



# ANNUAL REPORT

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## 2016

s|three

STEM STAFFING SPECIALISTS



# STHREE AT A GLANCE

## Who We Are

SThree plc is a leading international staffing company.

## What We Do

We provide specialist recruitment services in the STEM (Science, Technology, Engineering and Mathematics) industries.

The Group operates a family of ten brands, each with expertise and focus on niche areas. This gives us a deep understanding of industry sectors and ensures we deliver a quality service to our clients and candidates. Our strong emphasis

on creating a diverse and inclusive work environment allows us to find and retain skilled people and to bring a wealth of experience to solving workplace challenges for our customers.

## Key Company Facts

Countries	Offices
15	39

Sales Headcount	
2,044	(-6%)
2015: 2,185	

Total Headcount	
2,590	(-6%)
2015: 2,752	

Contractor Runners	
9,078	(+8%)
2015: 8,412	

## Key Financial Facts

Financial Year
1 December 2015 - 30 November 2016

Revenue	Gross Profit
£959.9m (+6%*)	£258.7m (+2%*)

Statutory Operating Profit	Adjusted Operating Profit
£37.8m (-2%)	£41.3m** (Flat**)

Statutory Basic Earnings per Share	Adjusted Basic Earnings per Share
21.2p (+2%)	23.2p** (Flat**)

\* In constant currency

\*\*Excludes the impact of £3.5m restructuring costs, see page 24.



# OUR VISION IS TO HAVE THE LEADING SPECIALIST STEM RECRUITMENT BRANDS IN THE MARKETS IN WHICH WE PARTICIPATE

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# OUR BRANDS, SECTORS & LOCATIONS

SThree consists of a family of ten niche recruitment brands, focusing on the STEM industries (Science, Technology, Engineering, and Mathematics).

Our customers, both candidates and clients, engage with SThree primarily through our four largest recruitment brands: Computer Futures, Progressive Recruitment, Huxley and Real Staffing.

Within the STEM industries we provide permanent and contract staff to sectors including ICT, Banking & Finance, Life Sciences, Engineering and Energy.



Huxley



progressive



Jp gray.

newington  international



 Global Enterprise Partners

HYDEN

## Our Sectors

- ICT
- Banking
- Financial Services
- Engineering
- Life Sciences
- Energy
- Public Sector
- Procurement & Supply Chain
- Change Management
- Logistics
- Construction
- Executive Search
- Digital Marketing, Creative & Advertising
- Previously hidden and under-utilised talent to help close the diversity gap.

## Our Locations



### BELGIUM

- Antwerp
- Brussels

### LUXEMBOURG

- Luxembourg City

### FRANCE

- Paris

### NETHERLANDS

- Amsterdam
- Rotterdam

### GERMANY

- Berlin
- Düsseldorf
- Frankfurt
- Munich
- Hamburg
- Stuttgart

### SWITZERLAND

- Zurich

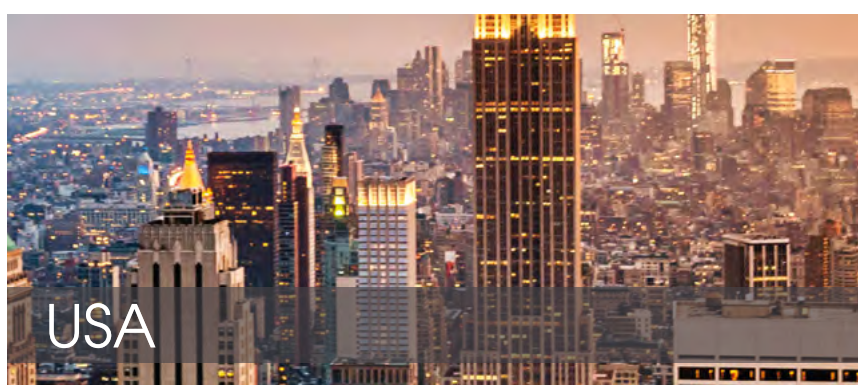


### UK

- Bristol
- Birmingham
- Glasgow
- London
- Leeds
- Manchester

### IRELAND

- Dublin



### USA

- Austin
- Boston
- Chicago
- Houston
- Minneapolis
- New York
- San Diego
- San Francisco



### UAE

- Dubai

### SINGAPORE

- Singapore

### HONG KONG

- Hong Kong

### AUSTRALIA

- Sydney

### MALAYSIA

- Kuala Lumpur

### JAPAN

- Tokyo

# OUR BUSINESS MODEL

The specialist recruitment market is primarily driven by confidence amongst candidates to move jobs, and businesses to replace them or create new roles as they grow and invest.

Our business model is to create a virtuous circle between our customers, services and people. Our highly trained consultants provide skilled people into niche roles. This allows our clients and candidates to work together to build the future.

Across our brands, our regions and sectors, Contract and Permanent, we operate through our key principles:

- **Build trust**
- **Care and act**
- **Be clear, aim high.**

We earn fees from our clients when we place a candidate with them.

These fees are charged as a percentage of the candidate's salary. With permanent roles the fees are charged when the candidate begins work with the client. With contractors we invoice clients on an ongoing basis for the duration of the contract, with the Group paying contractors and retaining a portion of the amount charged as a service fee.



We bring skilled  
people together  
to build the future

## Our Customers

We have three different sets of **Customers**: the client organisations that we work with, contractors we place with them on a temporary basis and permanent candidates looking for a long term career move. We work with almost every size and shape of company in need of skilled technical specialists, from small enterprises through to some of the largest and most respected global companies.

We are able to provide them with the talent they need through

detailed market sector knowledge and the ability to reach a vast network of candidates through our own bespoke tools and by using market-leading sourcing techniques.

For those in search of a new opportunity we deal with both candidates and contractors, to find them both Permanent and Contract roles. We match them to one of the tens of thousands of companies we work with on an ad hoc or ongoing basis.

We match our impressive scale with a strong emphasis on customer experience, to ensure that Clients, Contractors and Permanent candidates receive the high level of service that will motivate them to deal with us in the future and to recommend us to other future customers. This emphasis on customer experience has a growing importance in our performance management practices and incentives.

## Our Services

Our **Services** primarily involve placing people in either Contract or Permanent roles and supporting client companies and candidates before, during and after that process.

Our mix of Contract and Permanent business means that we are well placed to support our clients and candidates. Our team of consultants specialise in either Contract or Permanent recruitment,

in addition to covering a defined market sector and geography. This allows us to offer a high level of service to customers across a wide range of profiles and industries.

To ensure our strategy cascades through the organisation we have targets and incentives at all levels of the company to ensure that we are actively managing the size and performance of our Contract and Permanent teams.

One of the reasons our clients work with us is because we understand the regulations that apply to the jurisdictions where our candidates work. We can ensure full compliance for all parties and this valuable market knowledge is a source of sustainable competitive advantage for SThree, particularly given the long-term trend in favour of contract working.

## Our People

Our **People** are our greatest asset. We know that a customer's interaction with an individual recruiter drives over 60% of their total satisfaction with any transaction.

That's why we provide them with the support and systems they need to grow their career. We are committed to creating an inclusive

environment which allows them to progress, irrespective of their background. We put learning and development programmes in place that are designed to support their career at all stages. To support this, our senior team have specific objectives to ensure we are building and retaining a diverse and motivated workforce.

More fundamentally, our strong sense of purpose is that we bring skilled people together to build the future. This makes SThree a very appealing place to build a career. Our own efforts in this area also allow us to provide strategic counsel to our clients about how they can win the war for talent in their sectors.

# INVESTMENT CASE

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Our business model is well diversified across geographies and sectors. It covers the different and complementary revenue streams of both Contract and Permanent recruitment.

We are a **STEM recruiter** with multiple brands to maximise opportunities, including allowing our brands to overlap and compete where this creates greater shareholder value.

We participate in markets where **demand for talent exceeds supply**, giving us structural long-term growth opportunities.

Our **balanced business model** provides us with a good degree of resilience across a range of sectors, geographies and employment mixes.

Our **weighting towards Contract employment** makes us a safer investment.

We have a **consistent and robust dividend track record** supported by a strong balance sheet.

Our **entrepreneurial culture** is supported by a range of long-term incentives to drive sustained performance.

Additionally our experience over the last 30 years gives us insight and **flexibility to rapidly re-deploy our staff** across sectors and regions in response to changing market dynamics.

Our **leading edge award-winning systems** and global infrastructure provide a scalable platform for future growth.

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## Why STEM?

We specialise in the STEM market, because of the following characteristics:

- Ideal for the recruitment sector as highly skilled candidates are difficult to identify;
- A fast growing job market;
- Higher average salaries;
- High demand for candidates;
- Relatively high churn as candidates move to update skills and projects require different skill mixes;
- The Contract offering is particularly well suited to the STEM market.

Demand for quality talent in STEM markets remains strong, due to:

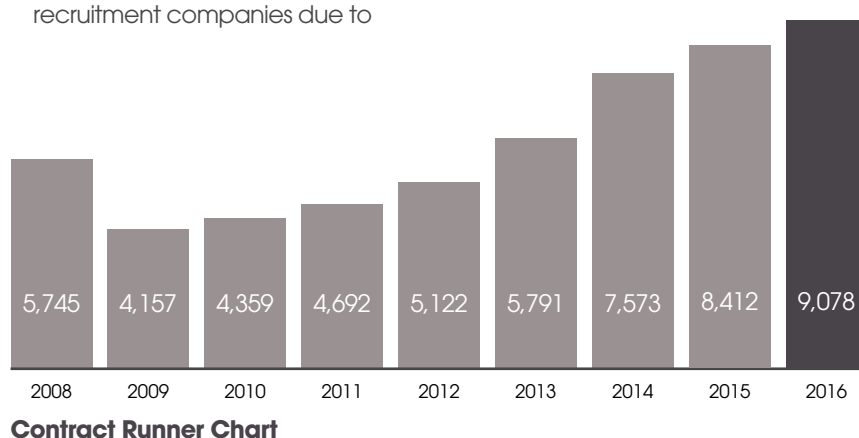
- Demographic shifts and an ageing workforce;
- Shortage of specialist skills in technical areas;
- Expanding client portfolios;
- Shortage of talent considering careers in STEM.

## Focus on Contract Recruitment

With our Contract runner level at a record high we continue to believe that this presents us with sustained growth opportunities in 2017 for the following reasons:

- Long-term societal preference for contract assignments, particularly among skilled individuals;
- Higher lifetime value than a Permanent equivalent;
- STEM markets are often project-based;
- Tendency for contract rates to rise in positive economic climate when talent is in short supply;
- Greater barriers to entry for other recruitment companies due to cash requirements and growing compliance and regulatory requirements;
- More predictable and visible earnings stream;
- More resilient than Permanent in times of economic uncertainty as companies defer long-term investments;
- Ongoing client relationships more likely to generate other opportunities.

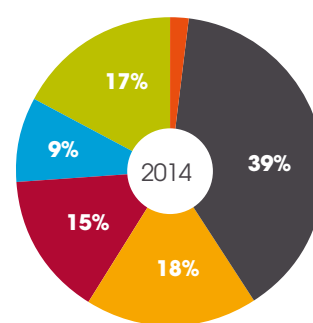
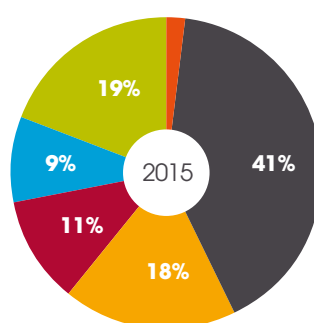
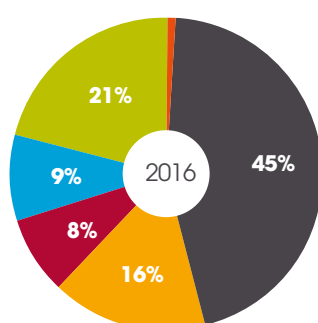
# Contract runners up 77% since 2012



## Diverse Sectors and Regions

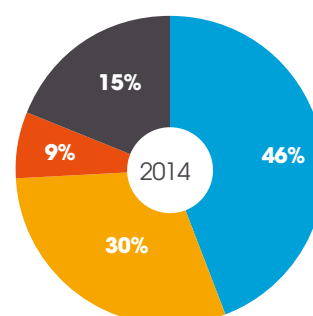
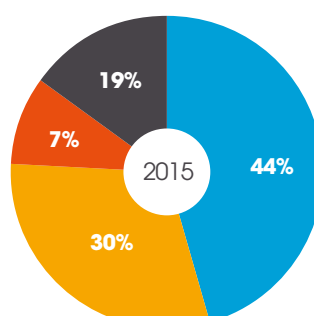
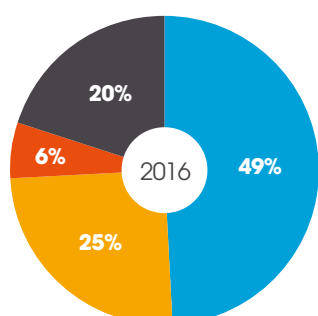
### GP Business Mix - Sector

■ ICT ■ Banking & Finance ■ Energy ■ Engineering ■ Life Sciences ■ Other



### GP Business Mix - Geography

■ C Europe ■ UK&I ■ USA ■ APAC & ME



# OUR BUSINESS STRATEGY

## A 5-Point Plan for Growth

Our five-point plan is designed to achieve our vision to have the leading specialist STEM recruitment brands in the markets in which we participate.

Our five-point plan for growth is: to leverage growth opportunities across our sectors; to grow and diversify across our regions; to identify Merger & Acquisition opportunities to expedite growth; to focus on Contract; to leverage and build an infrastructure for growth.

We do this by delivering excellent service to our existing clients, engaging with new clients in our specialist areas and further developing our infrastructure. It is by expertly managing this blend that we will deliver sustainable returns for shareholders.

<b>1. Leverage growth opportunities across our sectors</b>	Grow and diversify our business to provide robust, sustainable returns for our shareholders, expand our services to our candidates and clients, and provide exciting opportunities for our people.
<b>2. Grow and diversify across our regions</b>	
<b>3. Identify Merger &amp; Acquisitions opportunities to expedite growth</b>	
<b>4. Focus on Contract</b>	Grow Contract to build a resilient business in a world of increasing macro-economic and political uncertainty and rapidly evolving technology to secure returns to our shareholders. Contract is an area where we can continue to provide a differentiated service through the market knowledge of our people and our compliant services.
<b>5. Build on infrastructure for growth</b>	To have the leading specialist STEM recruitment brands we provide our people with the best systems, allowing them to deliver the best possible service to our clients and candidates, and to assess which markets to focus their resources.

Additionally each year we set out our one-year priorities which will allow us to build towards our vision.

## Strategic Priorities 2016

	Customers	Services	People		
<b>Strategic Investment in Contract</b>	✓	✓	✓	<ul style="list-style-type: none"> <li>• Positive quarterly YoY growth for over 5 years</li> <li>• Contract now 67% of GP (FY 2015: 64%)</li> </ul>	<ul style="list-style-type: none"> <li>• Now represents 63% of sales headcount, our highest ever</li> </ul>
<b>Drive Recovery in Permanent Productivity</b>			✓	<ul style="list-style-type: none"> <li>• Successful focus on improving productivity, up 3%* YoY</li> </ul>	<ul style="list-style-type: none"> <li>• Restructure of the Permanent business to focus on higher yielding markets</li> </ul>
<b>Broaden capabilities in high growth US markets</b>	✓	✓		<ul style="list-style-type: none"> <li>• GP flat* YoY and ahead by 9%* excluding Energy</li> <li>• Established Madison Black, a new brand, to service digital marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Significant ICT opportunity, GP up 46%* YoY</li> <li>• Positive development of productivity in H2</li> <li>• Ongoing M&amp;A activity to explore potential acquisitions</li> </ul>
<b>Accelerate sector diversification in key STEM growth markets</b>	✓	✓		<ul style="list-style-type: none"> <li>• Strong performance from ICT, Life Sciences and Engineering offsetting weakness in Energy and Banking &amp; Finance</li> </ul>	<ul style="list-style-type: none"> <li>• ICT represents only 10% of our GP outside of Europe and increasing market share in these areas is a key growth opportunity</li> <li>• We are one of the largest professional recruiters in the global banking market</li> </ul>
<b>Build scale and critical mass in global network</b>	✓	✓	✓	<ul style="list-style-type: none"> <li>• Growth driven by increased returns from existing locations</li> </ul>	<ul style="list-style-type: none"> <li>• New offices opened in Austin and Minneapolis</li> </ul>
<b>Focus on costs and efficiencies to improve operational gearing</b>		✓	✓	<ul style="list-style-type: none"> <li>• Restructure of Energy, Banking &amp; Finance and UK businesses and a further right sizing of central support functions in 2016</li> </ul>	<ul style="list-style-type: none"> <li>• Tighter ongoing control of costs</li> </ul>

\* in constant currency

# CHIEF EXECUTIVE OFFICER'S REVIEW

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"I am pleased with the Group's performance through a challenging financial year. We have begun a transformation to make the customer the focus of our activities at every level. This is already starting to change the way we think and act and will give us sustained competitive advantage. Our approach to diversify by region and sector, with a key focus on growing our Contract business has developed us into a resilient Group, capable of weathering the political and economic uncertainties that we have faced through 2016 and will continue to face in 2017."

A number of external factors have slowed growth in key sectors and regions, but there have been notable successes that have allowed us to continue to grow our Gross Profit and exit the year with our highest ever number of Contract runners.

Our clear strategy to create a virtuous circle between our Customers, Services and People keeps us strong. When we can understand and act on their different needs we build a business that is both agile in the short-term and robust over the longer-term. In 2016 we demonstrated our ability to execute against this strategy in a way that delivered good outcomes for our customers and our people, and solid financial results for our shareholders in a challenging market.

**GARY ELDEN OBE**  
STHREE CEO

“We have begun a transformation to make the customer the focus of our activities. This is already starting to change the way we think and act.”

Group GP grew by 2%\* in the year with Contract ahead by 8%\* and Permanent down by 8%\*. Our strongest performances included Continental Europe (up 13%\*), where very strong client and candidate delivery by our teams ensured we capitalised on a buoyant market. ICT and Engineering also fared well with GP ahead by 12%\* and 9%\*, respectively.

Performances in our other regions reflect more challenging conditions, with GP in the USA being flat\*, Asia Pacific & Middle East ('APAC & ME') down by 15%\* and the UK&I down by 8%\*. The majority of these year on year changes were attributable to external factors, with difficult trading conditions in key sectors in these regions, especially in Banking & Finance and Energy.

In the USA, a key growth engine for the Group in recent years, we faced operational challenges which were quickly addressed, but nevertheless, we saw slower growth than previously, only part of which was down to market conditions.

We have responded to these difficult trading conditions with a greater focus on the growth of Contract and more selective headcount planning at a regional and sector level (including a restructuring of parts of the business).

<b>Breakdown of GP</b>	<b>FY 2016 %</b>	<b>FY 2015 %</b>
<b>Contract/ Permanent Split</b>		
Contract	67%	64%
Permanent	33%	36%
	<b>100%</b>	<b>100%</b>
<b>Geographical Split</b>		
UK&I	25%	30%
Continental Europe	49%	44%
USA	20%	19%
APAC & ME	6%	7%
	<b>100%</b>	<b>100%</b>
<b>Sector Split</b>		
ICT	45%	41%
Banking & Finance	16%	18%
Energy	8%	11%
Engineering	9%	9%
Life Sciences	21%	19%
Other	1%	2%
	<b>100%</b>	<b>100%</b>

*\* in constant currency*

## Contract and Perm Mix

Our business mix continued to shift in favour of Contract, a business where we continue to see attractive growth opportunities and one which is also more resilient in times of uncertainty. In 2012 our GP was evenly split between Contract and Permanent recruitment. At that time we set out our plans to grow our Contract business faster than our Permanent business, with a mid-term goal of reaching roughly a two-thirds split in favour of Contract. We have now achieved a 67% split in favour of Contract, a growth of 3% YoY.

To achieve this we have continued to invest in our teams that specialise in Contract, as we set out to do at the end of 2015. Contract sales headcount at period end had grown by 1% YoY and will continue to represent the bulk of headcount growth during 2017. Permanent sales headcount by comparison was down by 17%. At the end of the financial year, Contract sales headcount represented 63% of total sales headcount (2015: 58%).

Although this is pleasing from a business perspective, of greater significance for me and my colleagues is the knowledge that

we have placed around 17,000 skilled specialists during the year.

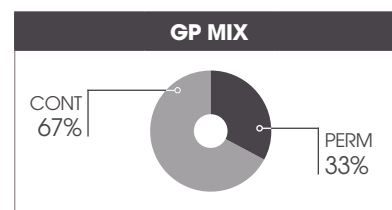
As we have been able to report every year since placing greater strategic focus on Contract in 2012, we entered our new financial year with a record Contract book. Period end Contract runners were at 9,078, up 8%.

A roll out of our Employed Contractor Model ('ECM'), which was first introduced in 2013, continued through the year, with new offerings in Germany and Japan. At the year end, 15% of Contract runners were employed under this model. The ECM is structured such that the Group employs individuals directly and contracts them to clients, in contrast to the traditional Personal Service Company model. With governments examining new ways to raise tax revenues to address budget deficits, including the IR35 Intermediaries Legislation in the UK and the Deregulating Beoordeling Arbeidsrelaties (DBA law) in the Netherlands, our business model is expected to shift further towards the ECM over time.

The Permanent side of our business now represents 33% of Group GP, in line with our stated strategy of

### Group FY 2016

GP GROWTH YoY*		
CONT	PERM	TOTAL
+8%	-8%	+2%



AVG. SALES HEADCOUNT YoY		
CONT	PERM	TOTAL
+11%	-10%	+1%

retaining a well diversified business. In 2016 Permanent GP was down 8%\* YoY. At the start of the year we set out a goal to focus primarily on improving yields. During 2016 we saw average Permanent yields grow by 3%\* while period end sales headcount was down 17%.

We believe that this balance towards Contract continues to represent the best long-term approach for the company and, during 2017, we expect that Contract will continue to grow as a percentage of total Group GP, while we also maintain our sharp focus on improving yields and selectively growing headcount in Permanent.

## Regional and Sector Mix

Looking at the performance of our regional teams and industry sectors across the globe, we are satisfied with the robustness of our business model.

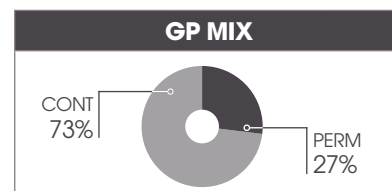
### ICT

ICT continues to be our biggest sector and provides us with a breadth of opportunities across all of our regions. ICT accounted for 45% of our GP in 2016.

To be successful in this sector requires agility and significant skills in execution, in order to: identify new trends; understand what business model is required in sectors which are starting to become commoditised; and be able to act decisively to exit shrinking or over-commoditised niches. These same underlying organisational skills help us manage some of our

ICT	CONT	PERM	TOTAL
<b>GP GROWTH*</b>	<b>+15%</b>	<b>+4%</b>	<b>+12%</b>

<b>AVG. SALES HC</b>	<b>+14%</b>	<b>+1%</b>	<b>+9%</b>
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\* in constant currency

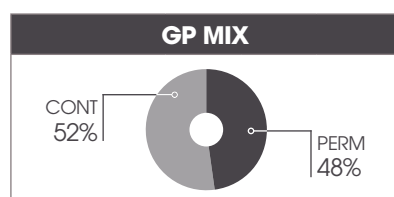
smaller and more cyclical business units such as Energy – which has been affected by the low oil price for several years – and Banking & Finance, a sector which experienced a general slowdown during 2016.

### Banking & Finance

We are one of the largest professional recruiters in the global banking market. The Global Banking market uncertainty is adversely impacting our Banking & Finance sector with a number of large clients implementing hiring freezes through the year as restructuring continues across the industry. This has impacted our businesses across the UK&I, USA and APAC & ME in Contract, but more so in Permanent.

Given current global economic conditions, this market is not expected to improve in the short-term and we are diversifying our teams into other related markets. Our Banking & Finance teams continue to expand their client mix beyond banking into adjacent sectors in the broader financial services market. Banking has remained resilient in Continental Europe. Although German banks are under intense pressure, opportunities exist as they modernise.

BANKING & FINANCE	CONT	PERM	TOTAL
GP GROWTH*	-4%	-14%	-9%
AVG. SALES HC	+13%	-8%	+1%

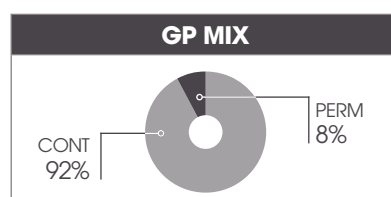


### Global Energy

The Energy division picked up significant new business in midstream and downstream this year to offset ongoing weakness in the upstream sector. It also

diversified further into renewables and power generation. The oil price has remained much lower than the highs seen in the mid 2014 and there are no signs of a recovery to these levels. This continued low oil price has hampered our reported growth, especially in the USA and APAC & ME. Energy now represents only 8% of the Group GP, contracting to small, highly-skilled teams who have returned to profitability through the year. The Energy division picked up significant new business in midstream and downstream this year, including in renewables, to offset ongoing weakness in the upstream sector.

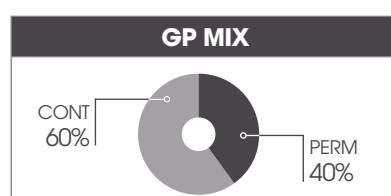
GLOBAL ENERGY	CONT	PERM	TOTAL
GP GROWTH*	-12%	-80%	-30%
AVG. SALES HC	-11%	-86%	-39%



### Life Sciences

We pride ourselves on being one of the largest professional recruiters in the Life Sciences market. Although the rate of growth has slowed in the year with cost-cutting across the sector, many new opportunities remain. New healthcare businesses with disruptive business models are fuelling change in the sector with a growth in the use of data analytics and the emergence of a new 'digital health' segment. These are

LIFE SCIENCES	CONT	PERM	TOTAL
GP GROWTH*	+12%	+4%	+8%
AVG. SALES HC	+26%	+2%	+14%

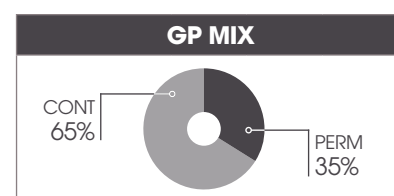


all areas where our highly-skilled people can find the best candidates to support businesses across this broad industry.

### Engineering

Our Engineering sector performed well in the year, despite restructuring its Permanent business in certain regions. The sector operates predominantly from Continental Europe.

ENGINEERING	CONT	PERM	TOTAL
GP GROWTH*	+10%	+7%	+9%
AVG. SALES HC	+2%	-13%	-5%

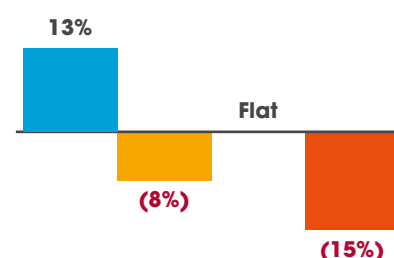


### Regional

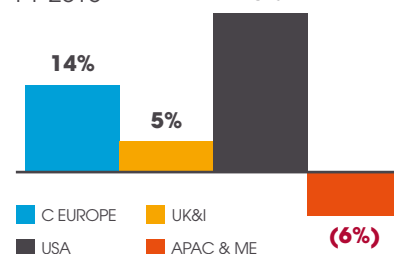
At a regional level, the Group continues to become ever more international, with 75% of Group GP now derived from markets outside its historic base in the UK. Continental Europe has grown significantly while other regions have been challenged primarily due to regional or sector issues. Restructuring measures were taken in a number of businesses more heavily impacted by market conditions.

### Growth/(Decline) by Region\*

FY 2016



FY 2015



\* in constant currency

especially Energy and Banking at a sector level and the UK, USA and APAC & ME at a regional level. Uncertainty created by the EU Referendum in the UK had an adverse impact with GP falling across all sectors, but with the greatest impact in our Banking sector and our Permanent business.

During 2016 we expanded our US footprint by opening offices in

Austin and Minneapolis, as well as launching Madison Black, a specialist digital marketing brand, in New York.

We have also laid the foundations for further growth within our existing regions by adding office capacity in some key locations and preparing for additional moves and new office openings in 2017. At the same time we continue to

manage costs and contractual commitments carefully. In the second half of 2016 we moved our London consultants to two new locations and rehoused support staff, in order to reduce our property costs whilst also improving the work environment.

Further detail about our regions is provided on pages 18 - 21.

### Significant Projects

Away from the 'front line' of recruitment we have taken steps to ensure that we have the right mix of products, services and business models to address both current and future needs, with a much greater internal emphasis on innovation and entrepreneurship. We have created an internal system of innovation which gives us greater ability to identify promising new ideas and to test them quickly. At the end of the year, there were a handful of new initiatives of different size and scale either already at early test stage with some clients, or being incubated internally for deployment during 2017.

We also provided a structured opportunity for our staff to become involved in this process, running innovation challenges across a number of our offices to generate a stream of ideas to feed into our innovation system. We have found this to be both a strong source of ideas as well as a good way to engage and motivate our sales teams.

In addition to unlocking internal innovation we have also engaged with a number of start-ups in the recruitment space, to identify whether we should make strategic investments or find other ways to unlock the potential in these ideas. We have for example, made a small investment in an HR Tech start

up. We expect this process to continue in 2017 as an important way to be alert to the potential disruptive technologies.

In addition to these activities in innovation we have made two large transitions during 2016 which we expect to generate significant benefits for the Group for the remainder of this decade and beyond.

First, we have rolled out a major customer experience programme globally, using Net Promoter Score (NPS) to capture insight from both client companies and individual candidates. Importantly, we understand that this is not just a data capture exercise but the first step in using greater customer insight to adapt our systems, processes and behaviours to deliver outstanding service. We have already seen significant improvements in our overall NPS results as well as in the volume of data we capture, as our sales and support teams take this information and use it to improve working practices. We are excited both by what we have achieved in the last 12 months and by the considerable ongoing improvements we can still make in order to increase satisfaction and loyalty.

Second, we have continued to invest heavily in our systems and technology during the year. This will

allow us to deliver a better and more efficient service to our customers while also providing market-leading tools to our workforce, helping them to fulfil their roles more effectively and improving retention. In particular we have rolled out three major new technology initiatives, replacing our core sales system with Salesforce, replacing our core HR system with Fairsail and our incentives system with Xactly.

Our underlying 'platform' (the linked set of systems and processes that power all our brands globally) has always been a source of sustained competitive advantage and we believe that the investments we have made and deployed in 2016 leave us very well placed for the future.

Given the many uncertainties in the global economy during the year, our ability to stay focussed and to deliver solid results is testament to the hard work of our skilled global teams, executing against a clear and successful strategy.

### Chief Operating Officer

Recognising the need to provide senior backing to our project streams, we have broadened Justin Hughes' role, appointing him as Chief Operating Officer from 1 December 2016.

## Outlook


This has been a year of unexpected developments in several of our key territories which are likely to impact the future trading environment. The changed political landscape creates global macro-economic uncertainties which make this a difficult environment in which to plan. Upcoming elections in France and Germany are likely to prolong the political and economic uncertainty already created by the EU Referendum result in the UK and by new political leaders in the UK and USA. With that in mind, we will continue to adopt the prudent approach to planning which has served us well in recent years, but remain poised to respond quickly to opportunities when they arise.

At a sector level, we expect continuing challenges in the Energy sector and also in the Banking market. In these two areas in particular, but also across the entire business, our management focus in 2017 will be spent ensuring that we retain our valuable agility and that we make the right investment decisions across our portfolio.

We will continue to focus on the Contract market, where we see attractive growth opportunities and which is more resilient in periods of economic uncertainty. As we have done in 2016, we will pay close attention to productivity and underlying costs in both Permanent and Contract. We will also continue

to be alert to opportunities to add new capabilities to the Group by acquisition.

