management, foreign currency exchange rates, liquidity, credit and interest rates risks. The Group's objective and strategy in responding to these risks is set out below.

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group and its subsidiaries' ability to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital. The Group's policy is to settle the vested tracker shares in the Company's shares. This was mainly done by new issue shares during the year (note 20(a)).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, delay or reduce the settlement of vested tracker shares, sell assets to reduce debt, return capital to shareholders or issue new shares, subject to applicable rules.

The capital structure of the Group consists of equity attributable to equity holders of the parent of £51.3m (2013: £51.6m), comprising share capital, share premium, other reserves and retained earnings as disclosed in the statement of changes in equity and note 20, and net debt of £(9.9)m (2013: net cash of £8.7m), comprising cash and cash equivalents (note 15) and borrowings (note 17).

Except for compliance with certain bank covenants (note 24(c)), the Group is not subject to any externally imposed capital requirements.

(b) Foreign currency risk management

The Group uses Sterling as its presentation currency. It undertakes transactions in a number of foreign currencies. Consequently, exposures to exchange rate fluctuations do arise. Such exchange rate movements affect the Group's transactional revenues, cost of sales, the translation of earnings and the net assets/liabilities of its overseas operations.

The Group is also exposed to foreign currency risks from the value of net investments outside the United Kingdom. The intercompany balances which are treated as net investments in foreign operations are not planned to be settled in the foreseeable future as they are deemed to be a part of the investment. Therefore, exchange differences arising from the translation of the net investments are taken into equity.

The Group's businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom. The Group generally converts foreign currency balances into Sterling to manage its cash flows.

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar. If the Euro or US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group's results in terms of translational exposure would be an increase in profit before taxation and exceptional items of £2.8m and £1.1m (2013: £3.0m and £0.6m) respectively, with a similar decrease if the Euro or US Dollar weakened against Sterling by 10%.

(c) Liquidity risk management

The Group's Treasury function centrally co-ordinates relationships with banks, manages borrowing requirements, foreign exchange needs and cash management. The Group has access to a revolving credit facility ('RCF') with RBS and HSBC that provides a committed borrowing facility of £50m which expires in May 2019. £24m (2013: £5m) was drawn down against the RCF at the year end.

The RCF requires, amongst other matters, compliance with the following three financial covenant ratios which are tested twice a year on the basis of year-end and half-year financial statements:

- (i) Interest Cover: interest and dividend cover shall not be less than the ratio of 1.2:1 at any time;
- (ii) Leverage: the ratio of total net debt on the last day of a period to EBITDA in respect of that period shall not exceed the ratio of 2:1; and
- (iii) Guarantor Cover: the aggregate Adjusted EBITDA and gross assets of all the Guarantor subsidiaries must at all times represent at least 85% of the Adjusted EBITDA and gross assets of the Group as a whole.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The table below shows the maturity profile of the financial liabilities which are held at amortised cost based on the contractual amounts payable on the date of repayment:

	BORROWINGS		TRADE AND OTHER PAYABLES	
	Group £'000	Company £'000	Group £'000	Company £'000
At 30 November 2014				
Within one year	24,000	24,000	106,037	5,488
One to five years	–	–	379	–
	24,000	24,000	106,416	5,488
At 1 December 2013				
Within one year	5,000	5,000	81,224	24,612
One to five years	–	–	758	–
	5,000	5,000	81,982	24,612

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In the normal course of business, the Group participates in cash pooling arrangements with its counterparty bank. The maximum exposure to a single banking group for deposits and funds held on account as at the year end was £6.7m (2013: £8.9m). The Group will not accept any counterparty bank for Group pooled deposits unless it has been awarded a minimum recognised credit rating of A3/Prime-2 (Moody's). Some local banks in emerging markets may have lower ratings but the funds at risk will be small. The Group will permit exposures with individual counterparty banks and exposure types up to pre-defined limits as part of the Group treasury policy. Exposure to all transaction limits are monitored daily.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to assess further credit extensions to existing clients. In addition, the spread of the client base (circa 7,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group.

Trade receivables of the Group are analysed in the table below. With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The Group does not typically renegotiate the terms of trade receivables, hence the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at year end.

Trade receivables of £77.7m (2013: £54.2m) were neither past due nor impaired.

As of 30 November 2014, trade receivables of £31.1m (2013: £22.1m) were past due but not impaired. These pertain to a number of unrelated customers for whom there is no recent history of default.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

As at 30 November 2014, trade receivables of £4.7m (2013: £4.3m) were impaired.

Trade receivables	2014 £'000	2013 £'000
Neither impaired nor past due	77,685	54,168
Ageing of past due but not impaired receivables:		
within 30 days	21,798	16,174
31 to 60 days	6,596	4,279
61 to 90 days	2,730	1,629
Ageing of impaired receivables:		
within 90 days	22	222
over 90 days	4,724	4,063
Provision for impairment of trade receivables	(1,846)	(1,439)
Total	111,709	79,096

The entire accrued income balance is not past due.