We have shown in previous periods of uncertainty that we can optimise our performance. All of these experiences have made us stronger and more resilient as a business. It is this knowledge, together with the investments we continue to make in both people and technology, that give us the leadership skills, the organisational intelligence and the underlying agility to thrive.



"We have shown in previous periods of uncertainty that we can optimise our performance. It is this knowledge, together with the investments we continue to make in both people and technology, that give us the leadership skills, the organisational nous and the underlying agility to thrive."

# CONTINENTAL EUROPE

Continental Europe represents half of our Group GP. It delivered an excellent performance in 2016 (GP +13%), with strong delivery in a good market.

## Performance in 2016

Management for Continental Europe is split into two regions: Germany, Austria and Switzerland (DACH) which is 27% of Group GP and Belgium, Netherlands, Luxembourg & France (BENELUX & France), which is 22% of Group GP.

Overall, strong growth was achieved in the Contract business, with France and Germany the stand out countries on growth. Our German Contract GP grew +22%\* YoY, and France Contract GP grew +16%\* YoY.

## 49% C EUROPE OF GROUP

In Germany, we have the largest Permanent business and our Contract business is growing rapidly. BENELUX & France also had a strong year with GP +9%\*, with Contract +12%\* and Perm +1%\*. We have the largest professional staffing company in the Netherlands. We opened a new office in Brussels in 2016 and plan to take on more space in Amsterdam in 2017. Our strongest

growth areas in both regions were ICT and Engineering, both achieving double digit growth. Strong staff engagement and a focus on improved service levels were key to the success of both regions in 2016. We have also run internal innovation challenges to unlock new ideas.

## Expectations for 2017

We ended 2016 with a record Contract pipeline, our best ever level of staff retention, a clear strategy, and a focussed and motivated team driving a strong exit rate for the year. In 2017 we expect to leverage our newly established Employee Contractor Model to gain market share and to expand our office portfolio.

We aim to continue to grow our headcount selectively and capitalise on the market opportunity, whilst mindful of the legislative, macro-economic, and political risks that may impact the region, especially with elections in France, the Netherlands and Germany scheduled for 2017.



**DAVE REES**

CEO, Continental Europe

Engineering GP **+24%\*** YoY

Permanent GP per head **+6%\*** YoY

Contract Runners **+20%** YoY

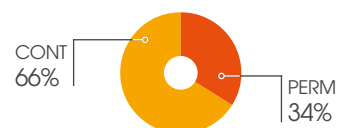
GP - Growth YoY\*

2016	127.5m	+13%
2015	103.2m	+14%
2014	99.4m	+12%
2013	96.6m	-7%

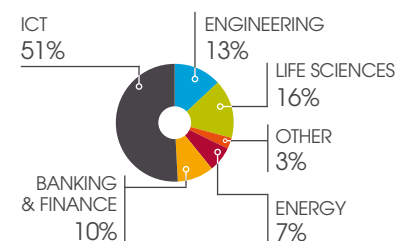
Sales Headcount - YoY

2016	1,045	+14%
2015	1,002	+11%
2014	899	

FY 2016 Cont-Perm Mix



FY 2016 Sector Mix



C Europe FY 2016

	CONT	PERM	TOTAL
<b>GP GROWTH*</b>	<b>+17%</b>	<b>+7%</b>	<b>+13%</b>
<b>AVG. SALES HC</b>	<b>+12%</b>	<b>+1%</b>	<b>+7%</b>

\* in constant currency

# UK & IRELAND

We successfully re-tendered for a number of Public Sector Framework Agreements demonstrating our credentials for providing a high quality, compliant service.

## Performance in 2016

Our UK&I business experienced a challenging year in 2016 with all sectors down YoY. The economic and political uncertainty created by the EU Referendum adversely impacted the business, especially our Permanent division. It also compounded issues in the Banking sector (down 19%\*) which was already facing a significant slow down. We successfully re-tendered for a number of Public Sector Framework Agreements, demonstrating our ability to provide a high quality, compliant service. However, as expected, these new framework agreements are being concluded at significantly lower rates, resulting in a sharp drop in Public Sector fees.

## 25% UK&I OF GROUP

In response to these challenges, we have restructured the UK business, including streamlining and re-sizing teams; re-defining our Permanent and Contract value propositions and trialling a candidate resourcer centre model. We ended 2016 with a

small reduction in our Contract pipeline and a smaller, more focused Permanent business. The region has spearheaded the global rollout of our customer experience activity, using insight to change behaviour and improve satisfaction scores.

## Expectations for 2017

In 2017 we face considerable uncertainty as the UK formalises its exit from the EU and we will direct our resources to maximise the opportunities and protect against the risks as they become clear. The IR35 Intermediaries Legislation, applicable from April 2017, is expected to reform off-payroll working in the Public Sector. This is expected to adversely impact our UK Public Sector business, but could also present an opportunity for us given our ability to deliver fully compliant services to our Public Sector candidates and clients.

We expect to hold our UK&I headcount broadly level, re-mixing it as required through the year, to capitalise on the market opportunity.



**MIKE WALKER**

Regional Managing Director,  
UK&I

Perm GP per head - FY **Flat\*** YoY

Perm GP per head - Q4 **+8%\*** YoY

Perm Average Fee **+2%** YoY

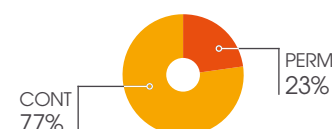
## GP - Growth YoY\*

<b>2016</b>	<b>64.0m</b>	<b>-8%</b>
2015	69.5m	+5%
2014	66.3m	+9%
2013	63.2m	-12%

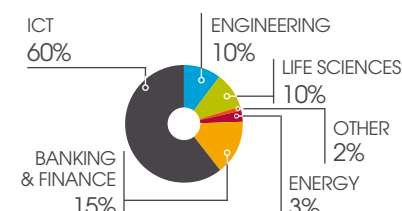
## Sales Headcount - YoY

<b>2016</b>	<b>530</b>	<b>-16%</b>
2015	634	+5%
2014	604	

## FY 2016 Cont-Perm Mix



## FY 2016 Sector Mix



## UK&I FY 2016

	CONT	PERM	TOTAL
<b>GP GROWTH*</b>	<b>-3%</b>	<b>-21%</b>	<b>-8%</b>
<b>AVG. SALES HC</b>	<b>+2%</b>	<b>-21%</b>	<b>-7%</b>

\* in constant currency

# USA

Contract GP up 10%\* as our business moves towards Contract in response to the needs of our clients.

## Performance in 2016

The USA has been SThree's fastest growing region in recent years fuelled by growth across all of our STEM sectors. However, 2016 has seen overall growth slow as the business was impacted by difficult markets in both Banking and Energy. Overall GP was flat YoY but up 9%\* excluding Energy. We continued to see positive growth in Contract with GP up 10%\*, driven by growth in average sales headcount up 27%, and with period-end Contract runners up 5%. Permanent GP was down 15%\* YoY, with average sales headcount down 18% and a 4% improvement in productivity. Fees remained robust, reflecting the niche position and value of our proposition to our clients in the region.

As previously reported, Life Sciences, our largest sector, suffered from some management issues early in the year but has continued to grow with GP up 10%\* YoY, driven by Contract up 20%\*. We are now the seventh largest Life Sciences staffing firm in the US. ICT, our fastest growing business, has continued to grow at a rapid pace with GP up 46%\* YoY and it is now larger than our Energy business, representing 15% of our GP. We opened new offices in Austin and Minneapolis early in the year to focus on ICT opportunities. The low price of oil has continued to impact our

Houston based Energy business (down 38%\* YoY) and a global downturn in Banking has impacted our East Coast business with Banking down 7%\* YoY. We launched a new brand during the year, Madison Black, focused on serving clients in the Digital Marketing and Creative staffing sector.

Period end sales headcount was down 17%, with Contract down 9% and Permanent down 30%, as we restructured the business in response to market conditions in Energy and Banking & Finance.

## 20% USA OF GROUP

### Expectations for 2017

With growth in Contract runners and a restructured business delivering improved yields, we are in a stronger position for growth in 2017. The result of the US presidential election created some uncertainty over potential policy changes which may influence potential for growth and investment by corporates, but we will continue to evolve our business to best service our candidate and clients whatever the market. We expect moderate, selective headcount growth in 2017 in both Permanent and Contract, with a focus on improving productivity.



**STEVE QUINN**  
CEO, USA

ICT GP **+46%\*** YoY

Permanent GP per head **+4%\*** YoY

Contract GPDR (excl Energy) **+3%\*** YoY

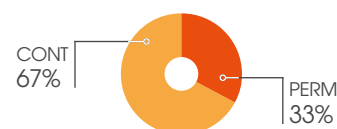
### GP - Growth YoY\*

Year	GP	Growth YoY*
2016	50.7m	-
2015	45.5m	+26%
2014	33.4m	+73%
2013	20.9m	+32%

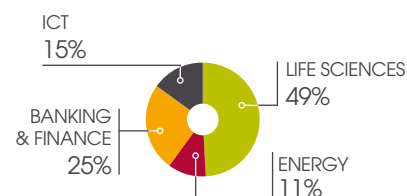
### Sales Headcount - YoY

Year	Headcount	Growth YoY
2016	307	-17%
2015	370	+38%
2014	277	

### FY 2016 Cont-Perm Mix



### FY 2016 Sector Mix



### USA FY 2016

	CONT	PERM	TOTAL
<b>GP GROWTH*</b>	<b>+10%</b>	<b>-15%</b>	<b>-</b>
<b>AVG. SALES HC</b>	<b>+27%</b>	<b>-18%</b>	<b>+7%</b>

\* in constant currency

# APAC & ME

We have had notable success in Contract with growth in our Australian and Middle East runner books and the establishment of a Contract business in Japan to penetrate the Haken market.

## Performance in 2016

Our APAC & ME businesses both faced a very challenging economic environment in 2016. Asia has been adversely affected by a slowdown in China impacting the wider region and both APAC and the ME have experienced sharp falls in GP from Energy and Banking. Excluding Energy, GP for APAC & ME fell by 4%\* YoY. Whilst GP is down, we have benefited from cost efficiencies and profitability has improved. This is our only region weighted more towards Permanent business, exposing it to greater volatility in response to external market factors than may be seen in other regions.

## 6% APAC OF GROUP

We have responded to these challenges with a management restructuring in Permanent in the region to right-size the business until the markets pick up. We have also invested successfully in ICT in the year as we continue to

diversify our business further (ICT +26%\* YoY).

We have had notable success in Contract with growth in our Australian and Middle East runner books and the establishment of a Contract business in Japan. Later in the year we began the rollout of our Customer Experience programmes which lays the foundation for future growth across the region.

## Expectations for 2017

The price of crude oil remains low and the global banking market remain flat, but changes in either of these could present risks and opportunities for the region. With the Trans-Pacific Partnership free trade deal at risk following the election of Donald Trump in the USA, there is further uncertainty in the region. We have right-sized our business and are confident that we have the right team in place to address the risks and opportunities posed by the market as they arise.



**JUSTIN HUGHES**  
COO & CEO, APAC & ME

ICT GP	+26%* YoY
Permanent Avg Fee	+14%* YoY
Contract Runners	+17% YoY

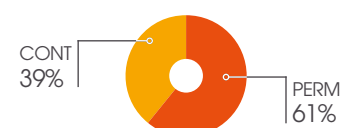
## GP - Growth YoY\*

<b>2016</b>	<b>16.4m</b>	<b>-15%</b>
2015	17.5m	-6%
2014	19.1m	+12%
2013	18.9m	-4%

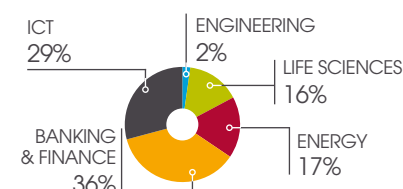
## Sales Headcount - YoY

<b>2016</b>	<b>163</b>	<b>-9%</b>
2015	180	-28%
2014	250	

## FY 2016 Cont-Perm Mix



## FY 2016 Sector Mix



## APAC & ME FY 2016

	CONT	PERM	TOTAL
<b>GP GROWTH*</b>	<b>-2%</b>	<b>-23%</b>	<b>-15%</b>
<b>AVG. SALES HC</b>	<b>+3%</b>	<b>-17%</b>	<b>-11%</b>

\* in constant currency

# 5 YEAR REVIEW

## GROSS PROFIT (£m)

2016	258.7
2015	235.7
2014	218.2
2013	192.8
2012	205.3

## OPERATING PROFIT (£m)

2016 <sup>(3)</sup>	41.3
2015 <sup>(1) (2)</sup>	41.5
2014	29.8
2013	21.0
2012	25.1

## ADJUSTMENTS TO OPERATING PROFIT (£m)

	2016	2015
Operating profit after exceptional items	37.8	38.8
Exceptional additional gain on disposal of ITJB	-	(0.4)
Reported operating profit before exceptional items	37.8	38.4
Restructuring <sup>(2) (3)</sup>	3.5	1.6
Asset impairments and accelerated depreciation <sup>(2)</sup>	-	1.5
Adjusted operating profit	41.3	41.5

## CONVERSION RATIO (%)

2016	16.0
2015	17.6
2014	13.7
2013	10.9
2012	12.2

## BASIC EARNINGS PER SHARE (pence)

2016	23.2
2015	23.2
2014	16.3
2013	9.1
2012	14.1

## CASH CONVERSION (%)

2016	96
2015	126
2014	48
2013	80
2012	88

## NOTES

(1) 2015 figures exclude the impact of £0.4m exceptional gain

(2) 2015 figures were adjusted for Energy restructuring and impairment costs of £3.1m

(3) 2016 figures were adjusted for the restructuring of certain sales businesses and central support functions, see page 24

# CHIEF FINANCIAL OFFICER'S REVIEW



**ALEX SMITH**  
STHREE CFO

We delivered a robust financial performance despite tough economic conditions and delivered strong year end cash and an improved balance sheet position.

Group revenue for the year was up 6%\* to £959.9m (2015: £848.8m) and up 13% on a reported basis. Gross profit ('GP') increased by 2%\* to £258.7m (2015: £235.7m) and was up 10% on a reported basis. FX impacted positively on the revenue and GP growth YoY on a reported basis. Growth in revenue exceeded growth in GP as the business continued to remix towards Contract. This resulted in a decline in the overall GP margin to 26.9% (2015: 27.8%) as Permanent has no cost of sales. Contract represented 67% of the Group GP (2015: 64%). The Contract margin

Robust Balance Sheet

**£10m** Cash

Operating Profit

**Flat\*\*** YoY

remained robust at 19.9% (2015: 19.8%) while the average contractor GP Day Rate ('GPDR') was down 1%\* YoY.

Adjusted operating profit was level YoY at £41.3m (2015: £41.5m) and the adjusted conversion ratio was down 1.6 percentage points to 16.0% (2015: 17.6%). Reported operating profit was down 2%, resulting in a reported conversion ratio of 14.6%, down 1.7 percentage points.

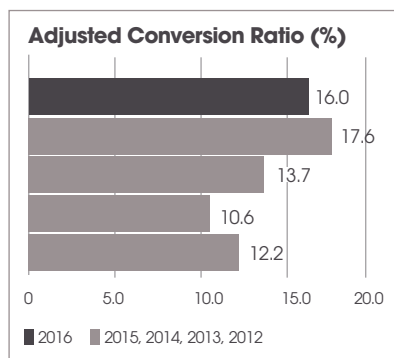
	2016		2015 <sup>(3)</sup>		Variance	
	Adjusted <sup>(1)</sup>	As reported	Adjusted <sup>(2)</sup>	As reported	Adjusted	As reported
	£m	£m	£m	£m	%	%
Revenue	959.9	959.9	848.8	848.8	+6%*	+13%
Gross profit	258.7	258.7	235.7	235.7	+2%*	+10%
Operating profit	41.3	37.8	41.5	38.4	Flat	-2%
Profit before taxation	40.8	37.3	40.8	37.7	Flat	-1%
Basic earnings per share	23.2p	21.2p	23.2p	20.8p	Flat	+2%
Proposed final dividend	9.3p	9.3p	9.3p	9.3p	Flat	Flat
Total dividend (interim and final)	14.0p	14.0p	14.0p	14.0p	Flat	Flat
Operating profit conversion ratio	16.0%	14.6%	17.6%	16.3%	-1.6% pts	-1.7% pts

(1) 2016 figures are adjusted for the impact of £3.5m of costs in relation to the restructuring of certain sales businesses and central support functions

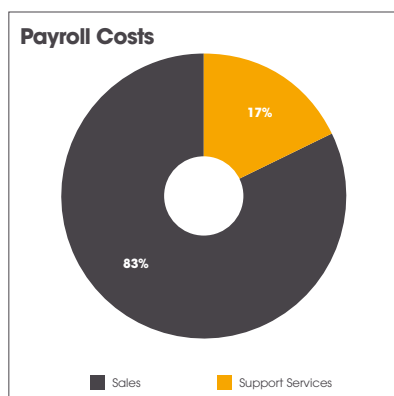
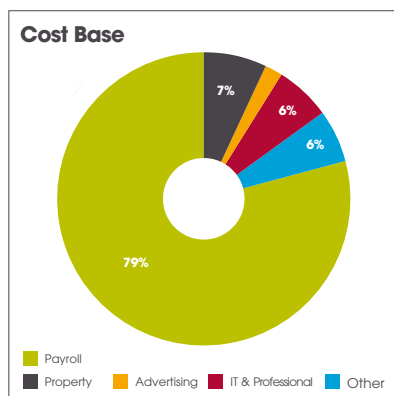
(2) 2015 figures were adjusted for the impact of £3.1m of costs in relation to the restructuring of the Energy business and the impairment of certain IT assets

(3) 2015 figures exclude the impact of £0.4m exceptional gain

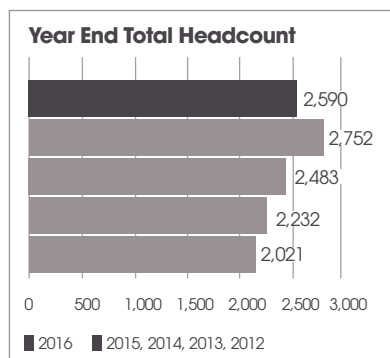
\* in constant currency



Reported operating costs increased by 12% to £220.9m (2015: £197.3m), mainly driven by a 3% increase in Group average headcount, restructuring costs of £3.5m and circa £13.4m adverse FX impact YoY on the operating costs.



Average total headcount was 3% higher YoY at 2,675 and year-end headcount was down 6% YoY at 2,590, reflecting a restructuring of our Permanent business which reduced its year-end headcount by 17%. Year-end Contract sales headcount represented 63% of total sales headcount (2015: 58%), up 1% YoY.



Adjusted profit before tax ('PBT') for the year was level YoY at £40.8m (2015: £40.8m). Statutory PBT was £37.3m (2015: £38.1m).

### Adjusting Items - Restructuring

During the year, we carried out a restructuring of certain sales businesses and central support functions in response to the adverse market conditions in certain sectors and regions. These actions resulted in one-off redundancy costs of £3.5m and a cash outflow of £3.1m with a further cash outflow of £0.4m expected in 2017.

In 2015, we incurred £3.1m of costs on a restructuring and right-sizing of the Energy business and the impairment and accelerated amortisation of certain IT assets due to a new system implementation.

These costs arose as part of decisions made during the ordinary course of business. However, due to their nature and collective quantum, the costs have been separately highlighted to provide further information to stakeholders to help them understand the Group's underlying results for the year ('Adjusted'). The Group's adjusted profit figures for the year are presented in various sections of this Annual Report.

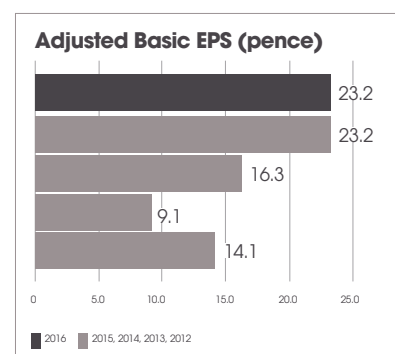
### Taxation

The tax charge on statutory PBT for the year was £10.1m (2015: £11.4m), representing an effective tax rate ('ETR') of 27% (2015: 30%).

The ETR primarily reflects our geographical mix of profits and an ongoing prudent approach to the treatment of tax losses. The underlying ETR will also be influenced by any changes to taxation rates and legislation which may result from the OECD Base Erosion and Profit Shifting ('BEPS') Project. We will continue to monitor and assess the impact of any changes as they are implemented.

### Earnings Per Share ('EPS')

Adjusted basic EPS was level YoY at 23.2p (2015: 23.2p). Reported basic EPS increased by 2% to 21.2p (2015: 20.8p). The weighted average number of shares used for basic EPS increased by 1% to 128.3m (2015: 127.0m). Reported diluted EPS were 20.6p (2015: 19.9p), up 4%. Share dilution mainly results from various share options in place and expected future settlement of certain 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 and Treasury Shares

Our strategy is to operate a policy of financing the activities and development of the Group from retained earnings and to maintain a strong balance sheet position.

The Board has proposed a final dividend of 9.3p (2015: 9.3p) per share. When taken together with

the interim dividend of 4.7p (2015: 4.7p) per share, this brings the total dividend for the year to 14.0p per share (2015: 14.0p). This represents a dividend yield of 5% based on the average share price for the year (2015: 4%).

The final dividend, which amounts to circa £12.0m, will be paid, subject to shareholder approval, on 9 June 2017 to shareholders on the register on 5 May 2017.

During the year, SThree plc bought back shares amounting to £6.8m to satisfy future employee share schemes.

### Share Options and Tracker Share Arrangements (Minority Interests or MI Model)

We recognised a share-based payment charge of £2.9m during the year (2015: £4.1m) for the Group's various share-based incentive schemes. An improvement in performance against the EPS target in the Long Term Incentive Plan ('LTIP') triggered an additional charge in 2015, hence the apparent drop in cost this year.

We also operate a tracker share model to retain our entrepreneurial management within the business. Further details about the tracker shares arrangements can be found

in note 1 to the financial statements. Of the vested tracker shares, we settled certain tracker shares during the year for a total consideration of £4.6m (2015: £8.5m) which was determined using a formula in the Articles of Association underpinning the tracker share businesses. We continue to settle the consideration in SThree plc shares and issued 1.5m new shares. Consequently, the arrangement is deemed as an equity-settled share-based payment scheme under IFRS 2 'Share-based payments'. There is no charge to the income statement as the tracker shareholders initially subscribed to the tracker shares at their fair values. We expect future tracker share settlements to be between £5m to £15m per annum which we intend to settle either by new issue SThree plc shares or treasury shares. These settlements will either dilute the earnings of plc's existing ordinary shareholders if funded by new issue of shares or will result in a cash outflow if funded via treasury shares.

### Balance Sheet and Cash Flow

The Group's net assets increased to £75.7m at 30 November 2016 (2015: £59.4m), mainly due to the excess of net profit over the dividend payments during the

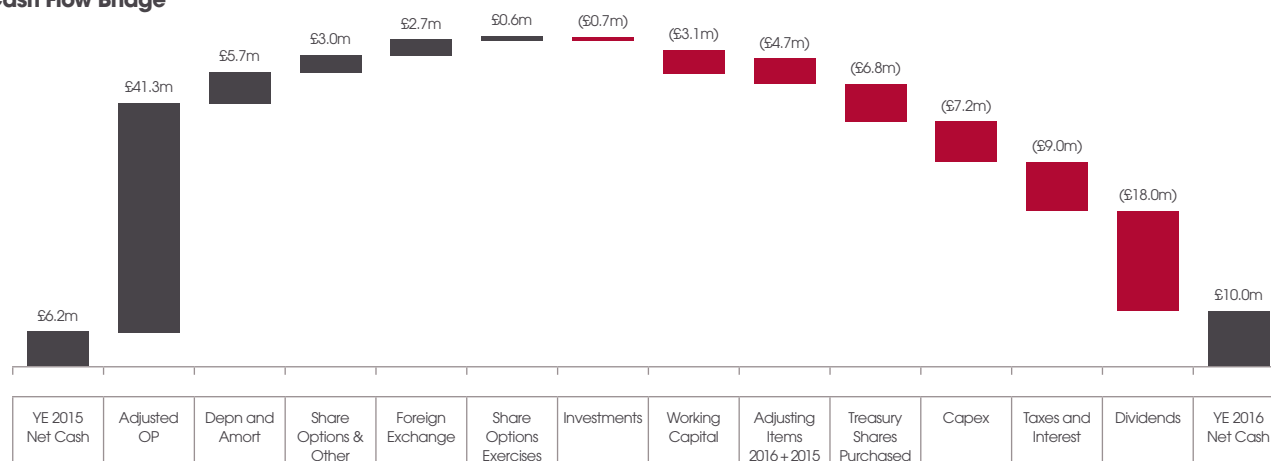
year and share buy backs during the year and a favourable foreign exchange translation of the net assets.

The most significant item in our statement of financial position is trade receivables (including accrued income) which increased to £182.6m (2015: £150.7m), with £24m of the increase due to a favourable change in foreign exchange rate. Days Sales Outstanding ('DSOs') at year-end reduced by one day to 37.5 days (2015: 38.5 days). Trade and other payables increased from £117.0m to £138.9m with £17m due to movements in foreign exchange rates, and creditor days were 19 days (2015: 19 days).

We started the year with net cash £6.2m and closed the financial year with a higher net cash of £10.0m despite £6.8m of share buy backs. On the reported basis, we generated lower cash from operations of £42.2m (2015: £57.3m) due to a higher working capital outflow. This resulted in lower reported cash conversion ratio of 95% (2015: 134%) or 96% (2015: 126%) on an adjusted basis.

The cash outflow on capital expenditure decreased to £7.2m (2015: £8.6m), as there was a

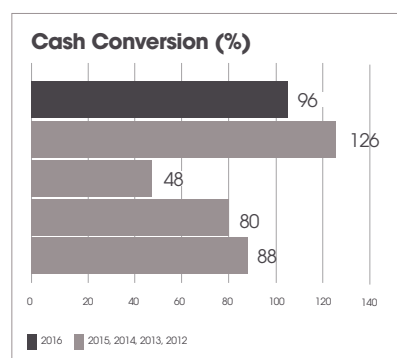
### Cash Flow Bridge



Note 1: All figures are in £'m

significant cash investment in the prior year on key sales, HR and finance systems. We expect a similar level of capital expenditure in 2017.

Income tax payments decreased to £8.5m (2015: £10.8m) due to advanced tax payments in 2015 and dividend payments were £18.0m (2015: £17.7m). The cash outflow from previously recognised exceptional items was £0.9m (2015: £3.0m). Due to a weakening of Sterling against our major currencies, foreign exchange impacted favourably on the cash flows for the year with a net positive impact of £2.7m (including impact on working capital movements).



### Treasury Management

We finance the Group's operations through equity and bank borrowings. We intend to continue this strategy while maintaining a strong balance sheet position. We have a committed revolving credit facility ('RCF') of £50m in place with RBS and HSBC. This facility expires in May 2019 and was unutilised at the year-end (2015: unutilised). We also have a £5m overdraft facility with RBS. The RCF is subject to conventional covenants and the funds borrowed under this facility bear interest at a minimum annual rate of 1.3% above 3 month Sterling LIBOR giving an average interest rate of 1.8% during the year (2015: 1.8%). The finance costs for the year amounted to £0.5m (2015: £0.8m).

The Group's UK-based treasury function manages the Group's treasury risks in accordance with policies and procedures set by the Board, and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; the investment of surplus funds; and the management of the Group's interest rate and foreign exchange risks. The treasury function does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes. The Group's cash management policy is to minimise interest payments by closely managing group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash pooling facility which provides visibility over participating country bank balances on a daily basis.

### Foreign Exchange

Foreign exchange volatility continues to be a significant factor in the reporting of the overall performance of the business with the main functional currencies of the Group being Sterling, the Euro and the US Dollar.

For 2016, currency movements versus Sterling provided a strong tailwind for the reported performance of the Group with the highest impact coming from Eurozone countries. Over the course of the year, the exchange rate movements increased our reported 2016 GP and operating profit by circa £17.6m and £4.2m, respectively.

Exchange rate movements remain a material sensitivity. By way of illustration, each 1 percent movement in annual exchange rates of the Euro and the US Dollar

impacted our 2016 GP by £1.3m and £0.5m, respectively, per annum; and operating profit by £0.4m and £0.1m, respectively, per annum.

The Board considers it appropriate in certain cases to use derivative financial instruments as part of its day to day cash management to reduce the Group's exposure to foreign exchange risk. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

### Other Principal Risks and Uncertainties

Other principal risks and uncertainties generally affecting the business activities of the Group are detailed within the strategic 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 our exposure or reliance 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.

\* Variances in constant currency

# KEY PERFORMANCE INDICATORS

## Financial Key Performance Indicators ('KPIs')

We measure our progress against our strategic objectives using the following KPIs:

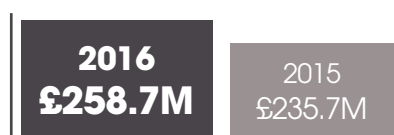
### Gross Profit ('GP')

#### WHAT DOES IT REPRESENT

A very broad indicator of how the business is developing and growing over time.

#### HOW IS IT MEASURED

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



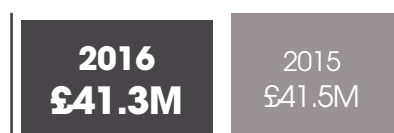
### Adjusted Operating Profit ('OP')

#### WHAT DOES IT REPRESENT

This is a very broad indicator of how the business is trading and how efficient we are in terms of managing our cost base. A key strategic measure and component of the Group's bonus arrangements.

#### HOW IS IT MEASURED

GP less administrative expenses before exceptional and other adjusting items.



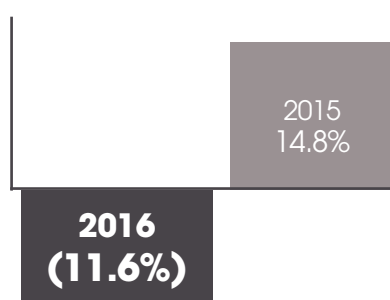
### Total Shareholder Return ('TSR')

#### WHAT DOES IT REPRESENT

Generally used by investors to assess growth in the share price vs other companies. Used for the Group's LTIP (over a 3 year vesting period).

#### HOW IS IT MEASURED

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



### Adjusted Basic Earnings Per Share ('EPS')

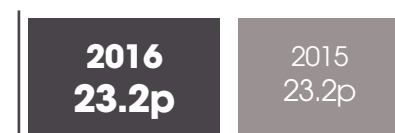
#### WHAT DOES IT REPRESENT

Generally used by investors to assess the returns of a business vs the share price. Used for the Group's LTIP (over a 3 year period) and a key element under the

Group's tracker share settlement formula.

#### HOW IS IT MEASURED

Profit after tax before exceptional and other adjusting items for the year attributable to the Company's owners divided by the weighted average number of shares in issue during the year.



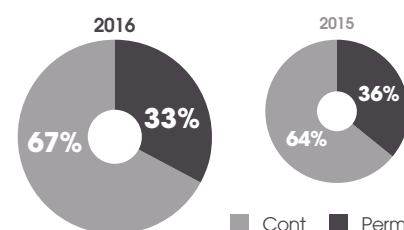
### Contract/Perm Mix

#### WHAT DOES IT REPRESENT

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

#### HOW IS IT MEASURED

Proportion of GP attributable to Contract and Permanent placements.



## Cash & OP Conversion Ratio

### WHAT DO THEY REPRESENT

Conversion Ratio and Cash Conversion Ratio indicate how efficient the business is in terms of controlling costs and improving 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.

## Adjusted OP Conversion Ratio

### HOW IS IT MEASURED

Operating profit before exceptional and other adjusting items stated as a percentage of GP measures how productive consultants are, how effective we are at controlling the costs associated with normal operations and our level of investment for the future.

2016 **16.0%**

2015 **17.6%**

## Adjusted Cash Conversion Ratio

### HOW IS IT MEASURED

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

2016 **96%**

2015 **126%**

## Operational KPIs

### Contract Margin

#### WHAT DOES IT REPRESENT

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

#### HOW IS IT MEASURED

Contract GP as a percentage of Contract revenue.

2016 **19.9%**

2015 **19.8%**

### People Measures

#### YE Sales Headcount / Churn

#### WHAT DOES IT REPRESENT

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, these are key measures and components of the Group's bonus arrangements.

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. Headcount is based on full time equivalent heads.

#### HOW IS IT MEASURED

Churn is calculated as the number of leavers in a year as a percentage of the average sales headcount.

2016 **2,044 HEADS**

**CHURN 38%**

2015 **2,185 HEADS**

**CHURN 38%**

### Contract Runners

#### WHAT DOES IT REPRESENT

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.

#### HOW IS IT MEASURED

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

2016 **9,078**

2015 **8,412**

### Consultant Yield

#### WHAT DOES IT REPRESENT

This is an indicator of the productivity of the Group's sales headcount.

#### HOW IS IT MEASURED

GP dividend by the Group average sales headcount divided by 12.

2016 **£10.2K**

2015 **£9.3K**

# RISK MANAGEMENT STRATEGY

The successful management of risk is essential for us to deliver our strategic priorities. Whilst the ultimate responsibility for risk management rests with the Board, the effective day-to-day management of risk is in the way we do business and our culture.

Our Enterprise Risk Management ('ERM') framework, processes and arrangements help to ensure the ongoing monitoring of principal risks and controls by the Audit Committee and Board. Our approach is to have an organisational structure, which allows close involvement of senior management in all significant decisions, combined with a prudent and analytical approach, and clear delegations, all of which help to align the Group's interests with those of shareholders.

## **Enterprise Risk Management ('ERM')**

We believe that the effective management of risk is based on a mix of 'top down' and 'bottom-up' approaches, which include:

- our strategy setting process;
- the quality of our people and culture;
- established procedures and internal controls;
- policies for highlighting and controlling risks;

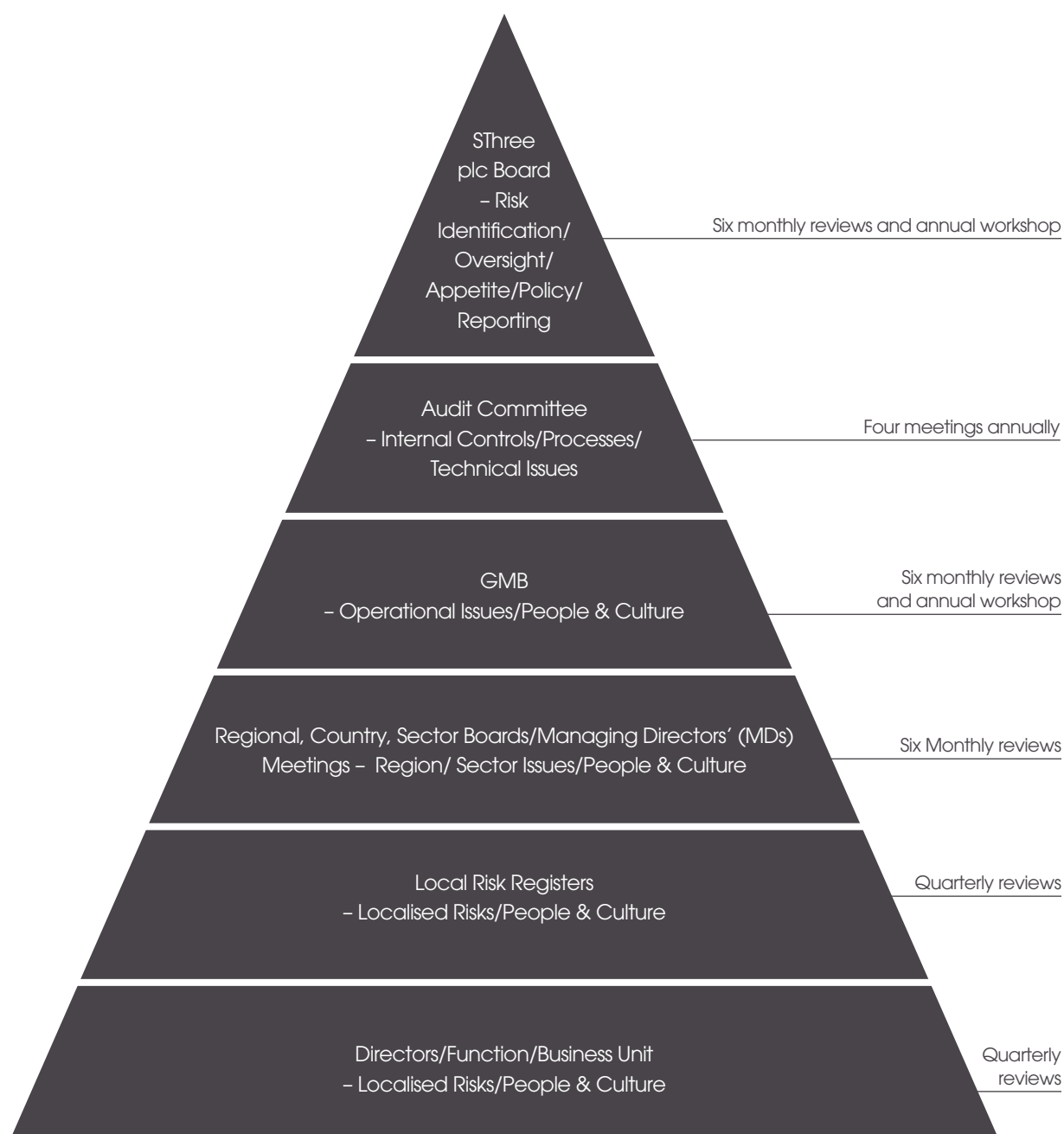
- regular oversight by the relevant Committees; and
- reacting quickly to market conditions and the cycle.

We have integrated ERM processes into our overall strategy, with risk appetite measures set by the Board based on an assessment of its key risks (including reputational risks), to ensure implementation of effective risk management processes and mitigation actions. These are regularly assessed by the Board and Group Management Board ('GMB') through a variety of measures, including KPIs.

Further detail is set out in the Corporate Governance Report.

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

## Our Approach to Risk – Governance and Oversight



“We believe that the effective management of risk is based on a mix of a ‘top down’ and ‘bottom-up’ approach.”

## Principal Risks and Uncertainties and Mitigation Strategy







The Group's principal risks to its business model and the processes through which it aims to manage these are outlined as follows:



KEY: Same  Increased Risk 

RISK DESCRIPTION	BACKGROUND/CONTEXT	CONTROLS/MITIGATION	Change in status versus prior year	Status after mitigation
<b>Macro-Economic Environment / Cyclicity</b>				
A change in the market conditions adversely impacting performance, thereby reducing profitability and liquidity. Any failure to react to or to take advantage of changes in the economy in a timely manner can result in over or under investment and therefore reduce profitability.	<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. This was particularly the case for the Energy and Banking market in the year.</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. The results of the EU referendum in the UK and the presidential elections in the US have increased the level of uncertainty and therefore risk we face as we enter FY 2017.</p>	<p>The Group is well diversified in its operations across geographies, sectors, and Permanent /Contract business. Progress continues to be made in increasing our diversification to reduce reliance on an economy, geography or sector.</p> <p>The Group has a flexible cost base that is carefully managed to react swiftly to changes in market activity. This was demonstrated in our reaction to the impacts of the EU referendum in the UK and weak markets in Energy and Banking.</p> <p>The Group has a strong balance sheet with low levels of net debt through the year and committed/ flexible debt facilities to support the business.</p> <p>The Group is cash generative and requires low levels of capital investment. Despite all mitigating measures, increased macro economic uncertainties have raised the risk status.</p>		
<b>Competitive Environment / Business Model</b>				
Competitors, social media or disruptive technology/innovation taking market share and putting pressure on margins.	The Group faces increasing competitor risk in more mature markets, where there is also strong competition for both clients and candidates. Increasing use of social media for recruitment purposes and a trend towards outsourced recruitment models, with associated margin pressures, can also impact. The realisation/ commercialisation of a disruptive technology or other innovation (e.g. web based, low margin operators) by either a current or new competitor could threaten the viability of the current business model and therefore the ability to sustain revenue and profits.	<p>Diversify into more geographies/ sectors. Focus on specialist/ niche roles in developing markets to resist pricing pressure.</p> <p>Investment in online presence and partnering with LinkedIn to improve customer and client experience.</p> <p>Setting up project groups to monitor market developments and introduce structured creativity, so as to help guard against the risk of disruptive technology.</p> <p>Increased focus on customers, targeting and tracking NPS scored.</p> <p>Greater regulatory and compliance requirements on Contract are increasing the barriers to entry.</p> <p>Despite all mitigating measures, competitive pressures and greater prevalence of market disruptors have raised the risk status.</p>		
<b>Commercial Relationships / Customer Risk</b>				
Some customers may be unable to fulfil financial obligations resulting in the write off of debts.	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 fulfil obligations.	Strong credit rating and verification procedures to manage bad debts and other financial risks. The Group has a diverse mix of clients and is not financially dependent on any single client. It has also bolstered its working capital management and credit control processes.		

RISK DESCRIPTION	BACKGROUND/CONTEXT	CONTROLS/MITIGATION	Change in status versus prior year	Status after mitigation
<b>Availability of Candidates</b>				
Not enough candidates to fill roles to meet client needs, leading to a loss of business and a slowing of growth.	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 to protect against lower candidate availability in more mature markets. Investment in online presence and partnering with LinkedIn to improve customer and client experience and aid retention.	=	=
<b>Contractual Risk</b>				
With larger global service arrangements, there may be demand for more onerous contract terms that can increase the Group's risk exposure.	Clients increasingly require more complex or onerous contractual arrangements. The placing of temporary workers generally represents greater risk for the organisation than Permanent placements. This risk increases in more litigious environments.	<p>Management seek to minimise risks when negotiating contracts and ensure that the nature of risks and their potential impact is understood. Contract approval processes with exceptions to standard terms, such as liability or insurance require senior sign off, as defined in the Groups' authority matrix.</p> <p>We generally place responsibility for supervision and control directly with the client, excluding any consequential loss.</p> <p>Our global legal team has the depth of knowledge and experience to enable them to advise the business on the level of risks posed by non standard contracts.</p> <p>Assurance work is undertaken by the Group internal audit team to monitor compliance, especially in higher risk sectors such as Energy.</p> <p>For risks that cannot otherwise be mitigated, insurance cover is purchased where appropriate.</p>	↑	=
<b>People / Talent Acquisition / Retention</b>				
High churn rates or the loss of key talent could slow our growth and reduce profitability.	<p>The Group is reliant 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. At the same time, the Group's business model demands flexibility to expand or consolidate, depending on the economic environment.</p> <p>High churn or the inability to attract key talent can also lead to insufficient mid and upper managerial bench strength in terms of breadth of experience within or outside SThree.</p> <p>As markets improve, the risk of churn can increase.</p>	<p>A structured induction programme and career development with ongoing training and competitive pay/benefits structures, linked to performance. Equity stakes for senior individuals.</p> <p>Continual focus on engaging and developing key managers to ensure succession planning. Training and development programmes to support expansion, whilst also providing a rewarding and challenging career.</p> <p>Greater focus on diversity and inclusion agenda and introduction of 'me@work' to improve the structure of development plans and assist in facilitating more rewarding careers.</p> <p>Despite mitigation, churn rates have generally increased, hence raised risk status.</p>	↑	=

KEY: Same = Increased Risk ↑

RISK DESCRIPTION	BACKGROUND/CONTEXT	CONTROLS/MITIGATION	Change in status versus prior year	Status after mitigation
<b>Information Technology / Cyber Risks</b>				
A serious system or third party disruption, loss of data or security breach could have a material impact on the Group's operations or project delivery.	<p>The Group is reliant on delivering its service to clients through a number of technology systems and on delivering a number of key internal projects through third party IT specialists.</p> <p>A malicious cyber-attack which compromises the defences of a third party cloud provider/website could pose significant operational disruption to SThree and/or result in the loss of sensitive data, so damaging reputation. The increasing prevalence of cyber attacks, including our peers, highlights the increased risk in this area.</p>	<p>The Group's IT infrastructure is regularly reviewed to ensure it has capacity to cope with a major data or system loss or security breach, with business continuity arrangements in place. As a result of the heightened risk we have now increased our investment in software and penetration testing.</p> <p>Important third parties and suppliers provide essential IT and project infrastructure and their performance/ robustness is monitored to ensure business-critical processes or projects are safeguarded as far as is practicably possible.</p> <p>IT systems and providers are periodically reviewed to ensure they remain effective/safe and project management teams review risks associated in upgrading key systems, utilising robust management tools which monitor progress across the life of any project.</p>		
<b>Data Processing / Management</b>				
A serious data compliance failure could expose the Group to potential legal, financial and reputational risk.	<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. Introduction of the General Data Protection Regulation ('GDPR') will necessitate changes to our collection and processing activity, by 2018.</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 is undertaken to address areas of concern and to protect confidential information.</p> <p>IT systems and providers are periodically reviewed to ensure they remain effective/safe. A project team is in place to ensure GDPR compliance, hence there is no perceived increase in the risk level.</p>		
<b>Compliance</b>				
Non-compliance with laws or regulations can lead to increasingly heavy fines/penalties which could expose us to potential legal, financial or reputational risk.	<p>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. Changes in legislation in the UK (IR35), Netherlands (DBA), as well as increasing our ECM model have all heightened risks in this area.</p>	<p>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 Energy.</p> <p>As employment laws are tightened, 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 contract worker rights) may impact the Group. Policies, compliance, on boarding processes or systems therefore reflect specific market or sector needs and best practice, to meet legal or other requirements and minimise risks. The Internal Audit function regularly reviews these to ensure that they are being followed correctly and controls function effectively.</p>		

RISK DESCRIPTION	BACKGROUND/CONTEXT	CONTROLS/MITIGATION	Change in status versus prior year	Status after mitigation
<b>Foreign Exchange ('FX')</b>				
A significant adverse movement in FX rates may reduce profitability.	The Group has significant operations outside the UK and is consequently exposed to foreign exchange translation risk due to movements in exchange rates. Following the EU referendum in the UK, there has been increased volatility in the value of GBP.	The Board annually 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, translational impacts of movements in the relative value of GBP are not hedged. Despite all mitigating measures, risks have increased due to greater FX volatility created by macro economic uncertainties.		

**KEY:** Same  Increased Risk 

## Risk & Compliance Targets

Both financial and non-financial KPIs are used throughout the Group to drive results and monitor activities. The principal non financial

indicators are listed in the table below, including how these apply in a strategic, remuneration or risk context. Further commentary is

provided within the CEO's and other officers' sections of this Annual Report, where appropriate.

Risk & Compliance	2016	2015	Definition and method of calculation	Strategic/remuneration/ Risk context
<b>Risk Management</b> (see also principal risks & uncertainties above and Corporate Governance and Audit Committee Reports)	Aim to achieve a sensible risk/reward balance, assessed via risk map.	Aim to achieve a sensible risk/reward balance, assessed via risk map.	The Group has a well defined ERM framework embedded throughout the business using an EBITDA measurement scale to assess impact. Risk appetite levels are set by the Board and risks/mitigation are periodically reviewed to ensure continued alignment with strategy.	The Group's success is dependent on balancing risk and reward. To achieve this it has integrated ERM processes into its overall strategy, with risk appetite measures set by the Board.
<b>Compliance Targets</b> (by country/sector)	Range of metrics varying by region, sector, deemed employment or misclassification risk.	Range of metrics varying by region, sector, deemed employment or misclassification risk.	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. Targets are Board assessed and reviewed periodically.	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.
<b>Environment/CSR</b> (see also CSR Report)	Specific targets, including diversity and carbon footprint reduction.	Specific targets, including diversity and carbon footprint reduction.	Steadily improving targets are being set to reduce the Group's carbon footprint and also make savings in energy expenditure.	Measures are agreed strategically, but with local implementation parameters, based on specific office location, age etc.

# CORPORATE SOCIAL RESPONSIBILITY

# REPORT

Across our core business we continue to support individuals, organisations and the wider economy. Our people help resource life changing sectors and specialist STEM (Science, Technology, Engineering and Mathematics) roles that enable industries and countries to thrive.

In line with this, our Corporate Social Responsibility ('CSR') vision remains focused on 'Transforming Lives through Skills and Work'. We know that CSR creates additional value for the community, employees, customers and investors.

## Volunteering

Over **980** instances of skills-based volunteering which has positively impacted over 4,880 beneficiaries since 2011.

## Fundraising and Corporate Giving

**£900K** In our eight year partnership with SOS Children's Villages we have donated over £900k.

## Diversity and Inclusion



APSCo Diversity and Inclusion Awards for Excellence Winner 2016.

## Supportive Opportunities to Tackle Youth Unemployment

**7** Seven young people employed at SThree through CSR; 11 apprenticeships, 44 work experience placements and a one year paid internship since 2013.

## Environment

**B** Our Carbon Disclosure Project score improved from an E to a B this year. We have expanded the scope of our carbon footprint and reduced total emissions by 8% on 2015.

## Community

Our central themes remain “Employability” and “Aspiration”, to make the best use of our recruitment skills, knowledge and networks to help people from underprivileged backgrounds into work. This year we have further aligned CSR with our corporate strategy by incorporating our

STEM expertise into the recently launched SThree Foundation.

We encourage employees to lead community activities so that they can gain personal and professional development through projects. Individuals are recognised for their achievements through a dedicated

CSR website, the intranet, emails from the CEO, and can include these in their appraisals.

The total value of the community programme for the year was £385K which includes charitable giving, volunteering, and employee time to manage activities.

## SThree Foundation

In November, we launched the SThree Foundation in collaboration with charity Generating Genius, and invited clients and partners to the launch event.

The SThree Foundation has a mission to support bright young people from underprivileged and diverse backgrounds into the STEM industries.

Through our Future Talent programme, set up in partnership with Generating Genius, we have engaged school students who have an interest in STEM and who are academically strong, from a range of schools in disadvantaged areas in London. We have selected

50 A-Level students to support over the next two years to help them transition into STEM higher education, jobs and apprenticeships.

Of the cohort of 50 students, over 70% are female to address the current gender imbalance going into these sectors.

*“Generating Genius and SThree’s Future Talent programme is enabling us to show students how vital STEM skills will be to their future. The sixth form is a critical landmark for making career decisions, and this programme helps them ‘join up the dots’ and realise that STEM skills can lead to their future employability.”*



Gary Elden OBE and Dr Tony Sewell CBE, Founder and CEO of Generating Genius, at the launch of the SThree Foundation, in November.

*This partnership model is something we want to showcase to other employers and how CSR can become front and centre of business planning.”*

Dr Tony Sewell CBE, Founder and CEO, Generating Genius

## Volunteering and Supportive Opportunities

Employees have given nearly 1,000 instances of skills-based volunteering which has positively impacted over 4,880 beneficiaries, since 2011. This year 400 employees took part to benefit 1,720 people.

We have set up 11 apprenticeships since 2013 in partnership with charity City Gateway to provide a supportive start for young people with limited qualifications and help reduce youth unemployment. Of the ten who have completed their apprenticeships, four are permanently employed in our business.



Olida Khanom and Marie Broad, respective winners of Apprentice of the Year and Apprentice Line Manager of the Year, City Gateway Ball.

Over the last four years we have run 44 supportive work experience placements. We currently have three young people employed

in our business who have been recruited via CSR workshops.

This year we have provided a one year paid internship for Mayowa, SThree University Scholar at Coventry University, and as part of this, set up a one month secondment at Subsea 7. We have funded 15 UK student bursaries and two fully funded university scholarships for young women who grew up in an SOS Children’s Village in Africa since 2010.

## Fundraising and Corporate Giving

This year we have donated over £163k to SOS Children's Villages, which brings our eight-year partnership total to £900k.

SOS Children's Villages has consultative status with the

Economic and Social Council of the United Nations and is a member of the Child Rights Action Group. By partnering with SOS Children's Villages, we show our active support for the UN Convention

on the Rights of the Child.

This year projects include:



### Zambia

- Continued long term support for Chipata Village and the SThree house including ongoing child sponsorship;
- Advancing education in Chipata through an investment into

locally made computer tablets with solar panels for charging;

- Sports and playground equipment in dedication to Andy Nimmo (former colleague who sadly passed away in 2015);

- In October, two employees Jeni Morrison and Carrie Beeks spent a week in the Chipata Village and set up a new library with educational books.

### Brand and Other Initiatives

- The USA continued regular fundraising activities, including 'Auction of Promises' events, to meet their \$100K two year target to fund a computer lab for the Roosevelt Centre, SOS Children's Villages Illinois. The Chicago office also hosted a Careers day for children and staff from the Lockport Village.
- Our Progressive Global Energy division have led a campaign with partners to fund solar panels which will supply sustainable energy for Gulu Village in Uganda.

- To mark International Women's Day, we provided funding for over 60 SOS Mothers and Aunts to attend the National Training Centre in Phnom Penh, Cambodia.
- We funded Christina's (who grew up in an SOS Village) second year Business Administration degree in Malawi.
- Funding towards schools fees and medical provision for 80 children in Qodsaya, Syria.
- Funded a school bus in Bhimtal, India, to help prevent trafficking

across the border to Nepal and get children to school safely.

- Employees in Germany and France continue to raise funds for local Villages and this year we started a new partnership with SOS Children's Villages Philippines.
- In Amsterdam and Paris employees gave up a day to call their business contacts to gain support for the charity, and in London SOS employees took part in charity 'Sales' training.

### Syria Relief

In response to the emergency situation in Syria, we have worked with charity Syria Relief to raise

£14.5k to renovate a Child Friendly Space in Aleppo to provide psychosocial support for 200

children suffering from severe post-traumatic disorders.

### Payroll Giving

This year we have expanded our UK payroll giving scheme so that employees can choose to support

any UK registered charity of their choice or set up their own charity

account to support a number of charities.

## Workplace

### Diversity and Inclusion

At SThree promoting inclusion and diversity is at the heart of everything we do. We are committed to recognising and developing our talent and supporting our clients, candidates and community to do

the same. We strive to promote a positive and inclusive work environment where diverse opinions and perspectives are valued and a true meritocracy exists.

This year we launched Hyden - an inclusive recruitment offering, that provides businesses with diverse talent for their senior leadership roles. Hyden currently services the creative and media industries with

a hope to expand this for all SThree customers as the brand grows.

## Gender Classification

We have maintained a focused approach on the development of our female talent throughout 2016, with specific performance objectives cascaded throughout the business to increase female representation at our business manager level roles. We have also ensured that females at team manager and business manager level are tracking personal development objectives. This has been instrumental in seeing female representation in our business manager roles increase by over 5% in 2016 alone.

## Diversity Activities in the Community

- Over the last few years SThree has developed a strong partnership with the Powerlist Foundation which includes CEO mentoring, strategic business

At the end of 2015 we commissioned an external company to review how inclusive it feels to work at

As at 30 November 2016

Category	Male	%	Female	%
Directors of SThree plc	6	67%	3	33%
Directors / LLP Partners	46	81%	11	19%
Employees	1415	55%	1137	45%

We continued with our global mentoring programme in 2016, matching 170 mentees globally. This has had a positive impact on retention rates, with mentees more than twice as likely to stay in the business.

Our Maternity Buddy Scheme has played an integral role in 79% of

SThree, and used this insight to inform our diversity and inclusion strategy.

employees returning to work after maternity leave. We also received a Tommy's accreditation for our Maternity Programme.

Inclusivity champions have been established in a number of regions, helping to establish employee insight, and drive action.

planning, and involvement in the selection of candidates put forward to the leadership programme with Deloitte.

- To mark International Women's

Day we held a global suit drive to collect over 300 'interview ready' outfits to help unemployed jobseekers through a range of charities across the world.

## Talent and Leadership

In 2016 we made strong progress in inclusivity by enabling our managers to make selection and promotion decisions based on consistent and objective criteria, removing unconscious bias and focussing on behaviour. In recent years, we have invested in identifying the right competencies and characteristics of our future leaders, how to attract

and how to develop them. Coupled with the embedding of our 'me@work' platform - a technology platform that we have invested into to support employee development - and through our performance management process, employees are set up for success from day one.

Our employee value proposition has also made an impact by highlighting the real value of our work - not only on the lives of the candidates and managers we work with, but also on their customers and users - and the many ways in which individuals can succeed at SThree.

## Employee Engagement

In 2016 we continued to measure and positively impact employee engagement at all levels within the Group, focussing on the areas our people tell us are most important to them, including career progression and personal growth.

In January we launched 'me@work' to focus on performance, personal development and career

management, enabling managers at all levels to have structured and meaningful conversations with their people. To maximise engagement, our Learning and Development team have led courses to build management capability and best practice. The platform also provides transparency and fairness.

We have spent time understanding, mapping and reviewing the employee journey and experience through a number of forums including global workshops and our re-designed on-boarder and leavers' surveys. This has helped us identify areas for improvement and innovation and feed outputs into our people strategy.

## Human Rights

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.

## Environment

We are aware of the impact that our building energy usage and business travel have on the planet. With the impacts of climate change

ever increasing and governments working towards the Paris Agreement to limit global warming to below 2°C, we believe that there

is an opportunity for businesses in transitioning to a low-carbon future.

### Mandatory Reporting

In 2016 we worked with Carbon Smart to ensure compliance with the greenhouse gas ('GHG') emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. We continue to increase the breadth of our reporting and for 2015/16 have added global scope 3 emissions for business travel, waste and paper for the first time and have re-baselined our historic reporting accordingly.

Following a financial control approach to defining our organisational boundary, our calculated GHG emissions<sup>1</sup> from business activities in the reporting year 1 December 2015 to 30 November 2016 can be found in this table.

Our carbon footprint has decreased by 8% compared to the baseline year as we work to rationalise our estate – and by 39% on a per m2 basis as we grow our business.

	Emissions Source	Tonnes of CO2e			
		Baseline '12/'13	'14/'15	'15/'16	% change (baseline)
Scope 1	Natural gas	195	228	154	-21%
	Leased transport	855	443	388	-55%
Scope 2	Purchased electricity (market/location based) <sup>2</sup>	1,948	1,794	2,384/ 1,862	n/a /4%
Scope 3	Water	122	247	71	-42%
	Business travel	1,400	1,639	1,673	19%
	Paper	37	44	44	19%
	Waste	20	24	24	19%
	Electricity T&D	156	147	138	-12%
Total tonnes of CO2e (market based)		n/a	n/a	4,876	n/a
Total tonnes of CO2e (location based)		4,733	4,565	4,354	-8%
Number of employees		2,248	2,632	2,686	19%
Tonnes of CO2e per employee		2.1	1.7	1.6	-23%

<sup>1</sup> The GHG emissions included have been calculated following the WRI 'GHG Protocol', 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' (Defra, October 2013) and ISO 14064 – part 1.

<sup>2</sup> This work is partially based on the country-specific CO2 emission factors developed by the International Energy Agency, © OECD/IEA 2016 but the resulting work has been prepared by Carbon Smart Limited and does not necessarily reflect the views of the International Energy Agency.

### Carbon Disclosure Project (CDP)

This was our third consecutive year in disclosing our environmental performance to CDP, who this year recognised our move towards

active management of the long-term sustainability of our operations. We made a significant improvement in our score, moving

up from an E in 2015 to a B in 2016. By way of comparison, the average respondent score was C.

### Energy Usage in our Buildings

We continue to take steps to address our building energy consumption. One focus area is IT, where we are rolling out energy saving measures, such as virtualising an increasing number of servers.

We have saved approximately 46 tonnes of CO2 this year with further reductions and efficiencies in our data centre on our journey to more Cloud services.

This year, we have also increased the proportion of renewable electricity used at our Birmingham office.

### Business Travel

As a global organisation, business travel is unavoidable, however we are taking steps to minimise our impact through continuing to reinforce and communicate our travel policy. We have already seen a significant decrease in travel for internal meetings and, by

continuing to improve our video conferencing (VC) facilities, we intend to continue this trend.

In the UK, we are gradually reducing our car fleet, and have launched a new salary sacrifice car scheme that encourages the use of lower emission cars. All cars

under this scheme are carbon offset.

This year another 12 UK employees signed up for the cycle scheme to take advantage of a tax-free bicycle, which helps improve productivity while also reducing travel emissions.

### Waste and Resources

This year we shifted to 100% recycled paper across the UK and are continuing this rollout across our European offices. We are actively reducing our paper consumption, for example by reducing the use of business cards.

We are also reporting on our waste and recycling performance for the first time this year. Our entire global estate now has recycling facilities in place and we introduced food waste recycling at our head office.

We continue to donate IT equipment where we can for charity or dispose of redundant equipment to comply with the Waste, Electrical and Electronic Equipment Directive.

### Carbon Offsetting

We offset scope 1 and 2 emissions of our 2015 global carbon footprint by investing into two ClimateCare

projects: Gold Standard Ugastoves in Uganda, and a Verified Carbon

Standard wind power project in India.

### Awards and Memberships

- Gary Elden honoured with an OBE for his work in Diversity and Business;
- APSCo Diversity & Inclusion Awards for Excellence Winner 2016;

- Apprentice of the Year and Apprentice Line manager of the Year, City Gateway 2016;
- FTSE4Good for eight years;
- Heart of the City Contributor, we

- give advice and mentoring for companies new to CSR;
- Recognised by SOS Children's Villages UK as a Key Partner in 2016.

### Targets and Commitments for the Year Ahead

Having met our targets for 2016, a focus for 2017 will be developing the STthree Foundation including generating income. We are asking employers to host one week STEM insight placements during the school holidays. In preparation for this, we are running workshops at STthree to help students prepare.

In light of the Apprenticeship Levy we are reviewing a blended approach for new and existing employees, and will continue our existing entry level apprenticeship

programme to earmark several roles for unemployed young people as part of our CSR commitment.

We are launching a new partnership with From Babies with Love, to provide gifts for staff around the world on the arrival of a new baby, whereby 100% of profits go to SOS Children's Villages. We also remain committed to reaching £1m for SOS Children's Villages through fundraising.

The Group is closely monitoring the gender pay reporting regulations and work is well advanced to ensure compliance. Gender based targets are incorporated in the Group's long-term incentive plan.

We are developing a sustainability strategy and will complete the final rollout of FSC standard recycled paper across our global offices. We also plan to introduce managed print to reduce paper waste throughout our business.

# CHAIRMAN'S GOVERNANCE OVERVIEW

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**CLAY BRENDISH,  
CHAIRMAN**

DEAR SHAREHOLDER,

I am pleased to present to you the Chairman's Governance Overview section of the Annual Report and report on compliance with the UK Corporate Governance Code (the 'Code').

I can confirm that the Group complied with all sections of the Code throughout the year and to date of this report. Further detail on how the Group has applied the principles and provisions of the Code is set out in the Corporate Governance Report.

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.

To deliver on our growth plans, we continue to back our home grown entrepreneurial talent via the Group's established tracker share model ('Minority Interest' or 'MI'),

as well as seeking to encourage employee share ownership more generally. Accordingly, a resolution for the tracker share arrangements is again being put to shareholders at the forthcoming AGM in April 2017.

We recently conducted a shareholder consultation process on our remuneration policy, for which I am pleased to say that shareholders expressed their overwhelming support. We continue to evolve this process, combining it with the previously well received governance lunches and other investor meetings hosted. All of these combined, lead us to hope that investors will continue to raise any future concerns directly with the Company well in advance of any AGM vote.

As Chairman, I take primary 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.

### Board and Committees' Evaluation

Our last external Board evaluation was completed in March 2015, although with recent changes to the Board we decided to conduct an internal evaluation for FY 2016. This consisted of one on one meetings between myself and all Directors to discuss what was working well and what was not. Key learnings from this will be factored into our Board and Committee arrangements during FY 2017.

Given the above, 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.