The Group's credit risk from loans given to certain tracker shareholders is mitigated by the fact that the loans are spread over a number of individuals (2014: 48 individuals; 2013: 45 individuals) and none of the individuals hold loans of material amounts. Exposure to all individuals is regularly monitored and the individuals are asked to settle all such outstanding balances when their tracker share is settled or in most circumstances if they leave the business.

(e) Interest rate risk management

The Group is also exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally financial liabilities. The Group finances its operations through a mixture of retained profit and the revolving credit facility.

The Group does not hedge the exposure to variations in interest rates presented by the above instruments.

Taking into consideration all variable rate borrowings and bank balances as at 30 November 2014, if the interest rate payable or receivable moved by 100 basis points in either direction, the effect to the Group would be minimal. 100 basis points was used on the assumption that applicable interest rates are not likely to move by more than this basis given the pattern of interest rate movements during the year.

(f) Interest rate profile of financial assets/(liabilities)

At the reporting date, the Group and the Company did not have any significant financial liabilities exposed to interest rate risk except for the revolving credit facility (note 17). The only financial assets which accrued interest were cash and cash equivalents (note 15) with maturity of less than a year and were subject to floating interest income.

As part of the presentation of market risks, IFRS 7 requires disclosure on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices. As of 30 November 2014, the Group and the Company did not hold any material investments to be classified as 'available for sale' or as 'held for trading'. Therefore there are no financial instruments which would be materially impacted by risk variables affecting the price of financial instruments.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(g) Currency profile of net cash and cash equivalents

Functional currency of Group operations:

	CASH AND CASH EQUIVALENTS				
	Sterling £'000	Euro £'000	US dollar £'000	Other currencies £'000	Total £'000
At 30 November 2014					
Functional currency					
Sterling	1,204	(7,545)	108	50	(6,183)
Euro	205	12,069	–	–	12,274
Other	260	–	2,630	5,090	7,980
Total	1,669	4,524	2,738	5,140	14,071
At 1 December 2013					
Functional currency			RESTATED*		
Sterling	129	(17,847)	81	54	(17,583)
Euro	205	25,439	–	–	25,644
Other	484	–	996	4,149	5,629
Total	818	7,592	1,077	4,203	13,690

*The prior year figures have been restated to conform to the current year presentation.

Other foreign currencies held by the Group include: Swiss Franc, United Arab Emirates Dirham, Australian Dollar, Hong Kong Dollar, Singapore Dollar, Swedish Kronor, Bahrain Dinar, Kuwait Dinar, Qatar Riyal, Saudi Arabia Riyal, Indian Rupee, Nigerian Naira, Malaysian Ringgit, Thailand Baht, Russian Rouble, Japanese Yen and Brazilian Real.

The Company does not have exposure to other currencies.

(h) Fair values of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities are equal to their fair values.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest.

Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. A summary of the assumptions used for each category of financial instrument is set out below.

Summary of methods and assumptions

Short-term deposits and borrowings	Approximates to the carrying amount because of the short maturity of these instruments.
Cash and cash equivalents	Approximates to the carrying amount.
Receivables and payables	Approximates to the carrying amounts for current balances; there are no material longer term balances.
Financial instruments	Market valuations at the end of the reporting period.

FIVE YEAR FINANCIAL SUMMARY

	30 November 2014 £m	1 December 2013 £m	25 November 2012 £m	27 November 2011 £m	28 November 2010 £m
Turnover					
<i>Geographic analysis – by location of client</i>					
United Kingdom & Ireland	280.1	247.3	246.7	242.7	227.9
Europe and Rest of World	466.8	387.0	330.8	299.8	246.6
	746.9	634.3	577.5	542.5	474.5
Gross profit					
<i>Geographic analysis – by location of client</i>					
United Kingdom & Ireland	66.3	63.2	70.9	71.3	68.3
Europe and Rest of World	151.9	136.6	134.4	124.2	98.1
	218.2	199.8	205.3	195.5	166.4
Operating profit before exceptional items	29.8	21.2	25.1	30.0	21.2
	pence	pence	pence	pence	pence
Basic earnings per share before exceptional items	16.3	9.1	14.1	16.8	11.9
Dividends per share					
– ordinary	14.0	14.0	14.0	14.0	12.0
– special	–	–	11.0	–	–
Other key performance indicators					
	number	number	number	number	number
Average headcount	2,487	2,228	2,234	2,042	1,772
Permanent placements in financial year	6,601	6,429	7,343	7,434	6,551
Active contractors at year end	7,573	5,791	5,122	4,692	4,359

The 2013 results comprise 53 weeks and all other periods comprise 52 week data.

SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES AND ELECTRONIC COMMUNICATIONS –
WWW.CAPITASHAREPORTAL.COM

Shareholders with enquiries relating to their shareholding should contact Capita Asset Services. Alternatively, you may access your account via www.capitashareportal.com, but will need to have your investor code available when you first log in, which may be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, find out how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers. Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request via the registrar by calling **0871 664 0391** (from UK – calls cost 10p per min plus network extras; lines are open 9.00am – 5.30pm Mon to Fri) or +44 208 639 3367 (Non UK) or register online at: www.capitashareportal.com. There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the registrar.

POTENTIAL TARGETING OF SHAREHOLDERS

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check the FCA Register at www.fca.org.uk/register to ensure they are authorized.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
- The FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors.
- If you deal with an unauthorised firm, you will not have access to the Financial Ombudsman Services or Financial Services Compensation Scheme.
- Any approach from such organisations should be reported to the FSA using the share fraud reporting form at www.fca.org.uk/scams. You can also call the Consumer Helpline on **0800 111 6768**.

Details of share dealing facilities that the Company endorses will only be included in publications issued by the Company. More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/consumer

ADR INFORMATION

For US investors, the Company has set up a Level One ADR facility, under the ticker symbol 'SERTY'. BNY Mellon acts as both ADR depository bank & registrar for this facility. For further information, please visit the website: www.adrbnymellon.com and search for the SThree profile page. Holders can also access information by writing or calling: The Bank of New York Mellon Depository Receipts, PO Box 43006 Providence, RI 02940-3006
Customer service:
Tel: 1 800 269-2377
(from outside the US **Tel: 001 201 680-6825**)
Email: shrrelations@mellon.com

For the issuance of ADRs please contact:

London: Damon Rowan
Tel: +44 207 163 7511
E-mail: damon.rowan@bnymellon.com

New York: Margaret Keyes

Tel: +1212 815 6915

E-mail: margaret.keyes@bnymellon.com

Website: <http://www.adrbnymellon.com>

SHARE PRICE INFORMATION

Information on the Company's share price can be found via: www.sthree.com, or via the FT Cityline Service,

Tel: 0906 003 0000 (code 3912). Calls cost 60p per minute from a BT landline and charges from other telephone networks may vary.

SHARE DEALING SERVICE

Capita Share Dealing Services provide a telephone and online share dealing service for UK and EEA resident shareholders. To use this service, shareholders should contact Capita, **Tel: 0871 664 0384** – lines are open Mon to Fri 9.00am – 5.30pm UK time (calls cost 10p per min plus network extras). Alternatively log on to www.capitadeal.com. (Capita Share Dealing Services is a trading name of Capita IRG Trustees Limited which is authorised and regulated by the FSA)

DIVIDEND RE-INVESTMENT PLAN (DRIP) (NON SPONSORED)

For any shareholders who wish to re-invest dividend payments in additional shares of the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Asset Services. Under this facility, accrued dividends are used to purchase additional shares. Any shareholder requiring further information should contact Capita on (UK) **0871 664 0381** * or (Non-UK) **+44 208 639 3402** or **Email: shares@capita.co.uk**.

* Calls cost 10p per minute plus network extras; lines are open 8.30am – 5.30pm Mon to Fri

SHAREGIFT

ShareGift (reg charity no. 1052686) operates a charity share donation scheme for shareholders with small parcels of shares whose value may make it uneconomic to sell. Details of the scheme are available from:

Website: www.sharegift.org

Tel: 0207 930 3737

COMPANY INFORMATION & CORPORATE ADVISORS

EXECUTIVE DIRECTORS

Gary Elden, Chief Executive Officer
Alex Smith, Chief Financial Officer
Steve Quinn, CEO, Americas
Justin Hughes, CEO, Asia Pacific & MENA

NON-EXECUTIVE DIRECTORS

Clay Brendish, Non Executive Chairman
Alicja Lesniak, Non Executive
Fiona MacLeod, Non Executive
Tony Ward, Non Executive (SID)
Nadhim Zahawi, Non Executive

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Web: www.sthree.com

COMPLIANCE HOTLINE

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Web: <https://www.integrity-helpline.com/sthree.jsp>

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REGISTRARS (ORDINARY SHARES)

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Tel: (Non UK) +44 208 639 3367

Email: ssd@capita.co.uk

Web: www.capitaassetservices.com

*Calls cost 10p per minute plus network extras, lines are open 9.00am-5.30pm Mon-Fri

FINANCIAL ADVISERS & STOCKBROKERS

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FINANCIAL PR

Citigate Dewe Rogerson

3 London Wall Buildings
London Wall
London EC2M 5SY

FINANCIAL CALENDAR

2014

30

NOVEMBER

Financial year end

2015

26

JANUARY

Results announced

23

APRIL

Annual General
Meeting

30

APRIL

Ex-dividend date for
final dividend

1

MAY

Record date for
final dividend

11

MAY

Dividend
reinvestment date

31

MAY

Half year end

5

JUNE

Final dividend paid

13

JULY

Interim results
announced

**EARLY
DECEMBER**

Interim dividend
payable