### Management and Succession Planning

Gary Elden, CEO and the regional CEOs Steve Quinn and Justin Hughes, are now well established in their roles and driving the Group, the USA and APAC & ME businesses, respectively, reflecting our strategic priorities. Recognising the need to provide senior backing to our project streams we have broadened Justin Hughes' role, appointing him as Chief Operating Officer from 1 December 2016. To further strengthen and support our Executive team, we also made two changes below Board level, creating a CEO Continental Europe and Chief People Officer role.

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 Non Executive Directors ('NEDs') continuing to act as mentors.

### Non Executive Directors

On 1 July 2016 we welcomed Denise Collis to the Board and Remuneration Committee, to replace Tony Ward as Committee Chair from 1 September 2016. Denise was previously Chief People Officer at Bupa (British United Provident Association Limited), the global healthcare business and prior to that held senior HR roles at a number of leading organisations including 3i Group plc, EY, Standard Chartered Bank and HSBC. She is also a Non Executive Director and Rem Com Chair at Connect Group PLC. Her breadth of senior HR and remuneration experience has already been of great benefit. Denise also sits on the Nomination Committee.

Tony Ward, who joined the Group in 2006, retired as a NED and Senior Independent Director on 30 September 2016, having completed 10 years with us. We are very sad to see Tony go and will miss his valuable contribution at both the Board and Remuneration Committee.

Following Tony's departure, Fiona McLeod was appointed as the Senior Independent Director from 1 October 2016.

### 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, as well as via Henley Management College or Columbia Business

School, plus mentoring by NEDs, which are all key parts of our development programme.

Finally, I would again like to thank our employees for their valued contribution and commitment. This has played a key part in helping the Group to deliver against several market headwinds and macro uncertainties this year.

### CLAY BRENDISH

Chairman  
20 January 2017

# BOARD OF DIRECTORS & SECRETARY

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**GARY ELDEN OBE**  
Chief Executive Officer

**Appointed:** July 2008

**Experience:** Gary Elden was appointed to the Board 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.



**ALEX SMITH**  
Chief Financial Officer

**Appointed:** May 2008

**Experience:** Alex Smith joined SThree 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.



**JUSTIN HUGHES**  
COO & CEO, APAC & ME

**Appointed:** June 2012

**Experience:** Justin Hughes was appointed to the Board having joined Progressive Recruitment in 1994. He has held several senior positions including that of Sales Director, Managing Director of Progressive, and Group Managing Director where he led the international expansion of Progressive and Progressive Global

Energy. He is currently based in Hong Kong and is responsible for the strategic growth of APAC & ME. Justin has an Honours Degree in Economics from Manchester Polytechnic and is a graduate of the Senior Executive Program at Columbia University, New York. Justin was appointed as Chief Operating Officer from 1 December 2016, in addition to his regional remit.



**STEVE QUINN**  
CEO, USA

**Appointed:** June 2012

**Experience:** Steve Quinn joined SThree in 1996 having started at Progressive Recruitment. He has held a number of senior positions in the company including that of Managing Director of Real, and Group Managing Director. In 2012, he became COO and was appointed to the Board. In 2013,

he was appointed CEO of the USA where he is now based in New York. 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.



**CLAY BRENDISH**  
Chairman

**Appointed:** May 2010

**Experience:** Clay Brendish, CBE joined the SThree Board in May 2010 as Non Executive Chairman. Clay is currently Director of the Test and Itchen Association Limited. In December 2012, Clay was appointed a Trustee of the Wessex Chalk Stream and Rivers Trust. 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 eight countries.



**FIONA MACLEOD**  
Non Executive Director  
(Senior Independent Director)

**Appointed:** July 2014

**Experience:** Fiona MacLeod was appointed to the SThree Board and all Committees in July 2014. She was appointed Senior Independent Director from 1 October 2016. Fiona is a former Senior Executive at BP, with 23 years' international Energy sector experience, and has sat on a range of global JV and Investment Boards. Fiona sits on the Board of Clydesdale Yorkshire Bank where she is a member of the Risk

and the Governance and Nominations committees. She is also a Non Executive Director of Denholm Oilfield, where she sits on the Remuneration, Audit and Nomination Committees. She also sits on the Development Board of Pancreatic Cancer UK and Chairs the Board of Women's Fund for Scotland. She previously spent five years on the New York City Board of the global microfinance organisation, SWWB.



**DENISE COLLIS**  
Non Executive Director

**Appointed:** July 2016

**Experience:** Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee on 1 July 2016, and became Chair of the Remuneration Committee on 1 September 2016. Denise is also a Non-Executive Director and Chair of the Remuneration Committee at Connect Group plc. In addition, she is Chair of the Remuneration

Committee and a member of the Advisory Council at the British Heart Foundation, and sits on two University Business School Advisory Boards. Previously, Denise was Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles in 3i Group PLC, EY, Standard Chartered plc and HSBC.



**ANNE FAHY**  
Non Executive Director

**Appointed:** October 2015

**Experience:** Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015. Anne is also Non Executive Director and Chair of the Audit Committee at Interserve, the international support services and construction company and at Nyrstar, a global multi-metals business, with a market leading position in zinc and lead. Prior to joining SThree, Anne was Chief

Financial Officer of BP's Aviation Fuels business. During her 27 years at BP, Anne has gained extensive experience of global business, developing markets, risk management, internal control, compliance and strategy development in BP's aviation, petrochemicals, trading and retail sectors. Anne is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.



**NADHIM ZAHAWI**  
Non Executive Director

**Appointed:** May 2008

**Experience:** Nadhim Zahawi, MP was appointed to the SThree Board, the Remuneration and Audit Committees in May 2008, and to the Nomination Committee in September 2015. 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 Foreign Affairs Select Committee. He is the author of *"Masters of Nothing – The crash and how it will happen again unless we understand human nature"*. He is a trustee of UpRising and holds a degree in Chemical Engineering from UCL.



**STEVE HORNBUCKLE**  
Group Company Secretary  
and Legal Director

**Appointed:** October 2006

**Experience:** Steve Hornbuckle joined the Group as Company Secretary in October 2006, taking charge of Investor Relations matters in 2011 and was appointed Legal Director in 2013. Steve has over 25 years of 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.

# DIRECTORS' REPORT



**STEVE HORNBUCKLE**  
**GROUP COMPANY**  
**SECRETARY**

The Directors present their Annual Report on the activities of the Company and the Group, together with the financial statements for the year ended 30 November 2016. 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, including the CEO's and other officers' sections of this Annual Report, provide information relating to the Group's activities, its business, governance 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 Audit Committee, Nomination Committee, Directors' Remuneration, Corporate Governance and Corporate Social Responsibility ('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 reporting requirements. The Group's subsidiary undertakings, including branches outside the UK, are disclosed in the notes to the financial statements.

The purpose of this Annual Report is to provide information to the members of the Company, as a body. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the operations, performance and the

financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and nothing in this Annual Report should be construed as a profit forecast.

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 Strategy section).

Information on the Company, including legal form, domicile and registered office address is included in note 1 to the financial statements.

## **Results, Dividends, Going Concern and Post Balance Sheet Events**

Information in respect of the Group's results, dividends and other key financial information is contained within the Strategic Report and other officers' sections of this Annual Report. A going

concern and viability 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 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 2017 AGM and submit themselves for election or re-election, as necessary. Further information is also 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 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 to that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the RBS and HSBC revolving credit facility agreements.

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 arrangements may cause options, awards or tracker shares 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 plans 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 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 are 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 an agreed term. 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 5 years, but will never be less than 3 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 generally be on similar terms to that used previously and it is therefore deemed appropriate to put only one resolution to shareholders each year, with each authority being granted for 5 years, although automatically renewed at each following AGM, or any adjournment thereof.

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

Further information on the tracker share arrangements is disclosed in note 1 to the financial statements.

### **Share Capital and Share Rights**

Details of the share capital of the Company, together with movements during the year are shown in the notes to the financial statements.

The rights and obligations attached to the Company's ordinary shares are contained in the Articles. Ordinary shares allow holders to receive dividends and to vote at general meetings of the Company. They also have the right to a return of capital on a winding up.

There are no restrictions on the size of holding or the transfer of shares, which are both governed by the general provisions of the Company's Articles and legislation. Under the Articles, Directors have the power to suspend voting rights and the right to receive dividends in respect of ordinary shares, as well as to refuse to register a transfer in circumstances where the holder of those shares fails to comply with a notice issued under Section 793 of the Companies Act 2006. The Directors also have the power to refuse to register any transfer of

certificated shares that does not satisfy the conditions set out in the Articles.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer of voting rights in relation to the shares held by such shareholders.

### **Authority to Issue or make Purchases of Own Shares including as Treasury Shares and Dilution**

The Company is, until the date of the forthcoming AGM, generally and unconditionally authorised to issue and buy back a proportion of its own ordinary shares.

The Company's policy is to comply with investor guidelines on dilution limits for its share plans by using a

mixture of market purchased and new issue shares.

Accordingly, some 2,323,577 shares were purchased in the market during the year, to be held as treasury shares. The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

### **Director's Indemnities, Director's 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.

### **Related Party Transactions ('RPT')**

Details of any RPT undertaken during the year are shown in the notes to the financial statements.

<b>Listing Rules ('LR') Requirement</b>	<b>Confirmation</b>
A statement of interest capitalised by the Group during the period and an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in Class 1 circular or prospectus or a profit forecast and estimate.	Not applicable
Details of any long term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a Director.	See Directors' Remuneration Report (page 52)
Details of the waiver of emoluments by a Director, both current and future.	Not applicable
Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary.	Not applicable
Where the Company is a listed subsidiary, details of any participation by its parent in any share placing during the period.	Not applicable
Details of any contract of significance between the Company or one of its subsidiaries and a Director or a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the Company or one of its subsidiaries by a controlling shareholder during the period under review.	Not applicable
Details of any arrangements under which shareholders have waived or agreed to waive dividends.	Not applicable
A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.	Not applicable

### Financial Instruments and Research and Development

Information and policy in respect of financial instruments is set out in the notes to the financial statements, together with information on price, credit and liquidity risks.

The only expenditure incurred in the area of research and development relates to software and system development, which is shown in the notes to the financial statements.

### Substantial Shareholdings

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

### CSR, including Diversity, Human Rights & Environmental matters

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 on diversity, human rights and environmental matters, 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 and the notes to the financial statements.

### Health, Safety and Equal Opportunities

The Group is committed to providing for the health, safety and welfare of all current and potential

employees, 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 to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to gender, 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 any employee 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 is achieving a common awareness, on the part of all employees of the financial, economic or other factors affecting the Group. This 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, training and by participation in the Group's employee share plans to align interests.

Name of shareholder	Number of shares	Percentage shareholding
Franklin Templeton Institutional, LLC	14,134,650	10.95%
William Frederick Bottriell	7,238,245	5.98%
Legal & General Investment Management Limited	7,030,279	5.48%
J O Hambro Capital Management Limited	6,280,338	5.21%
HBOS plc	6,983,314	5.21%
Harris Associates L.P.	6,575,593	5.17%
AXA	6,291,253	5.12%
JP Morgan Chase	7,021,061	5.07%
Allianz Global Investors GmbH	6,472,361	5.00%
BlackRock, Inc.	6,137,031	4.99%
FMR LLC	6,266,905	4.99%
FIL Limited (Fidelity)	6,028,475	4.95%
F & C Management	6,104,400	4.82%
Standard Life Investments Limited	5,845,830	4.78%

### 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 20 April 2017, at 8th Floor, City Place, 55 Basinghall Street, London EC2V 5DX. A separate notice details all business to be transacted.

### Modern Slavery Act 2015: Slavery and Human Trafficking Statement

#### Organisation's structure

As an international specialist staffing company, we are committed to improving our practices to combat slavery and human trafficking. Management does not consider there to be a risk of slavery or human trafficking taking place within its supplier base. The Group's supply chain makes appropriate supplier checks around governance and financial standing, and considers these adequate to protect against slavery and human trafficking within the Group's supply chain.

#### Our Supply Chains

Our supply chains include management companies, job boards, media, IT equipment, stationary and print suppliers, whilst our clients include large international and STEM businesses.

#### Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We are committed to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and

human trafficking is not taking place anywhere in our supply chains.

#### Due Diligence Processes for Slavery and Human Trafficking

As part of our controls to identify and mitigate risks, we have in place processes and procedures to:

- Identify and assess potential risk areas in our supply chains;
- Mitigate risks, including slavery and human trafficking occurring in our supply chains;
- Continually monitor risk areas in our supply chains; and
- Protect whistle blowers, via a confidential and independent reporting process.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 2016.

#### 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.

A formal audit tender will be completed in early FY 2017, following which a resolution will be put to the forthcoming AGM proposing an appointment as auditors for the ensuing year. Prior to this process, PricewaterhouseCoopers LLP had

indicated their willingness to continue in office.

#### Statement of Director's 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 & 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

20 January 2017

Registered Office:  
8th Floor,  
City Place,  
55 Basinghall Street,  
London  
EC2V 5DX

# DIRECTORS' REMUNERATION REPORT



**DENISE COLLIS**  
**REMUNERATION**  
**COMMITTEE CHAIR**

DEAR SHAREHOLDER,

On behalf of the Board I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year ended 30 November 2016.

## **Review of our Remuneration Policy**

SThree's current remuneration policy was approved by shareholders at the 2014 AGM and will expire at the 2017 AGM. In conjunction with my predecessor Tony Ward, the current Remuneration Committee has undertaken a comprehensive review of remuneration before presenting a new policy for shareholder approval at the forthcoming AGM. As a Board, we are keenly aware of the sensitivities of the topic of executive pay for companies, employees and shareholders. Our approach is to ensure that our pay policy reflects the business strategy, with remuneration payments that are fair and are strongly linked to performance.

The Committee considers that the existing Executive Director remuneration structure has served SThree well. Over the current policy period, the annual bonus has proved to be effective at driving team operational performance, whilst the long-term incentive plan (the 'LTIP') has given executives the opportunity to earn reward in line with the delivery of absolute and

relative shareholder returns.

The fixed elements of the remuneration packages are set so that they reflect the calibre and experience of the individuals and the complexity of their roles. The incentive plan design is tailored to objective metrics that are linked to the business's core focus and strategy. SThree is a business that is heavily dependent on being able to engage both the Customer and Employee. Related to this, annual bonus targets are based on specific areas that require immediate focus, whereas the LTIP looks to drive sustainable improvements at a more macro level over the longer term. Culturally, the setting-out of both financial and broader measures serves to focus scheme participants on a more holistic view of business success, and hence serves to drive performance.

The changes proposed to the policy for shareholders' approval are evolutionary and tighten the link further between business strategy and performance on the one hand and the remuneration of Directors on the other. There are no increases to quantum.

In summary the proposed changes are:

- For base salary (including recruitment) we are moving away from explicit reference to any benchmark positioning;
- For the annual bonus there will be greater flexibility to set sliding scales of performance, rather than setting a rigid 90%-110% range around target in all cases (although there will be no material change in FY 2017);
- For the LTIP the individual grant limit will be simplified by removing a rolling limit of 450% of salary over three years, leaving just a 175% of salary annual limit in the LTIP rules. The normal grant limit in the policy would be 150% of base salary, but this may be increased to 175% in exceptional circumstances (in which case we will engage with shareholders and provide a full explanation). There will be greater flexibility in the choice of LTIP performance metrics that may be used and for all LTIP metrics the threshold vesting level will be reduced from 30% to 25% of the award to make the target ranges structurally more challenging. Despite there being greater flexibility, the Committee will seek to adopt a broadly consistent approach though the policy period;
- The shareholding requirement threshold for Executive Directors has been increased from 100% to 200% of salary, to be achieved by retaining at least half of any vesting LTIP or deferred bonus until this requirement is met. This higher threshold will improve further the alignment of interest between Directors and shareholders.

### Remuneration Payable for Performance in FY 2016

Whilst the Group delivered to market expectations, it continued to be impacted by the more

subdued Energy and Banking sectors whilst also experiencing execution issues in the USA. Consequently, whilst the Group's consensus targets were met, performance in the USA, APAC & ME and the UK were below expectations.

Reflecting this performance, in relation to incentive payments for the year under review, the annual bonus paid was just over 50% of maximum for the CEO, CFO and COO, but below 50% of the maximum for the CEO, USA.

In relation to payments under the LTIP, this was based on our performance over the three years to FY 2016. The EPS performance condition required EPS growth to be between RPI +6% and RPI +15% p.a. For FY 2016 our LTIP EPS performance was 23.0p (after adding back £0.4m USA restructuring costs) equating to RPI +16% over the performance period and resulting in full vesting of the award based on adjusted EPS. Under the total shareholder return ('TSR') part of the award our TSR was required to be between median and upper quartile performance against a peer group. Our TSR was -18.8% which placed us 26<sup>th</sup> out of 34 in the comparator group, resulting in zero payout of the award based on TSR. Whilst this share price performance was disappointing, the Committee was comfortable that overall the annual bonus and LTIP payments represent a robust link between reward and performance.

Full details of the metrics and the performance against them, is set out in the report.

### Policy Implementation for FY 2017

The Committee has awarded all Executive Directors salary increases of 2.5%, which is broadly in line with the average increase for employees generally.

The annual bonus opportunity will remain capped at 120% of base salary with deferral in shares for any bonus above 100% of salary. Performance metrics will remain unchanged in terms of the overall mix and there will be full retrospective disclosure of target ranges and performance in next year's Directors' Remuneration Report.

The LTIP will continue to be based on SThree's performance over 3 years and subject to a 2-year holding period post-vesting. For FY 2017 the grant level will be 150% of base salary. The performance conditions will be changed so that rather than 50% based on EPS and 50% based on TSR, there will be one third each based on EPS and TSR and the final one third based on a Strategic Scorecard of targets. For the regional CEOs, the performance conditions will be equally weighted on TSR, EPS, Strategic Scorecard and regional profit growth.

The introduction of the additional strategic element will provide a keener focus on the delivery of our corporate strategy and ensure that the key drivers of long-term success are captured in the LTIP. The Committee considers that linking vesting of LTIP awards to a combination of three measures, capturing share price, financial results and non-financial performance will help ensure the LTIP is more robust to volatile outcomes in any one measure, driving sustainable performance, while maintaining the alignment of executive and shareholder interests. Minor changes are proposed for the calculation of the EPS and TSR performance conditions, detailed later in this report.

### Shareholder Engagement

The changes proposed to the remuneration policy noted above were the subject of extensive

shareholder engagement during the year under review. The Board values the opinions of its Shareholders and other stakeholders and has proactively taken their views into account when finalising the proposed remuneration policy and its application for FY 2017. This has included making changes to some earlier proposals.

The Committee is committed to maintaining an on-going dialogue with Shareholders on the issue of executive remuneration and we welcome any further feedback you may have.

We look forward to your support on the resolutions relating to remuneration at the AGM in April 2017.

### DENISE COLLIS

Chair of the Remuneration Committee

20 January 2017

## Policy Report

The Group's remuneration policy set out below will be proposed for shareholder approval at the Annual General Meeting to be held on 20 April 2017. The policy would take effect immediately following shareholder approval.

The report complies with the Companies Act 2006 and the requirements of the Listing Rules

and the UK Corporate Governance Code (the 'Code'). Regulations require the auditors to report to the Company's shareholders on the 'Directors' Remuneration Report' 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).

The 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 long term shareholder value.

### Summary of Changes to Remuneration Policy

The proposed changes to the existing policy are:

- For base salary (including recruitment) we are moving away from explicit reference to any benchmark positioning. Any increases to base salary will normally be limited to the average increase for employees more generally, other than in exceptional circumstances;
- For the annual bonus there will be greater flexibility to set appropriately stretching and balanced sliding scales of performance for any metric, rather than the policy specifying

a rigid 90%-110% range around target in all cases;

- For the LTIP the individual grant limit will be simplified by removing a rolling limit of 450% of salary over three years, leaving just a 175% of salary annual limit in the LTIP rules. The normal grant limit in the policy would be 150% of base salary, but it may be 175% in exceptional circumstances (in which case we will engage with shareholders and provide a full explanation). There will be greater flexibility in the range of LTIP performance metrics that may be used and for all LTIP metrics the threshold vesting

level will be reduced from 30% to 25% of the award to make the performance condition structurally more challenging;

- The shareholding requirement threshold for Executive Directors has been increased from 100% to 200% of salary, to be achieved by retaining half of any vested LTIP deferred bonus or other awards, until the requirement is met, rather than achievement within a specific five year timeframe. This higher threshold will improve further the alignment of interest between Directors and shareholders.

## Current and Future Policy Table

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Metrics
<b>EXECUTIVE DIRECTORS</b>				
<b>Base Salary</b>	Sufficient to attract, retain and motivate high calibre individuals.	Reviewed annually with any increases taking effect from 1 December.	Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.	Not applicable
<b>Benefits</b>	Market competitive benefits package.	Including Car Allowance, Private Medical Insurance, Permanent Health Insurance, Life Assurance and Housing Allowance (if relocated).  Other benefits may be introduced to ensure benefits overall are competitive and appropriate for the circumstances.	Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.	Not applicable
<b>Pension</b>	To provide a competitive pension provision.	Individuals may either participate in a pension plan into which the Company contributes or receive a salary supplement in lieu of pension.	15% of base salary.	Not applicable
<b>Annual Bonus</b>	Incentivises high levels of personal and team performance, focused on the key business strategies and financial/operational measures which will promote the long term success of the business.	Deferral into shares for achievement over 100% of salary, vesting in equal tranches over two years, subject to continued employment.  Dividend equivalent payments accrue on deferred shares, payable in cash or shares.  Bonus may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error or misconduct, which has led to an over-payment.	Maximum bonus payment is 120% of annual salary.	Achievement of agreed strategic and financial/operational annual business targets, weighted in line with business priorities. A majority of the performance conditions will be based on financial metrics. Sliding scales are used for each metric wherever practicable with 20% payable for achieving threshold performance. Normally 50% of the maximum bonus is payable for target performance for any financial metric. Within the maximum limit, the Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if it considers the quantum to be inconsistent with the Company's overall performance during the year.

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Metrics
<b>Long Term Incentive Plan</b>	Incentivises and rewards Executives for the delivery of longer term strategic objectives and to reward substantial relative and absolute increases in shareholder value.	LTIP awards may be granted each year in the form of a conditional award of shares or a nil cost option. LTIP awards normally vest after three years. Dividend equivalent payments accrue on vested LTIP awards, payable in cash or shares. Vested LTIP awards must be held for a further two years before the shares may be sold (other than to pay tax). LTIP awards may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error or misconduct, which has led to an over-payment.	The maximum award is 150% of salary p.a. in normal circumstances but may be 175% of salary in exceptional circumstances.	Targets are reviewed annually ahead of each grant to ensure they are aligned to the business strategy and performance outlook. A majority of the performance conditions are based on Group financial performance and shareholder value-based outcomes. No more than 25% of an award may vest for the threshold level of performance. Within the maximum limit, the Committee may adjust vesting outcomes, if it considers the quantum to be inconsistent with the Company's overall performance during the year. Regional based financial metrics may be used for Directors for a minority of the award, where appropriate.
<b>All Employee Share Plans</b>	Support and encourage share ownership by employees at all levels.	HMRC approved SAYE and SIP participation is available to all UK employees, including Executive Directors, on similar terms.	In line with HMRC limits or lower limits specified by the Company from time to time.	Not applicable
<b>Share Ownership Requirements</b>	Alignment of Executive Directors' interests with those of investors.	Executive Directors are expected to build and maintain a shareholding equivalent in value to no less than 200% of base salary. Until this threshold is achieved Executive Directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, Deferred Bonus or other awards.	Not applicable	Not applicable

As part of this new policy, any payments due under the terms of the previous policy are capable of being made.

## Operation of Incentive Plans

The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial results and non-financial performance will ensure that incentive plans provide a reward

for rounded performance, while maintaining the alignment of Executive and shareholder interests.

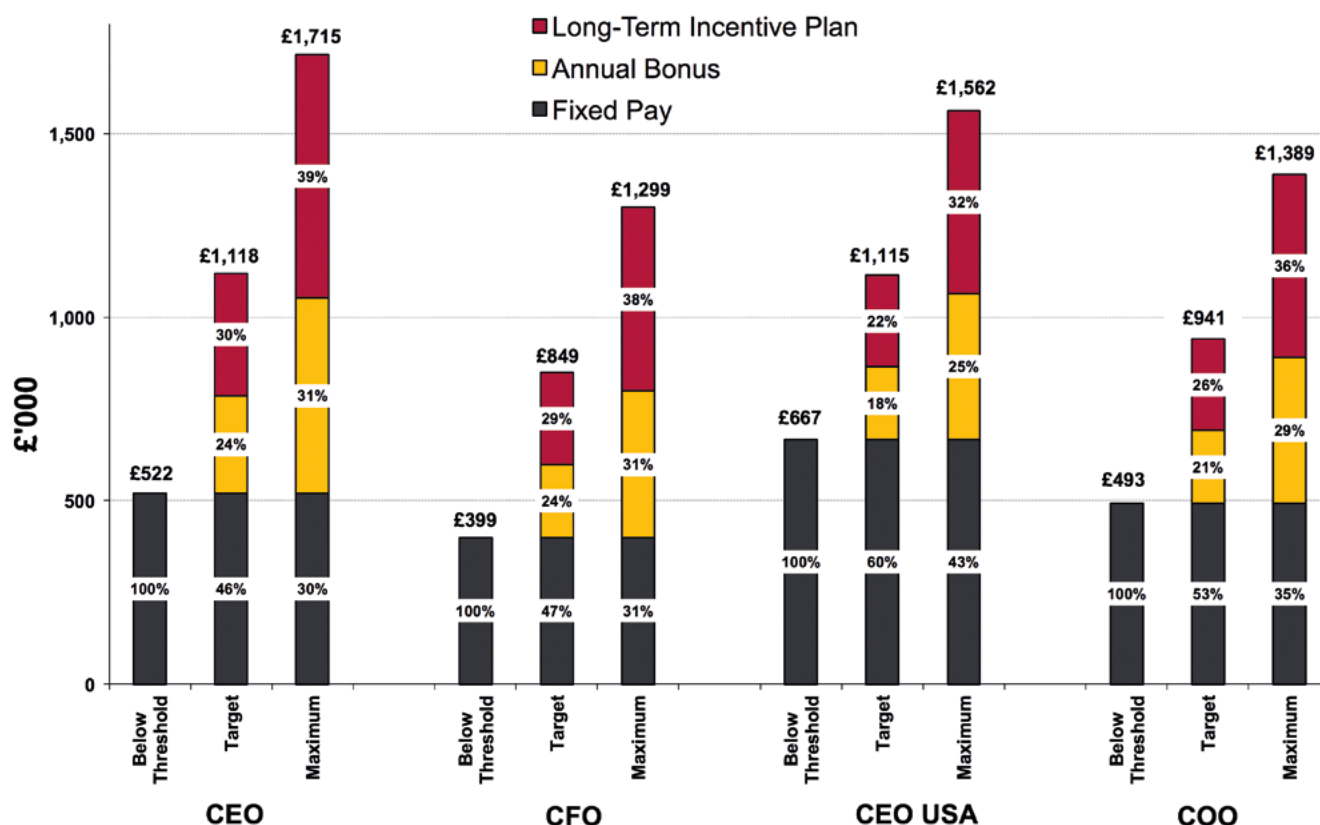
The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. The Committee may also exercise broader discretion in relation to the terms of all incentive

plans, for instance (but not limited to) adjustments required for corporate restructuring and change of control.

In designing incentive structures and approving incentive payments, the Committee pays due consideration to risk management and environmental, social and governance ('ESG') issues.

## Illustration of Potential FY 2017 Executive Directors' Remuneration

The charts below show the remuneration potentially payable to Executive Directors under different performance scenarios.



**Note:** Assumptions for the charts above:

Fixed pay comprises base salary as at 1 December 2016, pension contribution of 15% of salary and the value of benefits received in FY 2016.

Housing allowance was excluded from last year's graph.

The on-target level of bonus is 50% of the maximum opportunity.

The on-target level of the LTIP is taken to be 50% of the value of a single year's award.

The maximum level of bonus and LTIP is the maximum bonus and 100% of the face value of the LTIP at grant.

No share price appreciation has been assumed for deferred bonus or LTIP awards and the value of all-employee share plans has been excluded.

## Differences in Remuneration Policy for Executive Directors Compared to Other Employees

The Committee is made aware of pay structures across the wider group when setting policy for

Executive Directors, in particular in relation to any base salary review.

Overall the remuneration policy for Executive Directors is weighted more to performance based pay

and, in particular, long term share-based incentives. This is to ensure that the relatively higher

pay levels are justifiable internally and externally to shareholders as a clear link between the value

created for shareholders and the remuneration received by Executives.

### Consideration of Employment Conditions Elsewhere in the Group

The Company, in line with market practice, does not actively consult with employees on executive remuneration. The Group has a diverse employee base operating in several different countries, with various local practices, which

would make any comprehensive cost-effective consultation process impractical. However, when setting the Executive Directors' remuneration policy the Committee takes into account the pay and conditions of employees more

generally. The Committee is aware that market practice may develop in this regard following the Government's review of Corporate Governance and will monitor developments carefully.

### Consideration of Shareholders' Views in Determining the Remuneration Policy

The Committee actively consults with shareholders on executive remuneration and has done so

annually. Feedback is taken on board and any proposals are adjusted, as appropriate, given

the objectives of ensuring that shareholders are supportive of the policy and its implementation.

### Remuneration Policy for Recruitment and Promotion

Base salary levels will be set in line with the policy taking account of individual circumstances. Where it is appropriate to offer a starting salary below the desired position initially, there is flexibility to make increases at a faster rate than other Directors and employees, subject to individual performance and development in the role.

Benefits and pension would be in line with the policy. Additionally, there would be flexibility to make

payments to cover relocation related expenses.

Annual bonus would be in line with the policy and there would be flexibility to set different performance conditions measurable over a part-year, in the first year of appointment.

For internal promotions, outstanding incentive payments may vest on their original terms.

For external recruits there may be a need to buy out unvested incentive entitlements at a previous employer. The Committee confirms that any such buy out arrangements would only be used if necessary, would take a similar form to that surrendered (e.g. cash or shares and timeframe), take account of performance conditions and quantum would be no greater than that which the individual has forfeited on appointment.

### Policy on Directors' Service Contracts and Payments for Loss of Office

The Executive Directors have rolling service contracts subject to a maximum of 12 months' notice by the Company or Executive. At the Company's discretion, on termination a payment may be made in lieu of notice equivalent to 12 months' salary, which may be paid in monthly installments and

offset against future earnings. For new hires the policy is to provide a 12 month notice period. Depending on the circumstances the Committee may consider payments in respect of statutory entitlements, outplacement support and legal fees. Mitigation would be applied to reduce any

payments associated with loss of office.

'Good' leavers (e.g. 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.

'Bad' leavers such as a resignation would lose any entitlement to

participate in the bonus scheme and outstanding deferred bonus or

LTIP awards would normally lapse on cessation of employment.

## External Appointments

Executive Directors are encouraged to undertake external appointments, where they are able to combine this with their

existing role. This helps to broaden experience and capability, which can benefit the Company. Currently, no external

appointments are held by any Executive Directors.

## Terms of Appointment and Remuneration Policy for Non Executive Directors ('NEDs')

NEDs are appointed for an initial three-year term, subject to satisfactory performance and re-election at each AGM, with an expectation that they would serve for at least six years, to provide a mix of independence, balance and continuity of experience.

In practice NEDs may be requested to serve up to nine years, subject to rigorous review.

The appointment may be terminated by either the Company or the NED at will. 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.

The policy for the remuneration of NEDs is summarised below:

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Metrics
<b>Fees</b>	Attracts, retains and motivates high calibre NEDs to provide experience, capability and governance in the interest of shareholders.	<p>Fees are determined by the Board as a whole and set by reference to those fees paid in similar companies, related to allocated responsibilities and subject to the aggregate directors' fee limits contained in the Company's Articles of Association.</p> <p>Out of pocket expenses including travel may be reimbursed by the Company in accordance with the Group's expenses policy.</p> <p>NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.</p>	<p>There is no maximum individual fee limit.</p> <p>The overall fee comprises a basic fee plus payment for additional responsibilities such as chairing Committees and for interim additional duties. NEDs do not participate in the Group's incentive schemes.</p>	Obligation to perform satisfactorily and attend and contribute at meetings, assessed via Board effectiveness reviews.

## Sourcing Shares for Share Plans

Shares used to settle vested share awards may include new issue shares, treasury or employee benefit trust 'EBT' shares or market

purchased shares. The Company has established an EBT to facilitate settling vested share awards. The use of new issue shares or treasury

shares is constrained by dilution limits which comply with investor guidelines.

## Annual Report on Remuneration

### HOW THE POLICY WILL BE APPLIED IN FY 2017

#### Base Salary

The table (right) illustrates the most recent base salary changes (effective for FY 2017). The average pay award for employees generally was 2.5%. All salaries are paid in local currency and have been reported in sterling at recent exchange rates, for the CEO USA and COO.

EXECUTIVE DIRECTOR	Base Salary FY 2016 £'000	Increase (from 1 Dec 2016)	Base Salary FY 2017 £'000
Gary Elden, CEO	431.0	2.5%	442.0
Alex Smith, CFO	325.0		333.2
Steve Quinn, CEO USA	323.7*		331.8*
Justin Hughes, COO	323.7*		331.8*

\* Payable in local currency of US \$ or HK \$ hence actual sterling amounts can differ YoY.

#### Benefits and Pension

There are no changes to benefits. The pension contribution equates to 15% of salary.

#### Annual Bonus

FY 2017 annual bonuses will be capped at 120% of base salary. Any bonus above 100% of salary is deferred into shares vesting in equal tranches over the next two years.

The bonus metrics and weightings for the FY 2017 annual bonus are summarised in the table below. The target ranges for each metric are considered to be commercially

sensitive and will be disclosed retrospectively in next year's Directors' Remuneration Report.

METRIC	WEIGHTING	METRIC	SUB-WEIGHTING	NOTES
Financial	65%	Adjusted Profit Before Tax	29.25%	Sliding scales set for each metric around a target level with full disclosure in next year's report
		OP Conversion Ratio	19.5%	
		Cash Conversion Ratio	16.25%	
Strategic	25%	Customer & People engagement	6.25%	Improvement in Candidate Net Promoter Score (NPS) and staff retention of the 12-24 months' sales cohort
		End to end customer experience	6.25%	Targeted improvements in middle office and support functions
		Permanent strategy	6.25%	Pilots in more established geographies to deliver a separately structured Permanent business from Contract
		Customer & Delivery organisation	6.25%	Developing the most effective organisational design for Contingency, MSP and Key Account Customers
Personal	10%	Including metrics on M&A, innovation, business model and succession, amongst others.	10%	Delivery versus agreed objectives to produce value or efficiency gains
Total	100%		100%	

#### Long Term Incentive Plan

The FY 2017 -19 LTIP awards will be made at 150% of salary. Awards will vest on the third anniversary of grant, with a further two year holding period on vested shares.

Performance conditions will be based on EPS, TSR and Strategic Metrics for the CEO and CFO, each applied independently in equal measure to awards, as set out

overleaf. For the COO and CEO, USA there will be a regional OP metric, in addition, applied equally. There will be a straight-line sliding scale between points:

**Earnings Per Share ('EPS'):**

Adjusted EPS in 2019	Vesting of the award subject to EPS
Less than 25p	0%
25p	25%
32p	100%
Between 25p and 32p	Pro rata between 25% and 100%

**Total Shareholder Return ('TSR'):**

Measured over the three financial years to 30 November 2019.

**Note:** The comparator group for FY 2017 LTIP awards will be: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Harvey Nash, Hays, Impellam, Interquest, Kelly Services, Kforce, Korn Ferry, ManPower, Matchtech, Page Group, On Assignment, Randstad, Robert Half, Robert Walters and Staffline

TSR ranking of the Company compared to the Comparator group	Vesting of the award subject to TSR
Below median	0%
Median	25%
Upper quartile rank or above	100%
Between median and upper quartile	Pro rata between 25% and 100%

**Regional Targets:** will continue to apply to Directors with regional responsibility, as follows:

Region	OP Target Range FY 2019	Payout Range (% of regional award)
USA	36% - 46% CAGR	25% - 100% (pro rata)
APAC & ME	£1.7m - £3.7m OP improvement	25% - 100% (pro rata)

**Strategic Metrics:**

Applying to one third of the award, and broken down as follows. Where sliding scales operate there will be 25% vesting at the threshold for payment:

*Customer (one third):*

- Revenue generation of between £10m-£15m from new product lines by FY 2019.
- Broad NPS metric showing improvement of 3%-5% p.a. CAGR in years 2-3 from a baseline derived from the 1st year actual NPS. This differs from the annual bonus NPS metric which is based on specific areas of the business that require focus.

*Employee (one third):*

- The Employee metric will be split equally so that for one third, Staff Engagement growth must be 3%-5% CAGR over three years. For one third Sales Churn must be 37%-35% by 2019 (compared to 38% in 2016). For the final one third Sales level 3-4 Diversity & Inclusion gender representation targets must improve over the same period. Level 3 representation to increase from 10% to 15% - 20% and Level 4 representation to increase from 26% to 30% - 32%.

*Relative gross profit (one third):*

- The relative gross profit will be compared to the same group as used for the TSR metric with the same medium-to-upper quartile sliding scale. Gross profit will be compared based on percentage gross profit growth over three-year performance period with adjustments made as necessary to ensure like-for-like comparison across the companies. Adding a relative gross profit measure will provide a good balance to the non-financial Strategic metrics, by focusing on growing our gross profit at a faster rate than our competitors.

**Shareholding Requirement**

The minimum shareholding requirement has been increased from 100% to 200% of base salary

and with effect from the FY 2017 annual bonus and LTIP awards, to the extent that there is any shortfall

against this threshold, no less than 50% of any deferred bonus or vested LTIP award must be retained.

**Non Executive Directors ('NEDS')**

For FY 2017 there have been no changes to NED fees, which are as follows for the current and prior year:

Non Executive Director	Date Appointed	Base Fee FY 2016 £'000	Chair Fee FY 2016 £'000	Base Fee FY 2015 £'000	Chair Fee FY 2015 £'000	Committee Chair
Clay Brendish	01/05/2010	140.0	-	125.0	-	Nomination
Anne Fahy	01/10/2015	40.0	6.0	40.0	6.0	Audit
Fiona MacLeod	01/07/2014	40.0	-	40.0	-	N/A
Nadhim Zahawi	01/05/2008	40.0	-	40.0	-	N/A
Denise Collis	01/07/2016	40.0	6.0	-	-	Remuneration

**Directors' Remuneration for the Year Under Review and Basis for Payments Under Incentive Plans (Audited)**

The following tables show Directors' emoluments for the current and prior year (see notes overleaf).

**FY 2016**

Director	Salary & Fees £'000	Benefits (i) £'000	Annual Bonus £'000	Long Term Incentive Plan (ii) £'000	Pension (iv) £'000	Total £'000
Gary Elden	431.0	13.3	291.6	258.2	64.4	1,058.5
Alex Smith	325.0	16.2	219.9	198.6	48.7	808.4
Steve Quinn (v) **	323.7	285.0	188.0	111.2	91.0	998.9
Justin Hughes (v) **	323.7	111.3	200.3	111.2	48.1	794.6
Clay Brendish	140.0	-	-	-	-	140.0
Anne Fahy	46.0	-	-	-	-	46.0
Fiona MacLeod	40.0	-	-	-	-	40.0
Nadhim Zahawi	40.0	-	-	-	-	40.0
Tony Ward* (left 30/09/2016)	37.8	-	-	-	-	37.8
Denise Collis* (joined 01/07/2016)	18.2	-	-	-	-	18.2
<b>Aggregate Emoluments</b>	<b>1,725.4</b>	<b>425.8</b>	<b>899.8</b>	<b>679.2</b>	<b>252.2</b>	<b>3,982.4</b>

\* Pro rated due to appointment or retirement in current or previous year

\*\* Payable in local currency of US\$ or HK\$ hence actual sterling amounts can differ YoY

**FY 2015**

Director	Salary & Fees £'000	Benefits (i) £'000	Annual Bonus £'000	Long Term Incentive Plan (iii) £'000	Pension (iv) £'000	Total £'000
Gary Elden	411.7	11.1	458.3	325.0	78.8	1,284.9
Alex Smith	316.7	11.1	352.6	250.0	47.5	977.9
Steve Quinn (v)	266.0	341.5	287.5	210.0	50.5	1,155.5
Justin Hughes (v)	266.0	93.9	263.9	210.0	47.2	881.0
Clay Brendish	125.0	-	-	-	-	125.0
Anne Fahy*	7.5	-	-	-	-	7.5
Fiona MacLeod	40.0	-	-	-	-	40.0
Nadhim Zahawi	40.0	-	-	-	-	40.0
Tony Ward	46.0	-	-	-	-	46.0
Alicja Lesniak* (left 23/04/15)	19.2	-	-	-	-	19.2
<b>Aggregate Emoluments</b>	<b>1,538.1</b>	<b>457.6</b>	<b>1,362.3</b>	<b>995.0</b>	<b>224.0</b>	<b>4,577.0</b>

\*Pro rated due to appointment or retirement in current or previous year.

**NOTES**

<sup>(i)</sup> Benefits include car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other costs under the Group's relocation scheme, being \$268,315 (2015: £321,116) for Steve Quinn and \$99,774 (2015: £82,908) for Justin Hughes.

<sup>(ii)</sup> FY 2016 LTIP awards relate to those granted in early FY 2014 and vesting in early FY 2017, based on performance assessed over FY 2014 – 2016, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 276.5p, being

the share price as at 30 November 2016, the last dealing day of the year.

<sup>(iii)</sup> FY 2015 LTIP awards relate to those granted in early FY 2013, vested in early FY 2016, based on performance assessed over FY 2013 – 2015, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 327.3p, being the share price as at 30 November 2015, the last dealing day of the year.

<sup>(iv)</sup> Senior employees, including the Executive Directors, are eligible for a salary supplement in lieu of pension of up to 15% of their base salary.

Steve Quinn's FY 2016 figures include the amounts to rectify underpayment of this supplement to him in the prior year. Gary Elden, Justin Hughes and Steve Quinn's FY 2015 figures include amounts to rectify underpayments of this supplement in the prior year.

<sup>(v)</sup> Justin Hughes (based in Hong Kong) and Steve Quinn (based in the USA), are paid in local currency. Their salaries have been converted into pounds sterling at average exchange rates for FY 2016 of 10.77 (Hong Kong Dollar and 1.39 (US Dollar).

<sup>(vi)</sup> There were no payments to former directors for loss of office.

## How Annual Bonus and LTIP Payments Made During the Year Were Linked to Performance

### Annual Bonus Payable for FY 2016 Performance (maximum 120% of salary)

The table below shows the awards as a percentage of the maximum bonus opportunity (100%), against the measures/weighting and result for FY 2016.

Performance Measure FY 2016	CEO Max Potential (% max)	CEO Actual Result (% max)	CFO Max Potential (% max)	CFO Actual Result (% max)	CEO USA Max Potential (% max)	CEO USA Actual Result (% max)	COO Potential (% max)	COO Actual Result (% max)
<b>Group Financial Objectives <sup>(1)</sup></b>								
PBT	29.3	7.4	29.3	7.4	23.4	5.9	23.4	5.9
OP Conversion Ratio	19.5	3.9	19.5	3.9	15.6	3.1	15.6	3.1
Cash Conversion Ratio	16.2	16.2	16.2	16.2	13.0	13.0	13.0	13.0
<b>Group Financial Total</b>	<b>65.0</b>	<b>27.5</b>	<b>65.0</b>	<b>27.5</b>	<b>52.0</b>	<b>22.0</b>	<b>52.0</b>	<b>22.0</b>
<b>Regional Financial</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.0</b>	<b>-</b>	<b>13.0</b>	<b>-</b>
<b>Financial Total</b>	<b>65.0</b>	<b>27.5</b>	<b>65.0</b>	<b>27.5</b>	<b>65.0</b>	<b>22.0</b>	<b>65.0</b>	<b>22.0</b>
<b>Shared Objectives <sup>(2)</sup></b>								
Diversity & Inclusion	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Innovation	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Customer Experience	4.2	3.7	4.2	3.7	4.2	3.7	4.2	3.7
Order Management	4.2	4.0	4.2	4.0	4.2	4.0	4.2	4.0
Organisational Design	4.2	3.8	4.2	3.8	4.2	3.8	4.2	3.8
Churn	4.0	-	4.0	-	4.0	-	4.0	-
<b>Shared Objectives Total</b>	<b>25.0</b>	<b>19.9</b>	<b>25.0</b>	<b>19.9</b>	<b>25.0</b>	<b>19.9</b>	<b>25.0</b>	<b>19.9</b>
<b>Personal <sup>(3)</sup></b>	<b>10.0</b>	<b>9.0</b>	<b>10.0</b>	<b>9.0</b>	<b>10.0</b>	<b>6.5</b>	<b>10.0</b>	<b>9.7</b>
<b>Actual Bonus Achievement (% max)</b>	<b>100.0</b>	<b>56.4</b>	<b>100.0</b>	<b>56.4</b>	<b>100.0</b>	<b>48.4</b>	<b>100.0</b>	<b>51.6</b>
<b>Effective Achievement (% salary)</b>	<b>120.0</b>	<b>67.7</b>	<b>120.0</b>	<b>67.7</b>	<b>120.0</b>	<b>58.1</b>	<b>120.0</b>	<b>61.9</b>

## NOTES TO THE BONUS TABLE:

- Targets are normally measured on an adjusted basis, as reported. However, in assessing the FY 2016 bonus, the Committee applied a downwards discretionary adjustment £0.4m of US costs, due to execution issues in the USA. This lowered the bonus payout for all Executive Directors. Actual PBT performance was therefore £40.4m versus a target of £44.0m (target range £39.6m - £48.4m). The OP Conversion Ratio was 15.8% versus target of 17.6% (target range 15.8% - 19.4%). Cash Conversion was 96% (target range 69% - 85%). Regional financial targets were based on delivery against agreed growth measures, none of which were met. Following this adjustment actual regional contribution achievement was £11.3m (target range £16.2m - £18.0m) for the CEO, USA and £6.7m (target range £9.4m - £10.4m) for the COO.
- Shared objectives are assessed based on delivery by the Group Management Board ('GMB') members of agreed medium term strategic targets, which are outlined as follows:

Metric / target range	Result	Result (as % of maximum opportunity)
<b>Diversity &amp; inclusion</b> The target required development plans for females @ level 2 and 3 with 95% of females to have Personal Development Plans (threshold 90%). A robust and comprehensive plan to identify High Potential Females by region and function	96.7% of females with quality PDP's  Development of Female Leadership Programme, supported by comprehensive programme of local development activity. 30% year on year improvement in Level 3 female population	<b>Target exceeded - 100%</b>
<b>Innovation (as distinct from continuous improvement)</b> Business plan for video interviewing by end of H1 Use a service blueprint design approach to innovate on methodology for Order Management Identify innovation roadmap and first run of innovation activities by H1	Successful trials completed Roll-out programme completed as per plan  Innovation architecture developed, endorsed by the Board. Localised activity initiated around building and embedding an innovation mindset	<b>Fully Achieved - 100%</b>
<b>Global programme for measuring customer service</b> Customer NPS in place for DACH and US by end of January and all brands by March Journey based NPS programme for key stages of candidate experience and improve NPS score from 14 to 24	Phase 1 Net Promoter Score ('NPS') successfully introduced across all brands and countries Global NPS score of 37, substantially exceeding target of 24. Supporting L&D programme developed and launched	<b>Good progress - 88%</b>
<b>Order management</b> - redesign of end-to-end processes to improve efficiency Define vision and form Steering Group by January Scope major project streams by April followed by others to be defined	Achieved Process efficiency design completed. Successful introduction of a number of key initiatives including online time sheets. Terms & Pricing business case and 14 sub projects defined and ready for next phase development	<b>Good progress - 95%</b>
<b>Organisational design review</b> Profitability of the current split desk approach between US and Glasgow to be reviewed Potential different OD models to be identified by H1	Board endorsement of proposal on future model OD elements delivered to Plan. Phase 2 piloting commenced	<b>Good progress - 90%</b>
<b>Churn - improve retention of Consultant level staff</b> Target of 37.5% - 35% Consultant 12-24 month churn to be 3-4 points lower (50%-47%)	Disappointing performance, 39% for consultants generally and 52% for 12-24 month cohort	<b>(Under-performed - zero%)</b>

- Personal targets - delivery against agreed objectives as follows:

	Metric / target range	Result	Result (as % of maximum opportunity)
CEO	Identification of M&A opportunities and creation of M&A team A specific M&A proposal mapped out	In-house capability developed. Pipeline of opportunities developed and assessed. Viable options suitably explored and appropriate no-go decisions taken Robust platform established for review of future opportunities	<b>Strong progress - 90%</b>
CFO	Staff engagement M&A Finance strategy	Strong progress on staff engagement Excellent partnering with CEO on M&A opportunities Refined service proposition developed and implemented, achieving headcount and cost targets	<b>Strong progress - 90%</b>
COO	Full regional infrastructure in place for both Support Services and sales including succession Delivery model (split desk) defined and implemented for Australia Strong compliance in Energy Sector	Stability delivered in region through robust 'People Plan'  Delivery model developed and split desk implemented in Australia. Supporting reward schemes linked to Accounting GP. Delivered improvements to regional performance and profitability Further step change to compliance in the Energy sector	<b>Fully Achieved - 97%</b>
CEO, USA	M&A Capability USA Compliance to be strengthened	Developed strength of US M&A capability Further strengthened compliance, including 'Corp to Corp' model Execution issues in the US detracted from otherwise strong performance	<b>Partial Achievement - 65%</b>

**LTIP Awards Vested by Reference to Performance over the three years to FY 2016 (Audited)**

For the CEO and CFO awards were split equally between EPS and TSR.

For the COO and the CEO, USA, the awards also included a

regional element, split equally.

EPS - Compound annual growth over three years ending FY 2016*	Payout Range	Vesting	Actual performance	Vesting level
RPI 6% - 15% pa	30% - 100%	100%	RPI +16%	100%

\* For the purpose of determining the level of EPS growth the FY 2012 EPS (14.1p) was used as the base point for measurement as the FY 2013 EPS was considered unusually low.

TSR - Rank of the Company compared to the peer group	Payout Range	Vesting	Actual performance	Vesting level
TSR performance the median to upper quartile	30% - 100%	0%	26th out of 34	nil

The LTIP regional element was based on achieving regional OP as follows.

Region	OP Target Range	Payout Range (% award of regional)	Actual Performance	Vesting level
USA	12% - 19% CAGR	30% - 100%	7% CAGR	nil
APAC & ME	£3.5m - £4.5m OP improvement	30% - 100%	£2.9m OP improvement	nil

The LTIP awards will therefore vest as follows.

Executive Director	Number of shares granted	Number of shares vested	Number of shares lapsed	Dividend equivalent on additional shares	Total £'000*
Gary Elden	165,535	82,767	82,768	10,604	258.2
Alex Smith	127,335	63,667	63,668	8,157	198.6
Steve Quinn	106,961	35,654	71,307	4,568	111.2
Justin Hughes	106,961	35,654	71,307	4,568	111.2

\* Based on a share price of 276.5p on 30 November 2016

**LTIP Awards Granted in FY 2016 (Audited)**

LTIP awards were granted on 27 January 2016 and will vest after

three years subject to performance and service requirements. These

awards will be subject to a two-year post vesting period.

Executive Director	Basis of Award	Number	Face value at grant £'000*	% of award vesting at threshold performance	Performance period
Gary Elden	150% of base salary	217,677	646	30%	FY 2016 - FY 2018
Alex Smith		164,141	487		
Steve Quinn		140,404	417		
Justin Hughes		140,404	417		

\*The face value of each award equals the number of shares originally awarded multiplied by the market price at grant date of 297p.

Some 50% (CEO, USA/COO one third) of the FY 2016 LTIP award is subject to EPS growth targets set out as follows:

Compound annual growth over three years ending FY 2018	Vesting (% subject to EPS performance condition pro rata settings between each)
Less than RPI+6%	0%
RPI+6%	30%
RPI+13%	80%
RPI+19%	100%

## GOVERNANCE

Some 50% (regional CEO/COO one third) of the FY 2016 LTIP award is subject to the Company's TSR compared to a comparator group as follows:

Rank of the Company's TSR compared to the peer group over three years ending FY18	Vesting (% subject to TSR performance condition pro rata between each)
TSR performance below the median	0%
Median	30%
Upper quartile or above	100%

**Note:** The comparator group comprises the following companies, being mid/large cap global listed recruiters or other business services/benchmark comparator companies, the vast majority of which have a high historical cyclicality correlation coefficient with STthree, being as follows: Adecco, Amadeus Fire, Bovis Homes Group, Brunel International, Carillion, Dice Holdings, Electrocomponents, Exova Group, Galliford Try, Grafton Group UTS, Groupe Crit, Harvey Nash Group, Hays, Hogg Robinson Group, Impellam Group, Inspecity, Kelly Services, 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, Teleticity Group, Trueblue, USG People, Wetherspoon (JD).

For FY 2016 and FY 2015, the LTIP regional element was based on growing regional OP as follows:

Region	OP Target Range FY 2016 awards	OP Target Range FY 2015 awards	Payout Range (% of regional award)
USA	12% - 17% CAGR	23% - 36% CAGR	30% - 100%
APAC & ME	£2m - £3m OP improvement	£4.3m - £6.2m OP improvement	30% - 100%

### Deferred Bonus Awards Granted in FY 2016 (Audited)

In line with the policy, the following deferred share awards were granted in respect of the portion of the FY 2015 bonus earned in excess of 100% of base salary. Deferred share awards vest 50% after one year and 50% after two years.

	Number of Shares	Face Value at Grant* £
Gary Elden	15,770	46,522
Alex Smith	12,131	35,786
Steve Quinn	8,379	24,718
Justin Hughes	-	-

\* Based on share price as at 22 February 2016 of 295.0p

### Save As You Earn ('SAYE') Options Granted in the Year (Audited)

A new SAYE grant was launched in September 2016. Executive Directors' options 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 on similar terms to all employees, being at a 20%

discount to the market price and not subject to performance conditions.

All previous SAYE grants have lapsed.

Director	Date of Grant	Option Price at Grant	Shares Awarded	Value of Shares at Grant*	Vesting Date
Gary Elden	20/09/2016	196.40p	9,164	£23,116	1/12/2019
Alex Smith	20/09/2016	196.40p	9,164	£23,116	1/12/2019

\* Valued at a share price of 252.25p

**LTIP Awards Outstanding (Audited)**

Executive Directors' awards outstanding under the LTIP are set out in the table below. All awards

are structured as conditional awards of shares (with no exercise price, save for a notional £1 sum

payable on vesting for each total award).

Director	Date of LTIP Grant / Award	Market Price at Grant / Award	Shares Originally Awarded	Face Value* £	Shares Vested	Vesting Date	Gain on Exercise £	Remaining Unexercised at 30 Nov 2016 (Incl Dividend Shares)
Gary Elden	01/02/2011	371.30p	107,217	398,096	32,299	01/02/2014	97,882	-
Gary Elden	01/02/2012	272.00p	157,191	427,559	34,516	01/02/2015	100,250	-
Gary Elden	08/02/2013	331.50p	176,470	584,998	88,235	08/02/2016	286,711	-
Gary Elden	04/02/2014	364.00p	165,535	602,547	-	04/02/2017	-	165,535
Gary Elden	17/02/2015	324.00p	190,621	617,612	-	17/02/2018	-	190,621
Gary Elden	27/01/2016	297.00p	217,677	646,500	-	27/01/2019	-	217,677
Alex Smith	11/02/2010	299.40p	117,935	353,097	120,832	10/02/2013	-	139,918
Alex Smith	01/02/2011	371.30p	104,511	388,049	31,483	01/02/2014	-	34,951
Alex Smith	08/02/2013	331.50p	135,746	449,997	78,985	08/02/2016	234,727	-
Alex Smith	04/02/2014	364.00p	127,335	463,499	-	04/02/2017	-	127,335
Alex Smith	17/02/2015	324.00p	146,631	475,084	-	17/02/2018	-	146,631
Alex Smith	27/01/2016	297.00p	164,141	487,498	-	27/01/2019	-	164,141
Steve Quinn	01/02/2011	371.30p	45,005	167,103	13,557	01/02/2014	-	15,051
Steve Quinn	01/02/2012	272.00p	52,516	142,843	11,531	01/02/2015	-	12,313
Steve Quinn	18/07/2012	261.00p	68,966	180,001	15,142	18/07/2015	-	16,169
Steve Quinn	08/02/2013	331.50p	114,027	377,999	66,347	08/02/2016	197,209	-
Steve Quinn	04/02/2014	364.00p	106,916	389,338	-	04/02/2017	-	106,961
Steve Quinn	17/02/2015	324.00p	123,170	399,070	-	17/02/2018	-	123,170
Steve Quinn	27/01/2016	297.00p	140,404	416,999	-	27/01/2019	-	140,404
Justin Hughes	01/02/2011	371.30p	45,005	167,103	13,557	01/02/2014	-	15,051
Justin Hughes	08/02/2013	331.50p	114,027	377,999	66,347	08/02/2016	-	68,110
Justin Hughes	04/02/2014	364.00p	106,961	389,338	-	04/02/2017	-	106,961
Justin Hughes	17/02/2015	324.00p	123,170	399,070	-	17/02/2018	-	123,170
Justin Hughes	27/01/2016	297.00p	140,404	416,999	-	27/01/2019	-	140,404

\* The face value of each award equals the number of shares originally awarded, multiplied by the market price at grant.

For the LTIP awards granted on 8 February 2013 (FY13 - 15) and 4 February 2014 (FY14 - 16), the EPS and TSR performance conditions were as per the table:

For both awards the TSR comparator group consisted of circa 40 UK-listed companies, all being recruitment or service companies from the FTSE Support Services, AIM or Fledgling indices, as previously disclosed in the FY 2013 and FY 2014 Annual Report.

For the awards granted in FY 2014, the Committee adjusted the EPS targets such that, the FY 2012 EPS of 14.1p became the base level of EPS from which targets were

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 13% pa or better
100%	Upper quartile or better	RPI plus 15% pa or better
Pro rata on a straight line	Between median and upper quartile	Between RPI plus 6%-13% and RPI plus 13%-15%

measured (rather than the actual FY 2013 EPS of 9.1p), thus making the targets more stretching.

For the awards granted on 17 February 2015 (FY15 - 17) the EPS

and TSR performance conditions were the same as for the awards granted on 27 January 2016, as described in the section earlier.

## Directors' Interests in Shares (Audited)

Under the new remuneration policy Executive Directors must now build and maintain a level of shares equivalent to at least 200% of base salary. All Executive Directors have attained this level.

Directors' interests in the ordinary share capital of the Company are shown in the table, including any changes since the start of the current year. There have been no changes since then, 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 already disclosed.

Director	Ordinary Shares Held at 1 December 2015	Ordinary Shares Acquired	Ordinary Shares Disposed	Ordinary Shares Held at 30 November 2016	New Shareholding Requirement (% Salary)	Shareholding (% of FY 2017 Salary)*
Gary Elden	2,780,712	199,129	177,907	2,801,934	200%	1,752%
Alex Smith	219,746	59,344	-	279,090	200%	232%
Steve Quinn	295,675	182,363	106,347	371,691	200%	310%
Justin Hughes	573,940	42,259	61,000	555,199	200%	463%
Clay Brendish	38,300	-	-	38,300	-	-
Anne Fahy	4,000	-	-	4,000	-	-
Fiona MacLeod	5,000	-	-	5,000	-	-
Tony Ward	14,063	-	-	14,063	-	-
Nadhim Zahawi	43,228	-	-	43,228	-	-
Denise Collis	-	-	-	-	-	-

**Note:** All figures exclude unvested/unexercised LTIP awards or other interests in share plans, which are shown in the tables earlier in the report. Ordinary shares acquired include shares received in return for tracker shares purchased by the Group, with shares to the value of £257,100 (2015: £528,300) and £105,100 (2015: £554,800), being allotted to the CEO, USA and COO respectively, during the year.

\* Based on share price as at 30 November 2016 of 276.5p

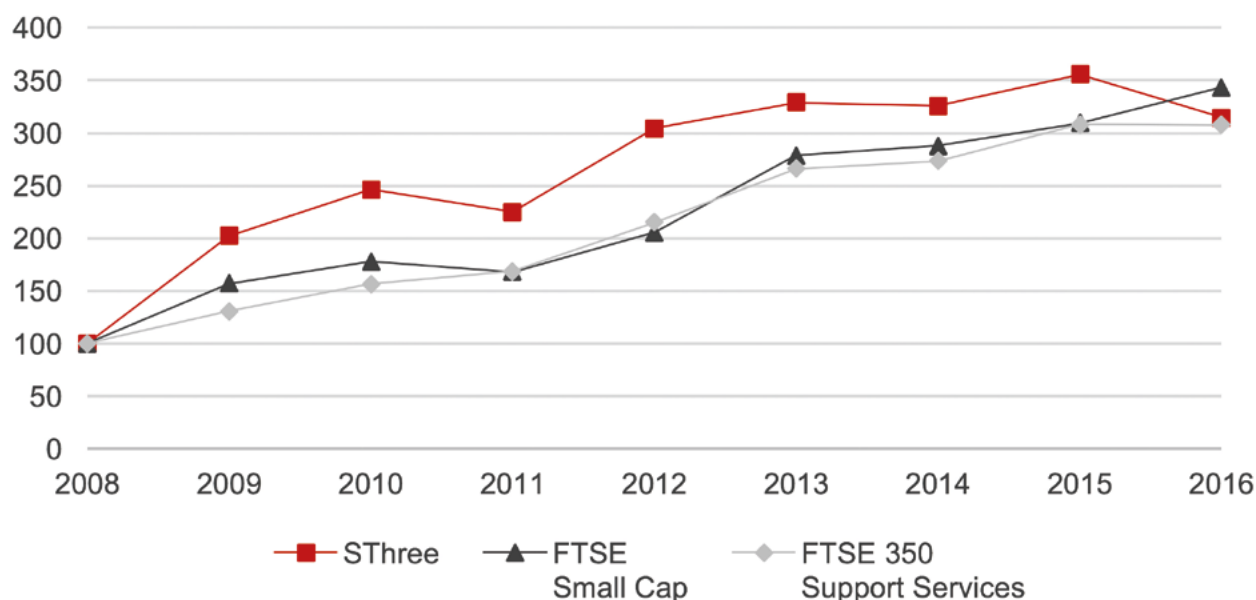
### Total Shareholder Return ('TSR') Performance and the Pay of the CEO Over the Same Period

The graph below shows the Total Shareholder Return ('TSR') of the Company, compared to the

FTSE 350 Support Services and FTSE Small Cap indices. These are considered the most illustrative

comparators for investors as the Company has been a constituent currently or in the past.

#### Total shareholder return



The table to the right shows historical levels of CEO total remuneration, as well as annual bonus and LTIP vesting percentages over the same performance period as the TSR chart.

Year	CEO	CEO Total Remuneration £'000	Annual Bonus (% of Salary)	LTIP Awards Vesting (% of Maximum) *
FY 2016	Gary Elden	1,058.5	67.7%	50.0%
FY 2015	Gary Elden	1,284.9	111.3%	50.0%
FY 2014	Gary Elden	852.2	65.5%	18.5%
FY 2013	Gary Elden	752.8	53.1%	25.5%
FY 2012	Russell Clements	1,295.0	92.9%	88.0%
FY 2011	Russell Clements	1,264.9	67.2%	100%
FY 2010	Russell Clements	1,284.2	113.9%	100%
FY 2009	Russell Clements	616.1	50.0%	44.0%

\* Including LTIP awards vesting as disclosed previously in relevant year, i.e. as at then market value.

### Historical Levels of and Percentage Change in CEO Remuneration Versus All Group Employees

The table to the right shows the percentage increase for each element of remuneration between the current and previous financial periods for the CEO, compared with all Group employees.

Remuneration Element	Percentage Change FY 2015 - FY 2016	
	CEO	Average for All Employees %
Salary & Fees	4.7%	12.4%
Other Benefits*	(13.6%)	17.9%
Annual Bonus	(36.4%)	7.8%

\* Includes salary supplement in lieu of pension

## Relative Importance of Spend on Pay

The table to the right sets out the change to the total employee wage costs compared with the change in dividends and share buy backs for FY 2016 compared to FY 2015. All figures are taken from the relevant sections of the Annual Report.

Item	FY 2016	FY 2015	% Change
Dividends plus value of share buy backs	£24.9m	£19.2m	29.7%
Remuneration paid to Employees (incl Directors)	£169.0m	£149.4m	13.1%

## The Committee and its Advisors

The Committee's Terms of Reference (available at [www.sthree.com](http://www.sthree.com)) are reviewed periodically and are in alignment with the UK Corporate Governance Code ('Code') and ICSA best practice guidelines. During the year the Committee comprised only independent Non Executive Directors, being Tony Ward Chairman (retired as a Director on 30 September 2016), Denise Collis (Chair from 1 September 2016), Nadhim Zahawi and Fiona McLeod and, as such, meets Code requirements to comprise at least three independent NEDs.

The Chief Executive Officer and the most senior HR representative 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 has recently appointed Korn Ferry as its independent remuneration advisor, following a comprehensive review. Although work has commenced, no fees have been paid to Korn Ferry as yet. Previously, Deloitte LLP ('Deloitte') were remuneration

advisor and during the year the Company paid them £41,500 (FY 2015: £75,890), excluding VAT, for advice in relation to remuneration matters. Deloitte also provided advice in relation to tax and liquidation matters. In addition, Kepler Associates were appointed to assist the Committee with policy review and were paid £45,141, excluding VAT, during the year. Each of Korn Ferry, Kepler and Deloitte are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. The Committee are satisfied that their advice was and is objective and independent.

## Statements of Voting at Last Year's AGM

At the AGM held on 21 April 2016 the following votes were cast in relation to the advisory vote for the approval of the Directors' remuneration Report. There was no vote on the Remuneration Policy at the 2016 AGM

AGM	Resolution	For	%	Against	%	Withheld
2016	Directors' Remuneration Report	95,016,741	99.30	667,933	0.70*	-

\*Votes withheld are not counted in the % shown above

## Approval

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

### DENISE COLLIS

Chair of the Remuneration Committee

20 January 2017

# CORPORATE GOVERNANCE REPORT



**STEVE HORNBUCKLE**  
GROUP COMPANY  
SECRETARY

The following pages set out how the Group has applied the principles and provisions of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 (the 'Code'), as amended. The Group complied with all sections of the Code throughout the year and to the date of this report.

## A. Leadership

### A.1 The Role of the Board

The Board provides strategic and 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 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 sections. 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 GMB, the Investment Committee, a Minority Interest 'Tracker Shares' Steering 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](http://www.sthree.com)) are reviewed periodically and all Board Committees 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 at [www.sthree.com](http://www.sthree.com).

**A.1.2** The Directors of the Company, including biographies, are set out in the Board of Directors section of this Annual Report, with further details of Board Committee membership being set out later in this Report. The number of, and attendance at, Board and Committee meetings during the year, is also shown in a table later in this report. All meetings were well 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 continues as at the date of this report, in respect of possible 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 an 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, in terms of having no previous connection with the Company.

### **A. 4 NEDs**

**A.4.1** Fiona Macleod is 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, NEDs 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 to also take 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. This ensures 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 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. Half the board, comprise of Non Executive Directors determined by the board to be independent, as set out in the Code

### 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 Governance Overview and Strategy section (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 3 years, which, in normal circumstances and subject to satisfactory performance/ re-election at each AGM, would be extended to at least a second 3-year term. NEDs may be requested to serve for a further (third) 3-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 2 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 sales or other key conferences in order to join senior management from each geographic area to discuss current initiatives. 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, on 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, an annual Board/Committee evaluation was undertaken during the period under review. This took the form of one on one meetings with the Chairman to elicit feedback on what

was working well, or not, with suggestions of things for the Board to stop or start doing. The outputs of this exercise will be implemented in FY 2017 and will build upon the lessons gained in prior 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 Directors. The last external evaluation was completed in March 2015.

The evaluation process is considered to be both formal and rigorous and has led to the conclusion 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 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 Re-election**

**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 Strategy section, Chairman's, CEO'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, CSR, Audit Committee and Nomination Committee Reports provide an overview of the Group, including environmental and employee matters and give an indication of future

developments of 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 financial statements 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 Strategy section, Chairman's, CEO'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 & viability**

**C.2.1/2** The Board's statement regarding its review of the effectiveness of the Group's risk management, internal control systems and viability statement is set out later in this report.

### **C. 3 Audit Committee & Auditors**

Details of the composition, work and responsibilities of this Committee are set out in the Audit Committee Report.

## 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 the Remuneration Committee are set out under the relevant section later

in this report 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, remuneration issues and recruitment of Chairman.

**E.1.1** The Chairman, SID 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 with 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 Chairs 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](http://www.sthree.com)) are reviewed

regularly and are aligned closely with the UK Corporate Governance Code and ICOSA 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.

Directors	Board (10 meetings)	Audit Committee (4 meetings)	Nomination Committee (5 meetings)	Remuneration Committee (4 meetings)
Clay Brendish	9	-	5	-
Gary Elden	10	-	-	-
Alex Smith	10	-	-	-
Steve Quinn	10	-	-	-
Justin Hughes	10	-	-	-
Fiona Macleod	8	2	4	3
Denise Collis <sup>1</sup>	3	-	3	3
Anne Fahy	10	4	5	-
Nadhim Zahawi	8	2	3	3
Tony Ward <sup>2</sup>	8	-	4	4

<sup>1</sup> Denise Collis joined the Board, Remuneration and Nomination Committees on 1 July 2016 and replacing Tony Ward as Remuneration Committee Chair as of the 1 September 2016.

<sup>2</sup> Tony Ward retired from the Board on the 30 September 2016.

Where Directors were unable to attend meetings due to other unavoidable commitments, full Board packs were distributed and

separate discussions were held with the Chairman on all matters of relevance. Further details of each of the Board Committees are

contained in the Remuneration, Audit and Nomination Committee sections of this Annual Report.

## Effectiveness of the Group's Risk Management and Internal Control Systems

(In accordance with C.2.1 & C.2.2 of the Code)

### Risk management and Internal Control Systems and Identification of Principal Risks, Including Environmental, Social & Governance ('ESG') Matters.

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 robust assessment of risks and the effectiveness of associated controls. This monitoring and review process includes assessing all

material risks and 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 works closely with the Board in this area and, 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.

Processes 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 assesses actual results compared with budgeted and

forecast performance, as well as against other KPIs, on an ongoing basis. The process includes risks and opportunities to enhance the value

arising from ESG matters where relevant. The process is consistent with the FRC's latest guidance on Internal Control and has been in

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

## Assessment of Risk and Enterprise Risk Management ('ERM') Framework

### ERM Framework

The Board, supported by 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 categorised according to probability and 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 regularly reviewed by the Board.

### ERM Processes

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

- Senior Directors own localised risk registers, with regular presentations made to the Board which include progress on risk mitigation;
- 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 procedures are in place, communicated Group-wide;
- Group risk appetite statements reviewed, with strategic and localised measures being agreed, monitored via appropriate KPIs, with bonus also being subject to specific risk or compliance targets, where relevant;
- Job descriptions include reference to risk responsibilities.

In light of the FRC's updating of the Code in the areas of risk monitoring, reporting and viability and in order to enable the Board to satisfy itself on the robustness of the Group's internal control and risk evaluation/monitoring processes, the Board last year sought assistance from external risk specialists to review its current processes and enhance its risk appetite setting and reporting procedures.

As part of this work, a detailed analysis of risk appetite was undertaken, using key operational parameters to set and measure the Group's risk profile. This will be revisited periodically at Audit/Board meetings as well as at a Board/Executive annual risk workshop, to monitor both the actual and forecast position against these parameters.

As a result, the Board is now able to sign off with even greater confidence that these processes are robust, as required by the Code.

### ERM Arrangements

The Group's ERM arrangements have been designed to meet, as closely as possible, the appropriate BSI standard (BS 31000) 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, and the 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 (for example environmental impacts, social issues such as how the Group manages relationships with its employees, suppliers, customers and the communities in which it operates, and governance issues such as the Company's leadership, executive pay, audits, internal controls and shareholder rights).

### Investment Association ('IA') Guidelines on Responsible Investment Disclosures

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

- As part of its ERM procedures, the Board takes into account any

material ESG matters. Adherence to these procedures and disclosure of relevant issues is monitored by the Internal Audit function and also reviewed by external risk specialists, as part of the overall risk management framework.

- 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 training and bonus structures.
- The Board has ensured that the Company has in place effective systems for managing and mitigating principal risks. Where relevant, these incorporate performance management systems and appropriate remuneration incentives.
- There are no ESG-related risks or 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, its financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic section of this annual report. 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 and into the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing this Annual Report.

### Viability Statement

The Board has assessed the viability of the Company and the Group over a 5 year period to 30 November 2021, taking account of the Group's current financial position and the potential impact of the principal risks and mitigation documented in the strategic section of this Annual Report. Based on this assessment and the various other matters also considered and reviewed by the Board during the year, the Board has a reasonable expectation that the Company and the Group will be able to continue in operation and to meet liabilities as they fall due over the period to 30 November 2021.

In making this assessment, the Board has reviewed a 5 year financial forecast, taking into account the Group's strategy, cash flows, dividend cover, debt facilities and other key financial metrics over the period. The key assumptions in the forecast were flexed (individually and in combination) to evaluate the potential impact on the Group's liquidity and debt requirements under various scenarios. These assumptions included: sales headcount, gross profit yield per sales consultant, infrastructure and support costs.

In making this statement, it is recognised that not all future events or conditions can be predicted, and future assessments are subject to a level of uncertainty that increases with time. Future outcomes cannot, therefore, be guaranteed or predicted with

certainty, particularly within the recruitment sector, where there is limited forward visibility. This assessment was made taking into account the Company and Group's current position and prospects, its strategy, the agreed risk appetite and the principal risks and mitigation (as detailed in the strategic section of this Annual Report), all of which could change and impact the future performance of the Company and the Group.

### 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 (page 35).

### 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

20 January 2017

# AUDIT COMMITTEE REPORT

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**ANNE FAHY**  
**AUDIT COMMITTEE CHAIR**

As Chair of the Audit Committee, I am pleased to present, on behalf of the Board, its Audit Committee Report, prepared in accordance with the UK Corporate Governance Code (the 'Code').

During the year, I continued to develop my understanding of the business and its system of internal controls together with its key risks and uncertainties, whilst further cementing relationships with internal and external auditors, the finance team and Group Company Secretary. I have now undergone a thorough induction, which included office visits and meetings with senior leaders across the business, and have completed a full annual cycle.

FY 2016 was another busy year for the Committee. In addition to supporting the Board in further embedding the revised Code provisions on risk, control and viability, there was further strengthening of the internal control environment by ensuring the independence, effectiveness and quality of both internal and external audit processes, as well as of the Committee itself. In addition, work is now well underway to complete an audit tender process in early FY 2017.

The Committee also focused on the key judgements and estimates, which underpin the financial statements, namely capitalisation of IT development costs, revenue

recognition, judgements in accounting for tracker shares and presentation of Alternative Performance Measures in the Annual Report.

Having reviewed the content of the Annual Report, the Committee considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company and the Group's performance, business model and strategy.

During the course of the year, the Committee also considered, amongst other matters, project implementation, technical accounting matters and their appropriate disclosure, and treasury matters, as well as fraud and whistleblowing. As with last year, it also took the opportunity to review and update its terms of reference, which it now intends to do annually, in line with best practice.

All of the above is covered in the body of this report. Information on the Committee meetings held and attended by members is set out in the table in the Corporate Governance Report.

## Audit Committee

### Committee Composition

The Committee consists of Anne Fahy (Chair), Fiona MacLeod and Nadhim Zahawi. The Group

CEO, CFO, Group Company Secretary, External Auditors, Internal Audit and Finance

function heads also attend meetings by invitation.

### Committee Membership, including Recent and Relevant Financial, Audit or Sector Experience

Anne Fahy is a Chartered Accountant and has held senior financial positions, most recently at BP, whilst Fiona MacLeod and

Nadhim Zahawi are degree educated and have held general management positions, which include senior financial responsibility;

the Committee, taken as a whole, is considered to have appropriate sector experience.

### The Committee's Principal Responsibilities

The Committee's Terms of Reference were reviewed and updated during the year. Duties principally comprise as follows:

- To monitor the integrity of the consolidated financial statements of the Group and any announcements relating to financial performance;
- To review significant financial reporting issues and judgements;
- Where requested by the Board, to advise whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- To review the Group's internal financial controls, internal control and risk management systems

and reporting, including supporting the Board in overseeing risk management activity, advising on risk appetite and assessing material breaches of risk controls;

- To monitor and review the effectiveness of the Group's Internal Audit function;
- To agree the external auditors engagement terms, scope, fees, non-audit services, to monitor and review the external auditor's effectiveness and associated independence and recommend re-appointment to the Board and shareholders;
- Reviewing arrangements by which the Groups' 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; and
- Where requested by the Board, advising on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects.

The Committee also took the opportunity to carry out an assessment of its effectiveness, in order to consider any improvements. This was discussed at the November 2016 Committee meeting. The Committee is considered to be functioning effectively, with areas for continued enhancement identified, to be implemented during FY 2017.

### Risk Management, Internal Controls, Key Focus Areas and Viability

The Committee supports the Board in its 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, as part of the Group's ERM framework. Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

This activity includes monitoring of 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, carrying out a robust assessment of risks and the effectiveness of associated controls on behalf of the Board. No significant failings or weaknesses were identified by the Committee from this review.

The Committee works closely with the CFO, Group Company Secretary, Internal Audit team and external auditors to ensure that any potential material misstatement 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. This helps to ensure the effective planning and performance of the external and internal audit teams, focused

on risk, and has resulted in a continued improvement in processes and controls over

recent years.

A key focus area for the Committee,

again, this year was reviewing the viability statement, to enable Board sign off.

## External Auditors

### Responsibilities in Relation to External Auditors

During the year the Committee carried out each of the following:

- In accordance with the new EU Audit Regulation guidance on audit tendering, the Committee made recommendations to the Board to conduct a formal audit tender which will be completed in early FY 2017. Once this process is concluded, a

recommendation for the appointment or re-appointment of external auditors and approval of their remuneration and terms of engagement will be put to shareholders;

- Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit

process, taking into consideration relevant UK professional and regulatory requirements;

- Updated the policy on the engagement of the external auditors and supply of non-audit services in light of recent regulatory changes.

### Appointment, Objectivity and Independence

The Committee will consider and recommend to the Board and shareholders, the appointment or re-appointment of external auditors and approval of their remuneration and terms of engagement, following the conclusion of the formal audit tender in early FY 2017.

Both the Committee and the external auditors have safeguards in place to ensure that objectivity and independence is maintained and the Committee also considers 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 5 years and the current lead audit partner was appointed in 2014.

### Performance and Tendering

During the year, the Committee reviewed performance and fees and met with the external auditors, PricewaterhouseCoopers ('PwC') regularly, without management present. PwC replaced BDO as auditor in 2000 and the Committee considered that factors such as regular audit partner rotation, adoption of enhanced audit techniques, as well as competitive fee structure have all contributed

to PwC's satisfactory performance and independence. The Committee therefore considers that the existing relationship has worked well and remains satisfied with PwC's effectiveness.

Whilst there are no contractual obligations restricting the Group's choice of external auditors, per se, EU rules now prevent certain 'prohibited' services from being

carried out in addition to auditing activities. Any such activities must first cease, accordingly. The external auditor has ceased such services in FY 2016 in order to be considered for tender. In accordance with the regulations, a formal tender process was started in FY 2016 and will be completed in FY 2017.

### Framework used by the Committee to Assess Effectiveness of the External Audit Process

The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit

engagement partner, planning and scope of the audit, including a dedicated audit planning afternoon, with identification of particular areas of audit risk, the planned approach and execution of the audit, management of an

effective audit process, communications by the auditor with the Committee, how the auditors support the work of the Committee, how the audit contributes insights and adds 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 auditors and management by the Committee and its attendees, based on the above, with any actions reviewed by the Committee.

### Policy on Non-Audit Work

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 services required due to legislation and assurance work or other specialist services. The Committee continuously monitors the quality and volume of this work, fees

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

incurred, as well as independent safeguards established, in order to consider whether to use other firms and continues to use other firms to provide general tax advice or for other projects.

Following the introduction of EU Ethical Standards for Auditors during the year the Committee reviewed its policy on non-audit work and has updated it. As such, the policy aligns with regulations to prohibit a number of non-audit services, whilst also meeting APB

independent audit and the booking of any audit adjustments arising as well as the timely provision of documents for review by the auditors and the Committee.

Ethical Standards and FRC guidance, to clearly set out:

- which types of non-audit work are prohibited;
- the types of work for which external auditors can be engaged without Audit Chair referral, provided such services fall below £25,000 and are not specifically prohibited; and
- for which types of work Audit Chair referral is needed, i.e. which are above £25,000.

### Fees paid to External Auditors for Non-Audit Work

Audit fees for the year increased by 2% YoY, mainly due to change in subsidiary audit scope. The Committee reviews all non-audit work against policy to ensure it is

appropriate and the fees justified. Non audit fees have decreased compared to prior years, with this year's fees primarily related to non-UK tax compliance and an IT

effectiveness review. The fees are set out in the notes to the financial statements.

### Key Judgements and Estimates in the Financial Statements and Significant Issues Considered in Relation Thereto

Significant areas considered by the Committee in relation to the FY 2016 Annual Report and financial statements and how these were addressed include the following:

#### Alternative Performance Measures

- certain costs have been incurred during the year which do not satisfy the Group's policy for classification as exceptional items in the financial statements. However, as they are relevant to understanding the Group's performance these have been disclosed and explained within other parts of the Annual

report using Alternative Performance Measures (being adjusted measures of reported profits) as adjusting items. The Audit Committee therefore focused on this area to ensure these disclosures were understandable to readers, explained, reconciled and balanced when read in conjunction with the financial statements which do not separate these costs.

**Capitalisation of Development Costs** – where the criteria in IAS 38 Intangible assets is met, the Group

capitalises eligible system project development costs in Intangible assets. These include the cost of directly attributable internal time spent by certain employees. Determining whether the project development costs satisfy the IAS 38 recognition criteria is judgemental. Business cases, including an assessment of the project against recognition criteria, are required for all significant projects and approved by the Group's Strategic Development Committee. A key judgement relates to defining and quantifying the benefits of a

project. The Audit Committee monitors the benefits of completed projects compared to those set out in the original business cases via an annual review which is performed by Internal Audit. This provides an indicator not only of the rigour of the benefits defined/quantified in original business cases but also the areas for further improvement or consideration in open projects' business cases. The external auditors have reported to the Committee on the results of their testing in this area. The judgements which have been applied are also discussed with management and considered to be appropriate by the Committee and continue to be in line with IFRS requirements.

**Revenue Recognition** - contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end. Revenue is therefore 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. The amount of contractor revenue that is accrued rather than billed at each period end is significant.

The value of unsubmitted timesheets for each individual contractor is system generated and judgements are applied principally to the number of hours worked. The number of hours worked is system generated based on the contractual hours and working days for each contractor and adjusted for expected holidays or other events that could reduce the

revenue. However, the revenue is adjusted to reflect actual data from contractor timesheets received 2-3 weeks after the year-end and where timesheets are not submitted. The key judgement is the time period of three months between accrual of a timesheet and the write off of this revenue if a timesheet is not received and approved. Any difference compared to the actual time worked by the contractor would result in the amount payable to the contractor and accrued revenue receivable from the client being adjusted in the next financial year.

The judgement applied, and the assumptions underlying these judgements are considered appropriate by the Committee and continue to be in line with IFRS requirements. The Committee also noted adjustments that would be made to GP 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** - the tracker share arrangements are complex in nature and therefore challenging to disclose in a way that is understandable to the reader whilst continuing to highlight the judgements involved.

In light of this, each year, the Committee re-examines the key areas of judgement in order to be satisfied that these are clearly disclosed. There are significant accounting differences (generally with respect to measurement) when comparing the treatment of an equity settled and a cash settled share based payment scheme. The tracker share scheme gives the Group the choice to settle in either SThree plc shares or

cash and therefore the treatment of this scheme in the financial statements as equity settled is judgemental. Given the material quantum of amounts involved, the Committee focused on this significant judgement. In order to satisfy itself that treatment of the scheme as equity settled is appropriate, the Committee verified the practice to date has been to settle tracker shares using SThree plc shares, and sought reconfirmation from the Board that it is the ongoing intention to settle the scheme in this way. This policy is disclosed within the financial statements.

When tracker shares are settled using treasury shares the accounting requires judgement. The Companies Act is not explicit on how the reissue of treasury shares should be accounted for in this scenario. The Audit Committee reviewed legal advice obtained by management in this area which confirms the appropriateness of the treatment adopted within the financial statements, as disclosed further in the notes to the financial statements. The Audit Committee also reviewed the disclosure of this judgement in the notes and considered it to be appropriate.

**Material Misstatements** - management confirmed to the Committee that they were not aware of any material misstatements, management override or fraud and the external auditors confirmed that they had found no evidence of such 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.

### Internal Audit Function

The Internal Audit function provides independent assurance and testing around processes and procedures, as part of the Group's internal control processes. The function carries out a wide variety of audits including operational as well as ad hoc and project based reviews.

The Committee oversees and monitors the work of the Internal Audit function, which carries out risk based reviews of key controls and processes throughout the Group on a rolling cycle, including resources, scope and alignment with principal risks and effectiveness of the function.

The Head of Internal Audit has direct access to the Committee, and meets regularly with both the Committee and its Chair without management present to consider the Internal Audit work programme, which is approved in advance by the Committee.

For FY 2016, the programme was focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their close out monitored. No significant weaknesses were identified from the risk management or internal control reviews

undertaken by Internal Audit during the reporting period and throughout the financial year. The Internal Audit team has continued to enhance the risk management framework and work with managers across the globe to further develop and embed the risk framework and methodology at a local level, whilst also ensuring that the Internal Audit plan is closely aligned to risk.

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.

### Fraud

The Committee reviews the procedures for the prevention and detection of fraud in the Group. Suspected cases of fraud must be

reported to senior management and are investigated by Internal Audit, with the outcome of any investigation reported to the

Committee. During the year in question, no frauds of a material nature were reported.

### Anti-Bribery and Corruption and Business Ethics

The Group maintains a zero tolerance approach against corruption. It has an established anti-bribery and corruption policy, which includes guidance on the giving and receiving of gifts

and hospitality. This policy applies throughout the Group. A gifts and entertainments register is maintained to ensure transparency.

The Group also has a Code of Conduct which sets out the

standards of behaviour by which all employees are bound. This is based on the Group's commitment to acting professionally, fairly and with integrity.

### Whistleblowing Hotline

The Group has in place a dedicated independent whistleblowing 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). During the year, the opportunity was taken

to refresh communication of the whistleblowing procedures and related policy. Since its inception, there has been one issue raised on the hotline, which was fully investigated by Internal Audit.

### ANNE FAHY

Audit Committee Chair

20 January 2017

# NOMINATION COMMITTEE REPORT



## CLAY BRENDISH NOMINATION COMMITTEE CHAIR

I am pleased to present to you the Nomination Committee report.

The report provides underlying detail on the Committee and its activities during the year. Information on the Committee meetings held and attended by members is set out in the table in the Corporate Governance Report, whilst details of the external evaluation undertaken of the board and its committees is set out in the Chairman's Governance Overview.

### Committee Composition, Including a Majority of Independent Non Executive Directors (NEDs)

The Committee consists of Clay Brendish (Chairman), Denise Collis, Fiona MacLeod, Anne Fahy and

Nadhim Zahawi and thus complies with Code requirements.

### 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, 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, 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 Denise Collis, who was appointed as a Non-Executive on 1 July 2016 and Remuneration Chair on 1 September 2016. For this and other previous appointments, 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. During the year, this work was mainly focused on ensuring the continuing development of and

adequate pipeline into the Executive team, as well as finalising the appointment of Denise Collis to replace Tony Ward as Remuneration Committee Chair. See also the Chairman's Governance Overview section earlier in the Annual Report.

### CLAY BRENDISH

Nomination Committee Chair

20 January 2017

# 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 2016 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 Consolidated income statement and the Consolidated statement of comprehensive income for the year ended 30 November 2016;
- The Statements of financial position as at 30 November 2016;
- 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.

### 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 and 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

### Our Audit Approach

OVERVIEW	
Materiality	<ul style="list-style-type: none"> <li>• Overall Group materiality: £1.9 million representing 5% of profit before tax (2015: £1.9 million which represents 5% of profit before exceptional items and tax).</li> </ul>
Audit Scope	<ul style="list-style-type: none"> <li>• The Group has a shared service centre in the UK which operates the Group's accounting function.</li> <li>• The whole Group was audited by the UK audit team at the shared service centre.</li> </ul>
Areas of Focus	<ul style="list-style-type: none"> <li>• Capitalisation of internal costs spent on system development;</li> <li>• Accrued revenue cut-off; and</li> <li>• Significant judgements in accounting for tracker shares.</li> </ul>

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 is evidence of bias by the directors that may represent 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
<b>CAPITALISATION OF INTERNAL COSTS SPENT ON SYSTEM DEVELOPMENT</b>	
<p>We focused on this area because of the significant level of judgement by the directors 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.</p> <p>Refer to Note 11 to the financial statements, Operating &amp; Financial Review (page 16), critical accounting estimates and judgements (Note 1) and Audit Committee Report.</p>	<p>We tested the key control surrounding the approval of business cases for IT projects, which was the review by the Strategic Development Committee. We obtained evidence of this approval for a sample of projects.</p> <p>We discussed the anticipated benefits with relevant personnel and obtained satisfactory explanations for the assumptions made. To verify this we also examined internal analyses on the outcome of completed projects and considered whether the planned benefits were being realised.</p> <p>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.</p> <p>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.</p> <p>We noted that there were a number of smaller projects being capitalised as intangible assets which collectively amounted to £0.9 million. In the case of these projects we verified that these are functionality changes or enhancements to existing systems rather than updates or maintenance.</p>

Area of focus	How our audit addressed the area of focus
<b>ACCRUED REVENUE CUT-OFF AND REVENUE RECOGNITION</b>	
<p>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 calculated by using standard contractor rates and estimated hours. This is then reviewed by management, and adjusted to reflect actual data when contractor timesheets are received. Contractor revenues represented 67% of the Group's gross profit during the year.</p> <p>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.</p> <p>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.</p>	<p>For contact 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.</p> <p>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, concluding that management were following their policies in this area.</p> <p>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.</p> <p>For permanent revenue we obtained contracts for revenue recognised around year end, and agreed placement start dates to activity logs or confirmations from the customer.</p>
<b>TRACKER SHARES</b>	
<p>Details of the tracker share scheme are set out in the Directors' report and Note 1 of the financial statements. Refer also to Note 19, Critical accounting estimates and judgements (Note 1) and Audit Committee Report.</p> <p>Tracker shares can be repurchased from holders 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 and a cash settled scheme. Therefore, with regard to the material quantum of amounts involved, we focused on this significant judgement.</p>	<p>We verified that SThree's current policy for repurchasing tracker shares continues to be through the issue of new SThree plc shares or use of treasury shares. We tested repurchases of tracker shares during the year and verified that these were settled with SThree plc shares in accordance with this policy.</p> <p>We confirmed with management and the Board that it remains their intention to settle in equity, and that this policy is disclosed within the financial statements.</p>

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	£1.9 million (2015: £1.9 million).
How we determined it	5% of profit before tax (2015: 5% of profit before exceptional items and tax).
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 £0.2 million (2015: £0.2 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 79, 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 Opinion

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 with respect to

internal control and risk management systems and about share capital structures is consistent with the financial statements.

**ISAs (UK & Ireland) Reporting**

Under ISAs (UK and Ireland) we are required to report to you if, in our opinion:	
<ul style="list-style-type: none"> <li>Information in the Annual Report is:               <ul style="list-style-type: none"> <li>- Materially inconsistent with the information in the audited financial statements; or</li> <li>- 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</li> <li>- Otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>The statement given by the directors on page 52, 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.</li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>The section of the Annual Report on page 81, 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.</li> </ul>	We have no exceptions to report arising from this responsibility

**The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group**

Under ISAs (UK and Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
<ul style="list-style-type: none"> <li>The directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>The directors' explanation in the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul>	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statements in relation to the longer-term viability of the group, set out on page 79. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

**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 ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

## **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 pages 51 to 52, 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 and 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  
20 January 2017

# FINANCIAL STATEMENTS

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## CONSOLIDATED INCOME STATEMENT

For the year ended 30 November 2016

		30 November 2016	30 November 2015		
	Note	£'000	Before exceptional Items £'000	Exceptional items £'000	Total £'000
<b>Continuing operations</b>					
Revenue	2	959,861	848,841	-	848,841
Cost of sales		(701,180)	(613,123)	-	(613,123)
<b>Gross profit</b>	<b>2</b>	<b>258,681</b>	<b>235,718</b>	<b>-</b>	<b>235,718</b>
Administrative expenses		(220,913)	(197,316)	-	(197,316)
Gain on disposal of subsidiaries	3	-	-	377	377
<b>Operating profit</b>	<b>4</b>	<b>37,768</b>	<b>38,402</b>	<b>377</b>	<b>38,779</b>
Finance income	6	79	64	-	64
Finance costs	6	(549)	(751)	-	(751)
<b>Profit before taxation</b>		<b>37,298</b>	<b>37,715</b>	<b>377</b>	<b>38,092</b>
Taxation	7	(10,056)	(11,350)	(77)	(11,427)
<b>Profit for the year attributable to owners of the Company</b>		<b>27,242</b>	<b>26,365</b>	<b>300</b>	<b>26,665</b>
<b>Earnings per share</b>	<b>9</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Basic		21.2	20.8	0.2	21.0
Diluted		20.6	19.9	0.2	20.1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 November 2016

	30 November 2016 £'000	30 November 2015 £'000
<b>Profit for the year</b>	27,242	26,665
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on retranslation of foreign operations	10,774	(4,194)
Other comprehensive income/(loss) for the year (net of tax)	10,774	(4,194)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>38,016</b>	<b>22,471</b>

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

# STATEMENTS OF FINANCIAL POSITION

As at 30 November 2016

	Note	CONSOLIDATED		COMPANY	
		30 November 2016	30 November 2015	30 November 2016	30 November 2015
			* RESTATED		* RESTATED
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	7,100	5,599	-	-
Intangible assets	11	11,597	11,108	-	-
Investments	12	727	-	290,233	323,551
Deferred tax assets	18	2,501	1,780	229	353
		21,925	18,487	290,462	323,904
<b>Current assets</b>					
Trade and other receivables	13	189,169	157,153	1,507	1,679
Current tax assets		4,650	3,292	10,423	10,071
Cash and cash equivalents	14	15,707	25,966	394	908
		209,526	186,411	12,324	12,658
<b>Total assets</b>		<b>231,451</b>	<b>204,898</b>	<b>302,786</b>	<b>336,562</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	19	1,312	1,295	1,312	1,295
Share premium		27,406	23,140	27,406	23,140
Other reserves		(5,381)	(11,030)	(5,397)	(272)
Retained earnings		52,333	46,001	267,294	302,227
<b>Total equity</b>		<b>75,670</b>	<b>59,406</b>	<b>290,615</b>	<b>326,390</b>
<b>Non-current liabilities</b>					
Provisions for liabilities and charges	17	907	1,133	-	-
<b>Current liabilities</b>					
Bank overdraft	14	5,685	19,807	-	32
Provisions for liabilities and charges	17	4,953	5,579	-	-
Trade and other payables	15	138,859	117,039	12,171	10,140
Current tax liabilities		5,377	1,934	-	-
		154,874	144,359	12,171	10,172
<b>Total liabilities</b>		<b>155,781</b>	<b>145,492</b>	<b>12,171</b>	<b>10,172</b>
<b>Total equity and liabilities</b>		<b>231,451</b>	<b>204,898</b>	<b>302,786</b>	<b>336,562</b>

\*An explanation of the restatement is provided in note 1 under basis of preparation.

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 20 January 2017. They were signed on its behalf by:



**Alex Smith**

Chief Financial Officer

Company registered number: 03805979

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 November 2016

	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
<b>Balance at 30 November 2014</b>		<b>1,266</b>	<b>14,470</b>	<b>168</b>	<b>878</b>	<b>(162)</b>	<b>(6,564)</b>	<b>41,290</b>	<b>51,346</b>
Profit for the year ended 30 November 2015		-	-	-	-	-	-	26,665	26,665
Other comprehensive loss for the year		-	-	-	-	-	(4,194)	-	(4,194)
Total comprehensive income for the year		-	-	-	-	-	<b>(4,194)</b>	<b>26,665</b>	<b>22,471</b>
Dividends paid to equity holders	8	-	-	-	-	-	-	(17,671)	(17,671)
Distributions to tracker shareholders		-	-	-	-	-	-	(164)	(164)
Issue of new shares for settlement of vested tracker shares	19(a)	22	8,206	-	-	-	-	(8,306)	(78)
Settlement of share-based payments		7	464	-	-	56	-	71	598
Purchase of own shares	19(a)	-	-	-	-	(1,212)	-	-	(1,212)
Credit to equity for equity-settled share-based payments	19(b)	-	-	-	-	-	-	4,133	4,133
Current and deferred tax on share-based payment transactions	7	-	-	-	-	-	-	(17)	(17)
<b>Total movements in equity</b>		<b>29</b>	<b>8,670</b>	<b>-</b>	<b>-</b>	<b>(1,156)</b>	<b>(4,194)</b>	<b>4,711</b>	<b>8,060</b>
<b>Balance at 30 November 2015</b>		<b>1,295</b>	<b>23,140</b>	<b>168</b>	<b>878</b>	<b>(1,318)</b>	<b>(10,758)</b>	<b>46,001</b>	<b>59,406</b>
Profit for the year ended 30 November 2016		-	-	-	-	-	-	27,242	27,242
Other comprehensive income for the year		-	-	-	-	-	10,774	-	10,774
Total comprehensive income for the year		-	-	-	-	-	<b>10,774</b>	<b>27,242</b>	<b>38,016</b>
Dividends paid to equity holders	8	-	-	-	-	-	-	(17,972)	(17,972)
Distributions to tracker shareholders		-	-	-	-	-	-	(149)	(149)
Issue of new shares for settlement of vested tracker shares	19(a)	14	3,706	-	-	-	-	(3,929)	(209)
Settlement of share-based payments		3	560	-	-	1,720	-	(1,671)	612
Purchase of own shares	19(a)	-	-	-	-	(6,845)	-	-	(6,845)
Credit to equity for equity-settled share-based payments	19(b)	-	-	-	-	-	-	2,823	2,823
Current and deferred tax on share-based payment transactions	7	-	-	-	-	-	-	(12)	(12)
<b>Total movements in equity</b>		<b>17</b>	<b>4,266</b>	<b>-</b>	<b>-</b>	<b>(5,125)</b>	<b>10,774</b>	<b>6,332</b>	<b>16,264</b>
<b>Balance at 30 November 2016</b>		<b>1,312</b>	<b>27,406</b>	<b>168</b>	<b>878</b>	<b>(6,443)</b>	<b>16</b>	<b>52,333</b>	<b>75,670</b>

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 November 2016

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
<b>Balance at 30 November 2014</b>		<b>1,266</b>	<b>14,470</b>	<b>168</b>	<b>878</b>	<b>(162)</b>	<b>286,503</b>	<b>303,123</b>
Total comprehensive income for the year ended 30 November 2015	1	-	-	-	-	-	29,210	29,210
Dividends paid to equity holders	8	-	-	-	-	-	(17,671)	(17,671)
Issue of new shares for settlement of vested tracker shares	19(a)	22	8,206	-	-	-	-	8,228
Settlement of share-based payments	7	7	464	-	-	56	71	598
Purchase of own shares	19(a)	-	-	-	-	(1,212)	-	(1,212)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	4,133	4,133
Current and deferred tax on share-based payment transactions	-	-	-	-	-	-	(19)	(19)
<b>Total movements in equity</b>		<b>29</b>	<b>8,670</b>	<b>-</b>	<b>-</b>	<b>(1,156)</b>	<b>15,724</b>	<b>23,267</b>
<b>Balance at 30 November 2015</b>		<b>1,295</b>	<b>23,140</b>	<b>168</b>	<b>878</b>	<b>(1,318)</b>	<b>302,227</b>	<b>326,390</b>
Total comprehensive loss for the year ended 30 November 2016	1	-	-	-	-	-	(18,002)	(18,002)
Dividends paid to equity holders	8	-	-	-	-	-	(17,972)	(17,972)
Issue of new shares for settlement of vested tracker shares	19(a)	14	3,706	-	-	-	-	3,720
Settlement of share-based payments	3	3	560	-	-	1,720	(1,671)	612
Purchase of own shares	19(a)	-	-	-	-	(6,845)	-	(6,845)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2,723	2,723
Current and deferred tax on share-based payment transactions	-	-	-	-	-	-	(11)	(11)
<b>Total movements in equity</b>		<b>17</b>	<b>4,266</b>	<b>-</b>	<b>-</b>	<b>(5,125)</b>	<b>(34,933)</b>	<b>(35,775)</b>
<b>Balance at 30 November 2016</b>		<b>1,312</b>	<b>27,406</b>	<b>168</b>	<b>878</b>	<b>(6,443)</b>	<b>267,294</b>	<b>290,615</b>

Of the above reserves, retained earnings of £267,294,000 (2015: £302,227,000) are distributable.

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

# STATEMENTS OF CASH FLOW

For the year ended 30 November 2016

		CONSOLIDATED		COMPANY	
		30 November 2016	30 November 2015	30 November 2016	30 November 2015
	Note	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Profit before taxation after exceptional items		37,298	38,092	(18,896)	28,656
<b>Adjustments for:</b>					
Depreciation and amortisation charge	10,11	5,716	5,091	-	-
Accelerated amortisation and impairment of intangible assets	11	-	1,471	-	-
Finance income	6	(79)	(64)	(76)	(31)
Finance cost	6	549	751	543	760
Loss on disposal of property, plant and equipment	4	194	38	-	-
Impairment of investments in subsidiaries	12	-	-	40,077	-
Gain on disposal of subsidiaries	3	-	(377)	-	(377)
Non-cash charge for share-based payments	19(b)	2,823	4,134	811	1,137
<b>Operating cash flows before changes in working capital and provisions</b>		<b>46,501</b>	<b>49,136</b>	<b>22,459</b>	<b>30,145</b>
Increase/(decrease) in receivables		(9,404)	3,608	172	614
Increase in payables		5,731	9,395	903	4,067
Decrease in provisions		(632)	(4,876)	-	(705)
Cash generated from operations		42,196	57,263	23,534	34,121
Finance income	6	79	64	76	31
Income tax paid - net		(8,477)	(10,841)	656	(3,606)
Net cash generated from operating activities		33,798	46,486	24,266	30,546
Cash generated from operating activities before exceptional items		34,658	49,475	24,469	30,976
Cash outflow from previously recognised exceptional items		(860)	(2,989)	(203)	(430)
Net cash generated from operating activities		33,798	46,486	24,266	30,546
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10	(3,220)	(3,563)	-	-
Purchase of intangible assets	11	(3,973)	(5,060)	-	-
Proceeds from disposal of subsidiaries	3	-	2,002	-	2,002
Investment in a related party		(727)	-	-	-
Investment in a subsidiaries		-	-	-	(42)
Net cash (used in)/generated from investing activities		(7,920)	(6,621)	-	1,960
<b>Cash flows from financing activities</b>					
Finance cost	6	(549)	(751)	(543)	(760)
Employee subscription for tracker shares		192	156	-	-
Proceeds from exercise of share options		612	598	612	598
Purchase of own shares		(6,845)	(1,111)	(6,845)	(1,111)
Repayment of borrowings		-	(24,000)	-	(24,000)
Dividends paid to equity holders	8	(17,972)	(17,671)	(17,972)	(17,671)
Distributions to tracker shareholders		(130)	(131)	-	-
Net cash used in from financing activities		(24,692)	(42,910)	(24,748)	(42,944)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,186</b>	<b>(3,045)</b>	<b>(482)</b>	<b>(10,438)</b>
Cash and cash equivalents at beginning of the year		6,159	14,071	876	11,314
Effect of exchange rate changes		2,677	(4,867)	-	-
<b>Cash and cash equivalents at end of the year</b>	14	<b>10,022</b>	<b>6,159</b>	<b>394</b>	<b>876</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES

SThree plc ('the Company') and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom & Ireland, Continental Europe, the USA and Asia Pacific & Middle East. The Group consists of different brands and provides both Permanent and Contract specialist staffing services, primarily in the ICT, Banking & Finance, Energy, Engineering and Life Sciences sectors. 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 8th Floor, City Place House, 55 Basinghall Street, London, EC2V 5DX.

The Group's principal accounting policies, as set out below, have been consistently applied in the preparation of these 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 ('IFRS IC') 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 consolidated and Company only financial statements have been prepared under the historical cost convention. 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 loss after tax for the parent Company for the year was £18.0m (2015: profit of £29.2m).

### *Revision of disclosure*

Following an agenda decision by the IFRS IC in March 2016 regarding offsetting and cash pool arrangements, the Group and the Company have revised the disclosure of their cash pooling arrangements in the comparative statements of financial position at 30 November 2015 (and 30 November 2014). This revision has had the effect of increasing each of cash and cash equivalents and bank overdraft at 30 November 2015 by £19.8m for the Group and by £32,000 for the Company – note 14 (at 30 November 2014 by £35.5m each for the Group and £nil for the Company). Similarly, resulting total current assets, total assets, total current liabilities and total liabilities for the Group and the Company at these dates have each been restated by these amounts. There is no change to net assets or the results or cash flows for the Group and the Company for the year ended 30 November 2015 and 30 November 2014.

### **ADOPTION OF NEW AND REVISED STANDARDS**

Except as set out above, 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 amendments were in issue but not yet effective (and in some cases had not yet been endorsed 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'

IFRS 16 'Leases'

The Group expects that IFRS 16 will have a material effect on the results and net assets of the Group. IFRS 15 will impact the Group's 30 November 2018 year end with retrospective impact. The impact on the Group's financial statements of the future adoption of this and other new standards, interpretations and amendments is under review.

### **GOING CONCERN**

The Group's business activities, together with the factors likely to affect its future development, performance, its financial position, cash flows, liquidity position and borrowing facilities are described in the strategic section of the Annual Report. In addition, note 23 to these financial statements includes 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 these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

### 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 gain or loss on disposal represents (i) the aggregate of the fair value of the consideration received or receivable, (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 disposal.

### 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 and any directly attributable costs to them.

### 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 including gain on disposal of subsidiaries, as disclosed on the face of the income statement, are items which due to their size and non-recurring nature are 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

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

#### **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 presentation currency for the consolidated financial statements.

#### **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.

#### **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 rates ruling at the end of the reporting period;

- income and expenses for each income statement are translated using the average rates of exchange for the year (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.

### 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	lower of 20% per annum and lease period
Fixtures and fittings	20% 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 has indefinite useful life and is included in intangible assets. Goodwill arising on the acquisition of associates is included within the carrying value of the investment. Goodwill is tested annually for impairment and carried at cost less

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **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 within intangibles 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).

### **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 the 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 Company's income statement as it arises.

The investments in shares in the undertakings outside of the Group are considered to be available-for-sale financial investments. Since they are investments in unlisted companies where fair value cannot be readily determined, they are initially recognised at cost with subsequent measurement at cost less provision for impairment.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

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 twelve 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 initially at fair value and thereafter 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 where there is an intention to settle on a net basis, 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. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve 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 certain employee share schemes. The shares currently held in the EBT are a mix of gifted, newly issued or market purchased shares. No cost is attributed to these shares, hence, no amounts are shown in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

### DIVIDENDS

Interim dividends are recognised in the financial statements at the time they are paid. Final dividends declared to the Company's shareholders 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.

### EMPLOYEE BENEFITS

Wages, salaries, bonuses, social security contributions, paid annual leave or sick leave and any other employee benefits are accrued in the period in which the associated services are rendered by employees to 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.

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 consolidated income statement.

### Tracker share arrangements (formerly '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 the individuals receive dividends (if declared) by the 'tracked' business.

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 on the Group to settle the arrangement. SThree 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. Should the Group decide to settle the tracker shares, it will do so at a price, which is determined using a formula stipulated in the tracker share Articles of Association ('Articles'). SThree plc may settle in cash or in its shares, as it chooses. The Group

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

policy is to settle in SThree plc shares. Consequently, the arrangements are deemed to be an equity-settled share-based payment scheme under IFRS 2.

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. The initial valuation takes into consideration factors such as the size and trading record of the underlying business, expected dividends, 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 of the relevant businesses. 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 the tracked business, for example 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 an 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 tracker share fair value on the date of departure as set out under the Articles. To reflect this, a provision in relation to tracker shares is recognised at cost on initial subscription and held at cost and reflects the consideration for tracker shares received from individuals (note 17).

Up until 2014 certain individuals received 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 settlement of their tracker shares via tracker share dividend or when they leave the Group. These loans are included within other receivables (note 13).

When tracker shares are granted, no share-based payment charge is recognised in the income statement on the basis that the initial subscription by the individual at the grant date equates to the fair value at that date. Dividends declared by the tracked businesses, which are factored into the grant date fair value determination of the tracker shares, are recorded in equity as 'distributions to tracker shareholders'.

When 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 accounted for in the 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' best 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. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end. Revenue is therefore 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. The amount of contractor revenue that is accrued rather than billed at each period end is significant. The value of unsubmitted timesheets for each individual contractor is system generated and judgements are applied principally to the number of hours worked. The number of hours worked is system generated based on the contractual hours and working days for each contractor and adjusted for expected holidays or other events that could reduce the revenue. However, the revenue is adjusted to reflect actual data from contractor timesheets received 2-3 weeks after the year end and where timesheets are not submitted. The key judgement is the time period of three months

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 1. ACCOUNTING POLICIES (continued)

between accrual of a timesheet and the write off of this revenue if a timesheet is not received and approved. Any difference compared to the actual time worked by the contractor would result in the amount payable to the contractor and accrued revenue receivable from the client being adjusted in the next financial year. The judgement applied, and the assumptions underlying these judgements are considered appropriate and continue to be in line with IFRS requirements.

- (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 tracker share arrangements give the Group the choice to settle tracker shares in either cash or SThree plc shares. There is therefore a judgement required as to whether this is a cash or equity settled share-based payment scheme. Based on the Directors' judgement, the tracker share arrangements are accounted for as an equity-settled share-based payment scheme under IFRS 2 as the Group's policy is to settle its obligations under the arrangements in SThree plc shares. As described in the accounting policy, the Company settles tracker shares through either treasury shares or the issue of new shares in SThree plc. The Companies Act 2006 does not specify whether the issue of treasury shares to settle share-based payments should be accounted for in share premium or elsewhere. The

Company has taken legal advice which confirms this is judgemental and therefore the approach taken by the Company is to include differences between the fair value of the tracker shares settled and the weighted average cost of treasury shares in the retained earnings. There are also certain judgements involved in determining the fair value of the tracker shares at the time of the initial subscription. The grant date fair valuation, which is performed by an independent third party valuer, is based on information provided by management and their own analysis. The judgements pertain to the forecast growth of the businesses, the operational and geographical risks relevant to those businesses and other similar areas. Most other aspects of the tracker share arrangements follow a rule based approach, e.g. vesting period or settlement formula.

- (iv) Judgement is required in the determination of the costs that satisfy the IAS 38 criteria for capitalisation as intangible assets. 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) The Company assesses its investments in subsidiaries and other companies for impairment whenever events or changes in circumstances indicate that the recoverable amount of the investment could be less than the carrying value of the investment. If it happens, the investment is considered to be impaired and is written down to its recoverable amount. Judgement is required in the determination of the recoverable amount as the Company evaluates various factors related to the operational and financial position of the relevant investee business.

- (vii) Provisions are held in respect of a range of obligations such as dilapidation and litigation provisions. These provisions involve significant management judgement about the likely outcome of various events and estimated 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 deferred tax asset of £0.9m (2015: £nil) in respect of trading losses of £2.9m that are to be carried forward and relieved against profits arising from relevant subsidiary undertakings in future periods. No deferred tax asset was recognised in respect of the remaining £26.4m (2015: £27.3m) losses. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon the relevant subsidiaries' historical performance and profitability forecast for future years, which contain a degree of inherent uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 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, the Chief Operating Officer, the Chief People Officer and the Regional CEOs and MDs, 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 geographical perspective. The

Group segments the business into four regions: the United Kingdom & Ireland ('UK&I'), Continental Europe, the USA and Asia Pacific & Middle East ('APAC & ME').

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	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
	£'000	£'000	£'000	£'000
UK&I	290,285	296,796	64,032	69,490
Continental Europe	448,606	346,404	127,543	103,237
USA	171,313	157,719	50,682	45,465
APAC & ME	49,657	47,922	16,424	17,526
	<b>959,861</b>	<b>848,841</b>	<b>258,681</b>	<b>235,718</b>

Continental Europe primarily includes Belgium, France, Germany, Luxembourg, Netherlands and Switzerland. Asia Pacific & Middle East mainly includes Australia, Dubai, Hong Kong, Japan and Singapore.

### 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	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
	£'000	£'000	£'000	£'000
UK	275,839	276,160	58,828	63,085
Germany	206,130	152,363	67,739	52,210
USA	171,313	157,568	50,682	45,409
Netherlands	131,174	102,704	29,201	24,390
Other	175,405	160,046	52,231	50,624
	<b>959,861</b>	<b>848,841</b>	<b>258,681</b>	<b>235,718</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

### 2. SEGMENTAL ANALYSIS (continued)

	NON-CURRENT ASSETS	
	30 November 2016	30 November 2015
	£'000	£'000
UK	15,044	13,080
USA	2,481	2,175
Germany	589	509
Netherlands	165	134
Other	1,145	809
	<b>19,424</b>	<b>16,707</b>

The following segmental analysis by brands, recruitment classification

and sectors (being the profession of candidates placed) have been

included as additional disclosure to the requirements of IFRS 8.

	REVENUE		GROSS PROFIT	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
	£'000	£'000	£'000	£'000
<b>Brands</b>				
Progressive	275,729	259,239	65,859	63,319
Computer Futures	265,751	216,590	75,231	62,944
Real Staffing Group	225,123	200,427	67,915	61,047
Huxley Associates	193,258	172,585	49,676	48,408
	<b>959,861</b>	<b>848,841</b>	<b>258,681</b>	<b>235,718</b>
Other brands including Global Enterprise Partners, Hyden, JP Gray, Madison Black, Newington International and Orgtel are rolled into the above brands.				
<b>Recruitment classification</b>				
Contract	874,440	763,937	173,260	150,814
Permanent	85,421	84,904	85,421	84,904
	<b>959,861</b>	<b>848,841</b>	<b>258,681</b>	<b>235,718</b>
<b>Sectors</b>				
Information & Communication Technology	447,560	365,129	115,844	97,321
Banking & Finance	168,263	161,872	41,735	42,582
Life Sciences	147,056	120,991	54,262	45,854
Energy	107,889	124,946	19,595	26,257
Engineering	79,016	67,476	23,253	20,032
Other	10,077	8,427	3,992	3,672
	<b>959,861</b>	<b>848,841</b>	<b>258,681</b>	<b>235,718</b>

Other includes Procurement & Supply Chain and Sales & Marketing.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2016

## 3. GAIN ON DISPOSAL OF SUBSIDIARIES - EXCEPTIONAL ITEMS

In the prior year, the Group recognised a gain of £0.4m in relation to the disposal of IT Job Board in July 2013. This represented

the amount of the final earn out received (£2.0m) against the amount estimated as receivable at the previous year end (£1.6m). The

gain was classified as an exceptional item consistent with the previous presentation.

## 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	30 November 2016	30 November 2015
	£'000	£'000
Depreciation (note 10)	2,276	1,910
Amortisation (note 11)	3,440	3,181
Accelerated amortisation and impairment of intangible assets (note 11)	-	1,471
Foreign exchange gains	(849)	(381)
Staff costs (note 5)	168,971	149,389
Movement in bad debt provision and debts directly written off	573	552
Loss on disposal of property, plant and equipment	194	38
Gain on disposal of subsidiaries (note 3)	-	(377)
Operating lease charges		
- Motor vehicles	1,449	1,212
- Land and buildings	11,279	9,419

## AUDITORS' REMUNERATION

During the year the Group (including its subsidiaries) obtained the following services from the Company auditors and its associates:

	30 November 2016	30 November 2015
	£'000	£'000
<b>Amounts payable to PricewaterhouseCoopers LLP and its associates:</b>		
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	316	308
- Tax advisory services	-	21
- All other non-audit services	82	125
<b>Fees charged to operating profit</b>	<b>470</b>	<b>526</b>

## 5. DIRECTORS AND EMPLOYEES

Aggregate remuneration of employees including Directors was:

	30 November 2016	30 November 2015
	£'000	£'000
Wages and salaries (including bonuses)	144,506	127,060
Social security costs	18,331	15,925
Other pension costs	1,877	1,544
Temporary staff costs	1,364	726
Share-based payments	2,893	4,134
	<b>168,971</b>	<b>149,389</b>

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the above amounts were £2.2m (2015: £2.4m).

The average monthly number of employees (including Executive Directors) during the year was:

	30 NOVEMBER 2016				
	UK&I	Continental Europe	USA	APAC & ME	Total
Sales	578	1,097	366	194	2,235
Non-sales	378	129	66	29	602
	<b>956</b>	<b>1,226</b>	<b>432</b>	<b>223</b>	<b>2,837</b>

	30 NOVEMBER 2015 * RESTATED				
	UK&I	Continental Europe	USA	APAC & ME	Total
Sales	611	1,018	329	220	2,178
Non-sales	384	98	50	27	559
	<b>995</b>	<b>1,116</b>	<b>379</b>	<b>247</b>	<b>2,737</b>

\* 2015 figures have been restated to comply with current year presentation.

Included in the headcount numbers above were 102 (2015: 79) temporary full time employees.

There were also on average 1,163 (2015: 910) contractors engaged during the year 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 including the highest paid director, which form part of these financial statements, are provided in the audited information section of the Directors' Remuneration Report.

## 6. FINANCE INCOME AND COSTS

	30 November 2016	30 November 2015
	£'000	£'000
<b>Finance income</b>		
Bank interest receivable	49	22
Other interest	30	42
	<b>79</b>	<b>64</b>
<b>Finance costs</b>		
Bank loans and overdrafts	(549)	(751)
<b>Net finance costs</b>	<b>(470)</b>	<b>(687)</b>

## 7. TAXATION

### (a) Analysis of tax charge for the year

	30 November 2016	30 November 2015		
	Total	Before exceptional items	Exceptional items	Total
	£'000	£'000	£'000	£'000
<b>Current taxation</b>				
<b>UK</b>				
Corporation tax charged on profits for the year	3,931	4,672	77	4,749
Adjustments in respect of prior periods	63	(63)	-	(63)
<b>Overseas</b>				
Corporation tax charged on profits for the year	5,418	5,454	-	5,454
Adjustments in respect of prior periods	1,218	(252)	-	(252)
Total current tax charge	10,630	9,811	77	9,888
<b>Deferred taxation</b>				
Origination and reversal of temporary differences	(768)	1,556	-	1,556
Adjustments in respect of prior periods (note 18)	194	(17)	-	(17)
Total deferred tax (credit)/charge	(574)	1,539	-	1,539
<b>Total income tax charge in the income statement</b>	<b>10,056</b>	<b>11,350</b>	<b>77</b>	<b>11,427</b>

## 7. TAXATION (continued)

### (b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2015: exceeds) the UK statutory rate and can be reconciled as follows:

	30 November 2016	Before exceptional items	30 November 2015 Exceptional items	Total
	£'000	£'000	£'000	£'000
Profit before taxation	37,298	37,715	377	38,092
Profit before taxation multiplied by the standard rate of corporation tax in the UK at 20% (2015: 20.33%)*	7,460	7,667	77	7,744
<b>Effects of:</b>				
Disallowable items	442	937	-	937
Differing tax rates on overseas earnings	1,588	1,454	-	1,454
Adjustments in respect of prior periods	1,475	(332)	-	(332)
Adjustment due to tax rate changes	(41)	120	-	120
Tax losses for which no deferred tax was (recognised)/derecognised**	(868)	1,504	-	1,504
<b>Tax expense for the year</b>	<b>10,056</b>	<b>11,350</b>	<b>77</b>	<b>11,427</b>
<b>Effective tax rate</b>	<b>27.0%</b>	<b>30.1%</b>	<b>20.4%</b>	<b>30.0%</b>

\* The UK corporation tax rate reduced from 21% to 20% with effect from 1 April 2015 and is applicable for the year ended 30 November 2016.

\*\* 2015 figure includes £1.1m in respect of prior periods.

### (c) Current and deferred tax movement recognised directly in equity

	30 November 2016	30 November 2015
	£'000	£'000
<b>Equity-settled share-based payments</b>		
Current tax	(26)	(53)
Deferred tax	38	70
	<b>12</b>	<b>17</b>

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 2016 a deferred tax asset of £0.6m (2015: £0.9m) has been recognised in respect of these options (note 18).

## 8. DIVIDENDS

	30 November 2016	30 November 2015
	£'000	£'000
<b>Amounts recognised as distributions to equity holders in the year</b>		
Interim dividend of 4.7p (2015: 4.7p) per share <sup>(i)</sup>	6,049	5,903
Final dividend of 9.3p (2015: 9.3p) per share <sup>(ii)</sup>	11,923	11,768
	<b>17,972</b>	<b>17,671</b>
<b>Amounts proposed as distributions to equity holders</b>		
Interim dividend of 4.7p (2015: 4.7p) per share <sup>(iii)</sup>	6,052	6,049
Final dividend of 9.3p (2015: 9.3p) per share <sup>(iv)</sup>	12,002	12,009

<sup>(i)</sup> 2015 interim dividend of 4.7 pence (2014: 4.7 pence) per share was paid on 11 December 2015.

<sup>(ii)</sup> 2015 final dividend of 9.3 pence (2014: 9.3 pence) per share was paid on 3 June 2016.

<sup>(iii)</sup> 2016 interim dividend of 4.7

pence (2015: 4.7 pence) per share was paid on 9 December 2016 to shareholders on record at 4 November 2016.

<sup>(iv)</sup> The Board has proposed a 2016 final dividend of 9.3 pence (2015: 9.3 pence) per share, to be paid on 9 June 2017 to

shareholders on record at 5 May 2017. This proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 20 April 2017, and therefore, has not been included as a liability in these financial statements.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ('EPS') is set out below:

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 19(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.

	30 November 2016	30 November 2015
	£'000	£'000
<b>Earnings</b>		
Profit after taxation before exceptional items	27,242	26,365
Exceptional items net of tax	-	300
Profit for the year attributable to owners of the Company	27,242	26,665
	<b>million</b>	<b>million</b>
<b>Number of shares</b>		
Weighted average number of shares used for basic EPS	128.3	127.0
Dilutive effect of share plans	3.8	5.6
Diluted weighted average number of shares used for diluted EPS	132.1	132.6

## 9. EARNINGS PER SHARE (continued)

	30 November 2016	30 November 2015
	pence	pence
<b>Basic</b>		
Basic EPS after exceptional items	21.2	21.0
Impact of exceptional items	-	(0.2)
Basic EPS before exceptional items	21.2	20.8
<b>Diluted</b>		
Diluted EPS after exceptional items	20.6	20.1
Impact of exceptional items	-	(0.2)
Diluted EPS before exceptional items	20.6	19.9

## 10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Leasehold improvements	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 30 November 2014	11,861	6,855	3,410	22,126
Additions	1,738	1,185	640	3,563
Disposals	(1,159)	(1,224)	(388)	(2,771)
Exchange differences	(273)	(231)	(147)	(651)
At 30 November 2015	12,167	6,585	3,515	22,267
Additions	615	2,204	401	3,220
Disposals	(2,992)	(1,396)	(242)	(4,630)
Exchange differences	738	1,009	492	2,239
<b>At 30 November 2016</b>	<b>10,528</b>	<b>8,402</b>	<b>4,166</b>	<b>23,096</b>
<b>Accumulated depreciation</b>				
At 30 November 2014	11,019	4,289	2,599	17,907
Depreciation charge for the year	722	844	344	1,910
Disposals	(1,135)	(1,074)	(348)	(2,557)
Exchange differences	(270)	(195)	(127)	(592)
At 30 November 2015	10,336	3,864	2,468	16,668
Depreciation charge for the year	705	1,153	418	2,276
Disposals	(2,987)	(1,211)	(238)	(4,436)
Exchange differences	610	563	315	1,488
<b>At 30 November 2016</b>	<b>8,664</b>	<b>4,369</b>	<b>2,963</b>	<b>15,996</b>
<b>Net book value</b>				
<b>At 30 November 2016</b>	<b>1,864</b>	<b>4,033</b>	<b>1,203</b>	<b>7,100</b>
At 30 November 2015	1,831	2,721	1,047	5,599

A depreciation charge of £2.3m (2015: £1.9m) is included in administrative expenses.

Disposals included the assets with a net book value of £0.2m (2015: £0.2m) that were disposed of during the year for £nil.

The Group has not leased any assets under finance lease obligations.

## 11. INTANGIBLE ASSETS

	Internally generated					
	Goodwill	Computer software	Assets under construction	Software and systems development costs	Trademarks	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 30 November 2014	206,313	9,063	712	27,244	71	243,403
Additions	-	86	4,595	-	-	4,681
Disposals	-	(167)	-	(49)	-	(216)
Reclassification	-	-	(1,663)	1,663	-	-
At 30 November 2015	206,313	8,982	3,644	28,858	71	247,868
Additions	-	176	3,797	-	-	3,973
Disposals	-	(109)	-	(82)	-	(191)
Reclassification	-	-	(7,035)	7,035	-	-
<b>At 30 November 2016</b>	<b>206,313</b>	<b>9,049</b>	<b>406</b>	<b>35,811</b>	<b>71</b>	<b>251,650</b>
<b>Accumulated amortisation and impairment</b>						
At 30 November 2014	205,480	6,912	-	19,863	68	232,323
Amortisation charge for the year	-	257	-	2,923	1	3,181
Accelerated amortisation and impairment charge	-	759	-	712	-	1,471
Disposals	-	(167)	-	(48)	-	(215)
At 30 November 2015	205,480	7,761	-	23,450	69	236,760
Amortisation charge for the year	-	438	-	3,001	1	3,440
Disposals	-	(109)	-	(38)	-	(147)
Reclassification	-	334	-	(334)	-	-
<b>At 30 November 2016</b>	<b>205,480</b>	<b>8,424</b>	<b>-</b>	<b>26,079</b>	<b>70</b>	<b>240,053</b>
<b>Net book value</b>						
<b>At 30 November 2016</b>	<b>833</b>	<b>625</b>	<b>406</b>	<b>9,732</b>	<b>1</b>	<b>11,597</b>
At 30 November 2015	833	1,221	3,644	5,408	2	11,108

Additions to internally generated assets included the development of key sales, HR and finance systems (and the enhancement of the existing assets). Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the strict criteria under IAS 38.

An amortisation charge of £3.4m (2015: £3.2m) is included in administrative expenses.

The net book value of goodwill is allocated to SThree Staffing UK business, which is 100% (2015: 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 the goodwill value is not considered material.

## 12. INVESTMENTS

### GROUP

In May 2016, the Board approved an available-for-sale investment of \$1.0m (£0.7m) in Ryalto Limited, ('Ryalto') a company incorporated in the United Kingdom. Of this

investment, \$0.5m was paid on 27 June 2016 with the remaining \$0.5m on 27 October 2016. The Group holds 18% of the issued share capital of Ryalto. Ryalto

designs and builds a suite of mobile applications that allow professional contractors and employers to connect with each other instantly.

### COMPANY

	<b>£'000</b>
<b>Cost</b>	
At 30 November 2014	318,895
Additions	
- Settlement of vested tracker shares	8,512
- Relating to unvested tracker shares	5
Capital contribution relating to share-based payments (IFRS 2)	2,994
At 30 November 2015	330,406
Additions	
- Settlement of vested tracker shares	4,586
- Relating to unvested tracker shares	162
Capital contribution relating to share-based payments (IFRS 2)	2,011
<b>At 30 November 2016</b>	<b>337,165</b>
<b>Provision for impairment</b>	
At 30 November 2014 and 30 November 2015	6,855
Provision made during the year	40,077
<b>At 30 November 2016</b>	<b>46,932</b>
<b>Net carrying value</b>	
<b>At 30 November 2016</b>	<b>290,233</b>
At 30 November 2015	323,551

During the year, the Company settled a number of vested tracker shares by awarding SThree plc shares (note 19(b)), resulting in an increase in the Company's investment in relevant subsidiary businesses.

The Company also acquired 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 subsidiary undertakings will increase the carrying value of the investment

held in the subsidiaries. In 2016, the Company recognised an increase in the investments in its subsidiaries of £2.0m (2015: £3.0m) relating to such share options and awards.

During the year, the Company performed an impairment review of its investments in subsidiaries and recognised an impairment loss of £40.1m where the recoverable amounts were less than the carrying values of the corresponding investments. The recoverable amounts were calculated based on fair value less cost to sell ('fair value').

The key factors considered in calculating fair value were GP

multiple, EBITDA multiple and net asset value of the corresponding subsidiaries depending on the nature of subsidiary activities.

Sensitivity analysis has been performed on the fair value calculations, holding all other variables constant, to:

- (i) apply a 5% reduction in forecast GP. This would result in further impairment of £nil.
- (ii) apply a 5% reduction to forecast EBITDA. This would result in a further impairment of £9.3m.

A full list of the Company's subsidiaries that existed as at 30 November 2016 are shown on pages 130 and 131.

### 13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	30 November 2016 £'000	30 November 2015 £'000	30 November 2016 £'000	30 November 2015 £'000
Trade receivables	132,636	112,171	-	-
Provision for impairment	(1,789)	(1,632)	-	-
Trade receivables - net	130,847	110,539	-	-
Other receivables	2,225	2,479	1,237	1,326
Prepayments	4,379	3,996	270	353
Accrued income	51,718	40,139	-	-
	<b>189,169</b>	<b>157,153</b>	<b>1,507</b>	<b>1,679</b>

Other receivables include £0.9m (2015: £1.2m) for loans given to certain individuals in previous years towards their subscription for tracker shares (note 23(d)). Tracker share loans are unsecured and charged interest at a rate of 3% (2015: 4%). No such new loans were given to employees during the current year.

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 15).

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 23). No interest is charged on trade receivables.

The Group makes judgements on a customer by customer basis as to its ability to collect outstanding trade receivables and provides

for impairment of the 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 2016 £'000	30 November 2015 £'000
<b>Provision for impairment of trade receivables</b>		
At the beginning of the year	1,632	1,846
Charge for the year	712	714
Bad debts written off	(261)	(188)
Reversed as amounts recovered	(562)	(444)
Exchange differences	268	(296)
<b>At the end of the year</b>	<b>1,789</b>	<b>1,632</b>

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.

## 14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
		* RESTATED		* RESTATED
	£'000	£'000	£'000	£'000
Cash at bank	15,707	25,966	394	908
Bank overdraft	(5,685)	(19,807)	-	(32)
Cash and cash equivalents per the statements of cash flows	<b>10,022</b>	<b>6,159</b>	<b>394</b>	<b>876</b>

\* An explanation of the restatement is provided in note 1 under basis of preparation.

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 cash pooling arrangements with legally enforceable rights to set-off cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash

pooling arrangements are reported on a net basis in the statement of financial position. Other bank overdrafts are shown separately as above and in the statement of financial position.

## 15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	30 November 2016	30 November 2015	30 November 2016	30 November 2015
	£'000	£'000	£'000	£'000
Trade payables	49,157	42,177	-	-
Amounts due to subsidiaries (note 22)	-	-	10,139	8,218
Other taxes and social security	9,726	9,205	311	258
Other payables	2,718	2,589	647	133
Accruals	77,258	63,068	1,074	1,531
	<b>138,859</b>	<b>117,039</b>	<b>12,171</b>	<b>10,140</b>

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 annual interest at a rate of 1.3% (2015: 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 13).

## 16. BORROWINGS

The Group has a committed revolving credit facility ('RCF') of £50m along with an uncommitted £20m accordion feature in place with HSBC and RBS, giving the Group an option to increase its total borrowings under the facility up to £70m. The RCF expires in May 2019. The funds borrowed under the facility bear interest at a minimum annual rate of 1.3% (2015: 1.3%) above 3 month Sterling LIBOR.

The average interest rate paid on the RCF during the year was 1.8% (2015: 1.8%). The Group also has an uncommitted £5m overdraft facility with RBS.

At the year end the Group and the Company had drawn down £nil (2015: £nil) on these facilities.

The RCF is subject to certain covenants requiring the Group to

maintain financial ratios over interest cover, leverage and guarantor cover (note 23(c)). The Group has been in compliance with these covenants throughout the year.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in note 23.

## 17. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Dilapidations £'000	Restructuring £'000	Tracker share liability £'000	Legal £'000	Onerous contract £'000	Total £'000
At 30 November 2014	2,209	4,791	3,959	359	705	12,023
(Released)/charged to the income statement	(270)	(348)	(20)	28	-	(610)
Utilised during the year	(116)	(3,502)	(360)	(53)	(430)	(4,461)
Reclassification	-	-	-	-	(275)	(275)
New tracker share consideration	-	-	35	-	-	35
At 30 November 2015	1,823	941	3,614	334	-	6,712
Charged/(released) to the income statement	254	23	(115)	459	-	621
Utilised during the year	(293)	(860)	(662)	(13)	-	(1,828)
New tracker share consideration	-	-	355	-	-	355
<b>At 30 November 2016</b>	<b>1,784</b>	<b>104</b>	<b>3,192</b>	<b>780</b>	<b>-</b>	<b>5,860</b>

	30 November 2016 £'000	30 November 2015 £'000
<b>Analysis of total provisions</b>		
Current	4,953	5,579
Non-current	907	1,133
	<b>5,860</b>	<b>6,712</b>

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 of the properties and the provision has been spread over the relevant lease term.

### Restructuring

The provision relates to restructuring exercises undertaken by the Group and treated as an exceptional item in previous years and related to onerous property leases, personnel costs and other. At the year end £0.1m (2015: £0.9m) remains unpaid.

The liability in regards to dilapidations and restructuring provision is expected to crystallise as follows:

	30 November 2016 £'000	30 November 2015 £'000
Within one year	981	1,631
One to five years	549	882
After five years	358	251
	<b>1,888</b>	<b>2,764</b>

## 17. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

### Tracker share liability

The provision relates to the obligation to repay amounts received or receivable in relation to the subscriptions received for the 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 £0.7m (2015: £0.4m) of the provision was utilised, principally in relation to settled tracker shares. New consideration of £0.4m (2016: £35,000) represents subscriptions received against the

allotment of new tracker share awards 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.

## 18. DEFERRED TAX

GROUP	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Other* £'000	Total £'000
At 30 November 2014	322	831	1,263	1,008	3,424
(Charge)/credit to income statement for year	(132)	146	(1,156)	(294)	(1,436)
Prior year (charge)/credit to income statement for the year	(227)	39	(59)	264	17
Adjustment due to tax rate changes	10	(53)	-	(77)	(120)
Charged directly to equity	-	(70)	-	-	(70)
Exchange differences	(15)	1	(48)	27	(35)
At 30 November 2015	(42)	894	-	928	1,780
Credit/(charge) to income statement for the year	262	(273)	781	(43)	727
Prior year (charge)/credit to income statement for the year	(578)	-	28	356	(194)
Adjustment due to tax rate changes	(41)	4	-	78	41
Charged directly to equity	-	(38)	-	-	(38)
Exchange differences	(54)	28	46	165	185
<b>At 30 November 2016</b>	<b>(453)</b>	<b>615</b>	<b>855</b>	<b>1,484</b>	<b>2,501</b>

\* This includes £1.1m in relation to the property related accruals in the USA.

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 2016 £'000	30 November 2015 £'000
Deferred tax assets	3,105	2,085
Deferred tax liabilities	(604)	(305)
<b>Net deferred tax assets</b>	<b>2,501</b>	<b>1,780</b>

## 18. DEFERRED TAX (continued)

Deferred tax assets that are expected to be recovered within one year are £1.8m (2015: £1.2m) and deferred tax liabilities that are expected to be settled within one year are £43,000 (2015: £26,000).

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 £29.3m (2015: £27.3m) available for offset against future profits. A deferred tax asset of £0.9m (2015: £nil) was recognised in respect of losses of £2.9m (2015: £nil). No deferred tax asset was recognised in respect of the remaining £26.4m (2015: £27.3m) losses.

Included in unrecognised tax losses are losses of £6.1m (2015: £8.1m) subject to expiry. Of this amount, £0.8m expires in 2017, £1.1m in 2020, £2.2m in 2021 and £2.0m expires at various other times up to 2034. The remaining unrecognised tax losses of £20.3m (2015: £19.2m) may be carried forward indefinitely.

The Finance (No. 2) Act 2015 reduced the current main corporation tax rate of 20% to 19% with effect from 1 April 2017; and then to 18% with effect from 1 April 2020. The Finance Act 2016 further reduced the main rate of UK corporation tax from 18% to 17% from 1 April 2020. UK deferred tax assets comprise share-based payments and other provisions. It is anticipated that these assets will be recovered within three years and as such we have continued to recognise UK deferred tax assets at a rate of 19%.

### COMPANY

The Company's deferred tax asset relates to the equity-settled share-based payments.

	<b>£'000</b>
At 30 November 2014	398
Credit to income statement for the year	5
Adjustment due to tax rate changes	(23)
Charged directly to equity	(27)
At 30 November 2015	353
Charged to income statement for the year	(113)
Charged directly to equity	(11)
<b>At 30 November 2016</b>	<b>229</b>

## 19. SHARE CAPITAL

### GROUP AND COMPANY

#### (a) Share Capital

		Share capital	Treasury reserve
	Number of	£'000	£'000
Issued and fully paid	ordinary shares		
At 30 November 2014	126,526,387	1,266	(162)
Issue of new shares	2,915,523	29	-
Repurchase of own shares	(337,121)	-	(1,212)
Utilisation of treasury shares	19,490	-	56
At 30 November 2015	129,124,279	1,295	(1,318)
Issue of new shares	1,748,120	17	-
Repurchase of own shares	(2,323,577)	-	(6,845)
Utilisation of treasury shares	510,081	-	1,720
<b>At 30 November 2016</b>	<b>129,058,903</b>	<b>1,312</b>	<b>(6,443)</b>

At the year end, 165,357 (2015: 456,189) shares were held in the Group's EBT.

#### Share issue

During the year 1,748,120 (2015: 2,915,523) new ordinary shares were issued, resulting in a share premium of £4,266,000 (2015: £8,670,000). Of the shares issued, 1,495,964 (2015: 2,178,589) were issued to tracker shareholders on settlement of vested tracker shares, with the remaining issued pursuant to the exercise of share awards under LTIP and the Save As You Earn (SAYE) schemes.

#### Treasury reserve

During the year, SThree plc purchased 2,323,577 of its own shares to be held as treasury shares (2015: 337,121). The average

price paid per share was 295p (2015: 359p) with total consideration amounting to £6,844,650 (2015: £1,212,000). During the year 510,081 shares (2015: 19,490) were transferred from treasury for LTIP exercise. At the year end, 2,187,080 (2015: 373,584) shares were held in treasury.

#### (b) Share-based payments

##### Tracker share awards in subsidiary companies

As described in note 1, the Group makes tracker share awards 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 £4.6m (2015: £8.5m) by issuing new shares. This

resulted in a credit to share capital and share premium, with a corresponding debit to the Group's retained earnings and provision for tracker share liability.

The Group also issued new tracker share awards during the year for subscription value of £355,000 (2015: £35,000).

##### 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 overleaf.

## 19. SHARE CAPITAL (continued)

Scheme	30 November 2016		30 November 2015		Vesting period	Expiry date	Valuation method	Performance metrics
	Charge (£'000)	Number of share options	Charge (£'000)	Number of share options				
LTIP	2,487	4,624,485	3,876	4,133,107	3 years	10 years 6 months after 3 year vesting period	Montecarlo model	Incremental EPS growth/ TSR ranking against comparator
SAYE	336	394,172	257	903,612	3 years		Binomial	None
<b>Sub-total</b>	<b>2,823</b>	<b>5,018,657</b>	<b>4,133</b>	<b>5,036,719</b>				
SIP	70	N/A	1	N/A	1 year	N/A	N/A	None
<b>Total</b>	<b>2,893</b>	<b>5,018,657</b>	<b>4,134</b>	<b>5,036,719</b>				

### Long Term Incentive Plan (LTIP)

The conditions of the LTIP are provided in the Directors' Remuneration Report.

	Number of options
At 30 November 2015	4,133,107
Granted	2,012,915
Exercised	(716,216)
Forfeited	(805,321)
<b>At 30 November 2016</b>	<b>4,624,485</b>

Out of the 4,624,485 options outstanding (2015: 4,133,107), 470,277 options were exercisable (2015: 449,156). Options exercised during the year under the LTIP were satisfied by shares in the EBT treasury shares. The related

weighted average share price at the time of exercise was £2.91 (2015: £3.45) per share. The related transaction costs were negligible. The share options had a weighted average exercise price of £nil (2015: £nil).

At the end of the reporting period, 2016 share option grants were the latest options outstanding under the LTIP and they were valued as follows:

	2016	2015
Weighted average fair value (£)	2.42	2.64
Key assumptions used:		
Share price at grant date (£)	2.97	3.24
Expected volatility*	25.60%	29.00%
Annual risk-free interest rate	0.70%	0.84%
Expected life (years)	3	3

\* Expected volatility is determined by using the historic daily volatility of SThree's shares as measured over a period commensurate with the expected life of the share options, i.e. 3 years.

### Other schemes

The SAYE, SIP and EBT arrangements are not deemed material for further disclosure.

## 20. 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 17).

## 21. 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:

	<b>MOTOR VEHICLES</b>		<b>LAND AND BUILDINGS</b>	
	<b>30 November 2016</b>	<b>30 November 2015</b>	<b>30 November 2016</b>	<b>30 November 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	1,037	746	11,710	10,588
One to five years	1,058	1,085	34,112	28,193
After five years	-	-	17,960	16,910
	<b>2,095</b>	<b>1,831</b>	<b>63,782</b>	<b>55,691</b>

### Capital commitments

At the end of the reporting period, the Group contracted capital expenditure but not yet incurred of

£0.1m (2015: £0.8m).

### Guarantees

At the end of the reporting period,

the Group has bank guarantees in issue for commitments which amounted to £2.7m (2015: £2.1m).

## 22. RELATED PARTY TRANSACTIONS

### GROUP

Balances and transactions with subsidiaries 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 members of the Board of Directors 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 number of KMPs for the year was 21 (2015: 22). Total remuneration for members of key management is detailed below.

	<b>30 November 2016</b>	<b>30 November 2015</b>
	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits	6,570	7,180
Share-based payments	1,655	3,054
Post-employment benefits	312	258
	<b>8,537</b>	<b>10,492</b>

## 22. RELATED PARTY TRANSACTIONS (continued)

### COMPANY

The Company has related party relationships with its subsidiaries, 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.

	30 November 2016	30 November 2015
Transactions with the related parties during the year	£'000	£'000
Investments in subsidiaries (note 12)	(6,759)	(11,511)
Impairment of investment in subsidiaries (note 12)	(40,077)	-
Loans and advances received from subsidiaries	1,921	4,409
Loans repaid by Directors	13	33
Loans repaid by other KMP	32	138
Interest income received from subsidiaries	37	31
Interest paid by subsidiaries	(28)	(13)
Dividend income received from subsidiaries	24,665	31,156

No purchase or sales transactions were entered into between the Company and its subsidiaries.

	30 November 2016	30 November 2015
Year end balances arising from transactions with related parties	£'000	£'000
Investments in subsidiaries	290,233	323,551
Amounts due to subsidiaries	(10,139)	(8,218)
Amounts receivable from Directors	189	202
Amounts receivable from other KMP	256	288

## 23. 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 and its members receive management information relating

to treasury activities. The Group's internal auditors periodically review the treasury internal control environment and compliance with policies and procedures.

Each year, the Board reviews the Group's 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: AED8.0m, AU\$3.5m, CHF(0.6m), HK\$16.8m, JPY50.0m, SG\$2.6m and US\$0.2m being an overall equivalent of £7.1m (2015: overall equivalent of £11.4m). The contracts were mainly taken out close to the year end date for a period of 1 to 22 days (2015: 1 to 24

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

days) and they had net fair value of circa £40,000 (2015: £10,000) at the year end, which is insignificant.

The Group is exposed to a number of different financial risks including capital management, foreign currency rates, liquidity, credit and interest rates risks, which were not materially changed from previous year. The Group's objective and strategy in responding to these risks are set out below and were also not materially changed from previous year.

### (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.

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 Group's policy is to settle the vested tracker shares in the Company's shares (issue of new shares or using treasury shares purchased from the market). During the year, the vested tracker shares were settled by the new issue of shares (note 19(a)).

The capital structure of the Group consists of equity attributable to equity holders of the parent of £75.7m (2015: £59.4m), comprising share capital, share premium, other reserves and retained earnings as disclosed in the statement of changes in equity and net cash of £10.0m (2015: £6.2m),

comprising cash and cash equivalents (note 14).

Except for compliance with certain bank covenants (note 23(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 loans 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 investment loans are taken into equity. There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

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 of £4.3m and £0.8m (2015: £3.5m and £1.1m) 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 committed RCF of £50m along with an uncommitted £20m accordion feature in place with HSBC and RBS, giving the Group an option to increase its total borrowings under the facility up to £70m. The Group also has an uncommitted £5m overdraft facility with RBS. £Nil (2015: £nil) was drawn down against these facilities at the year end.

The RCF expires in May 2019 and 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 data:

- (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

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

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:

	Trade and other payables	
	GROUP	COMPANY
	£'000	£'000
<b>At 30 November 2016</b>		
Within one year	129,133	11,860
<b>At 30 November 2015</b>		
Within one year	107,834	9,882

### (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 £4.4m (2015: £3.5m). The Group will not accept any counterparty bank for its 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 available-for-sale financial investments by keeping the value of the investments at very low and periodically reviewing the financial performance of the relevant undertakings.

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 9,000 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 overleaf. 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 the year end.

Trade receivables of £106.6m (2015: £84.0m) were neither past due nor impaired.

As of 30 November 2016, trade receivables of £22.9m (2015: £24.5m) were past due but not impaired. These pertain to a number of unrelated customers for whom there is no recent history of default. Trade receivables of £3.1m (2015: £3.7m) were impaired, against which a provision of £1.8m (2015: £1.6m) was recorded.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

	2016	2015
Trade receivables	£'000	£'000
Neither impaired nor past due	106,635	83,982
Ageing of past due but not impaired		
under 30 days	17,007	17,638
31 to 60 days	4,449	5,223
61 to 90 days	1,491	1,601
Ageing of impaired		
under 90 days	81	296
over 90 days	2,973	3,431
Provision for impairment	(1,789)	(1,632)
<b>Total</b>	<b>130,847</b>	<b>110,539</b>

The majority of the accrued income balance is less than 60 days old and nothing is over 90 days past due.

The Group's credit risk from loans given to certain tracker shareholders (note 13) is mitigated by the fact that the loans are spread over a number of individuals (2016: 28 individuals; 2015: 35 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 or portion of their outstanding balances when their first tracker share is settled, when they receive dividend or 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 2016, 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 16). The only financial assets which accrued interest were cash and cash equivalents (note 14) 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 at 30 November 2016, 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.

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### (g) Currency profile of net cash and cash equivalents (including bank overdrafts)

Functional currency of Group operations:

	Cash and cash equivalents				Total
	Sterling	Euro	US dollar	Other currencies	
At 30 November 2016	£'000	£'000	£'000	£'000	£'000
<b>Functional currency</b>					
Sterling	2,858	270	208	362	3,698
Euro	381	1,664	194	-	2,239
US Dollar	-	-	928	-	928
Other	36	-	663	2,458	3,157
<b>Total</b>	<b>3,275</b>	<b>1,934</b>	<b>1,993</b>	<b>2,820</b>	<b>10,022</b>
<b>At 30 November 2015</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Functional currency</b>					
Sterling	(1,230)	(309)	234	414	(891)
Euro	-	2,357	-	-	2,357
US Dollar	-	-	1,018	-	1,018
Other	36	-	1,036	2,603	3,675
<b>Total</b>	<b>(1,194)</b>	<b>2,048</b>	<b>2,288</b>	<b>3,017</b>	<b>6,159</b>

Other foreign currencies held by the Group include: Australian Dollar, Bahrain Dinar, Brazilian Real, Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, Indian Rupee, Japanese Yen, Kuwait Dinar, Malaysian Ringgit, Norwegian Krone, Qatar Riyal, Russian Ruble, Singapore Dollar, Saudi Arabia Riyal, Swiss Franc, Thailand Baht and United Arab Emirates Dirham.

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

<i>Short-term deposits and borrowings</i>	Approximates to the carrying amount because of the short maturity of these instruments.
<i>Cash and cash equivalents</i>	Approximates to the carrying amount.
<i>Receivables and payables</i>	Approximates to the carrying amounts for current balances; there are no material longer term balances.
<i>Financial instruments</i>	Market valuations at the end of the reporting period.

## LIST OF SUBSIDIARIES

Full list of SThree plc's subsidiaries as referenced in note 12 is as follows:

	2016	2015	Country of incorporation	Principal activities
SThree Australia Pty Limited	100%	100%	Australia	Recruitment
SThree Austria GmbH	100%	-	Austria	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	Dormant
SThree Canada Limited	100%	100%	Canada	Recruitment
SThree SAS	100%	100%	France	Recruitment
SThree Holdings GmbH	100%	100%	Germany	Holding company
SThree GmbH	100%	100%	Germany	Recruitment
SThree Arbeitnehmerüberlassung GmbH	100%	100%	Germany	Recruitment
SThree Limited	100%	100%	Hong Kong	Recruitment
SThree India Private Limited	100%	100%	India	Dormant
SThree Staffing Ireland Limited	100%	100%	Ireland	Recruitment
SThree Ireland Dollar Limited	100%	-	Ireland	Holding company
SThree K.K.	100%	100%	Japan	Recruitment
SThree Finance Euro S.à r.l.	100%	100%	Luxembourg	Holding company
SThree Dollar S.à r.l.	100%	-	Luxembourg	Holding company
SThree S.à r.l.	100%	100%	Luxembourg	Recruitment
SThree Finance Dollar S.à r.l.	-	100%	Luxembourg	Liquidated
Progressive Global Energy Sdn. Bhd.	49%	49%	Malaysia	Recruitment
SThree Holdings BV	100%	100%	Netherlands	Recruitment
Huxley BV	100%	100%	Netherlands	Recruitment
SThree Interim Services BV	100%	100%	Netherlands	Recruitment
Progressive Global Manpower Services Limited	100%	100%	Nigeria	Under liquidation
SThree Norway AS	100%	100%	Norway	Dormant
SThree Qatar LLC	100%	100%	Qatar	Under liquidation
SThree LLC	100%	100%	Russia	Under liquidation
SThree Pte. Ltd.	100%	100%	Singapore	Recruitment
SThree Switzerland GmbH	100%	100%	Switzerland	Recruitment
SThree Holdings (Thailand) Company Limited	49%	49%	Thailand	Dormant
Progressive Global Energy Manpower Limited	100%	100%	Thailand	Dormant
Cavendish Directors Limited*	100%	100%	UK	Dormant
SThree UK Holdings Limited*	100%	100%	UK	Holding company
SThree Overseas Holdings Limited*	100%	100%	UK	Holding company
SThree UK Management Limited*	100%	100%	UK	Holding company
SThree Overseas Management Limited*	100%	100%	UK	Holding company
SThree UK Operations Limited*	100%	100%	UK	Holding company
SThree Finance Limited*	100%	100%	UK	Support services

## LIST OF SUBSIDIARIES

Full list of SThree plc's subsidiaries as referenced in note 12 is as follows:

	2016	2015	Country of incorporation	Principal activities
SThree IP Limited*	100%	100%	UK	Support services
SThree Management Services Limited*	100%	100%	UK	Management services
SThree Partnership LLP	100%	100%	UK	Recruitment
Huxley Associates Global Limited	100%	100%	UK	Recruitment
Progressive Global Energy Limited	100%	100%	UK	Recruitment
Progressive Global Energy Kurdistan Limited	100%	100%	UK	Recruitment
Progressive GE Limited	100%	100%	UK	Dormant
Huxley Associates Limited	100%	100%	UK	Under liquidation
Huxley Associates Banking & Finance Limited	100%	100%	UK	Under liquidation
Orgtel Contract Limited	100%	100%	UK	Under liquidation
SThree Staffing UK Limited	100%	100%	UK	Under liquidation
SThree Staffing France Limited	100%	100%	UK	Under liquidation
Specialist Staffing Holdings Inc	100%	100%	USA	Holding company
Specialist Staffing Solutions Inc	100%	100%	USA	Recruitment
Specialist Staffing Services Inc	100%	100%	USA	Recruitment
Newington International Inc	100%	100%	USA	Recruitment
Progressive Global Energy Inc	100%	-	USA	Recruitment

\* Directly held subsidiaries. All other subsidiaries are indirectly held.

# 5 YEAR FINANCIAL SUMMARY

All figures are reported figures before exceptional items in £'m unless stated otherwise.

	30 November 2016	30 November 2015	1 December 2014	25 November 2013	27 November 2012
<b>FINANCIAL PERFORMANCE</b>					
Revenue	959.9	848.8	746.9	634.3	577.5
Gross profit	258.7	235.7	218.2	199.8	205.3
Operating profit	37.8	38.4	29.8	21.2	25.1
Total assets	231.5	204.9	203.4	160.0	168.0
Total equity	75.7	59.4	51.3	51.6	61.9
Net cash/(debt)	10.0	6.2	(9.9)	8.7	28.3
Cash from operations	43.1	60.3	20.1	9.5	32.7
<b>FINANCIAL RATIOS</b>					
Conversion ratio (%)	14.6	16.3	13.7	10.6	12.2
Cash conversion (%)	95.0	134.4	47.8	80.0	88.0
Basic EPS (pence)	21.2	20.8	16.3	9.1	14.1
Dividends per share (pence)	14.0	14.0	14.0	14.0	14.0
<b>OPERATIONAL STATISTICS</b>					
Average total headcount*	2,675	2,607	2,487	2,228	2,234
Average sales headcount*	2,113	2,086	2,002	1,736	1,663
Active contractors at year end	9,078	8,412	7,573	5,791	5,122

\*2016 and 2015 are based on Full Time Equivalents.

# FINANCIAL CALENDAR

## 2016

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30 NOVEMBER	Financial year end
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## 2017

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23 JANUARY	Annual results for the year ended 30 November 2016
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17 MARCH	Q1 Trading Statement
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20 APRIL	Annual General Meeting
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16 JUNE	Trading update for the six months ended 31 May 2017
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24 JULY	Interim results for the six months ended 31 May 2017
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15 SEPTEMBER	Q3 Trading Statement
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15 DECEMBER	Trading update for the year ended 30 November 2017
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# SHAREHOLDER INFORMATION

Shareholders with enquiries relating to their shareholding should contact Capita Asset Services. Alternatively, you may access your account via [www.capitashareportal.com](http://www.capitashareportal.com), but will need to have your investor code available when you first log in, which can be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, 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 0300** (from UK – calls cost 12p per

minute plus your phone company's access charge; lines are open 9.00am – 5.30pm Mon to Fri) or **+44 371 664 0300** (Non UK) or register online at: [www.capitashareportal.com](http://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](http://www.fca.org.uk/register) to ensure they are authorised.
- 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](http://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](http://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 depositary bank & registrar for this facility. For further information, please visit the website: [www.adrbnymellon.com](http://www.adrbnymellon.com) and search for the SThree profile page. Holders can also access information by writing or calling:

**Mailing Address:**  
BNY Mellon Shareowner Services  
P.O. Box 30170  
College Station, TX 77842-3170

**Overnight Mail:**  
BNY Mellon Shareowner Services  
211 Quality Circle – Suite 210  
College station, TX 77845

**Customer service:**  
**Tel: 1 888 269-2377**  
(from outside the US Tel: 001 201 680-6825)

**E-mail: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)**

## For the issuance of ADRs please contact:

**London:** Damon Rowan  
**Tel: +44 207 163 7511**

**E-mail: [damon.rowan@bnymellon.com](mailto:damon.rowan@bnymellon.com)**

**New York:** Margaret Keyes  
**Tel: +1 212 815 6915**

**E-mail: [margaret.keyes@bnymellon.com](mailto:margaret.keyes@bnymellon.com)**

**Website: [www.adrbnymellon.com](http://www.adrbnymellon.com)**

## Share Price Information

Information on the Company's share price can be found via: [www.sthree.com](http://www.sthree.com).

## 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: **0371 664 0445** - calls are charged at the standard geographic rate and will vary by

provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am – 4.30pm, Monday to Friday excluding public holidays in England and Wales.

Alternatively log on to [www.capitadeal.com](http://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 **0371 664 0381** - calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

Lines are open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

**Email: [shares@capita.co.uk](mailto:shares@capita.co.uk)**

## 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](http://www.sharegift.org)**

**Tel: 0207 930 3737**

# COMPANY INFORMATION & CORPORATE ADVISORS

## Executive Directors

### Gary Elden

Chief Executive Officer

### Alex Smith

Chief Financial Officer

### Justin Hughes

Chief Operating Officer,  
CEO, APAC & ME

### Steve Quinn

CEO, Americas

## Compliance Hotline

Tel: **0808 234 7501**

Web: **[www.integrity-helpline.com/sthree.jsp](http://www.integrity-helpline.com/sthree.jsp)**

## Financial Advisors & Stockbrokers

UBS INVESTMENT BANK  
1 Finsbury Avenue  
London  
EC2M 2PP

LIBERUM CAPITAL  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London  
EC2Y 9LY

## Financial PR

Citigate Dewe Rogerson  
3 London Wall Buildings  
London Wall  
London  
EC2M 5SY

## Auditors (FY 2016)

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Registrars (Ordinary Shares)

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
Tel: (UK) 0871 664 0300  
Tel: (Non UK) +44 371 6640 300  
Email: [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)  
Web: [www.capitaassetservices.com](http://www.capitaassetservices.com)

\*Calls cost 12p per minute plus your phone company's access charge and calls outside the UK will be charged at applicable international rates. Lines are open 9:00 am - 5:30 pm Mon - Fri, excluding public holidays in England and Wales.

## Group Company Secretary & Registered Office

Steve Hornbuckle,  
Group Company Secretary  
City Place House  
55 Basinghall Street  
London  
EC2V 5DX  
Email: [cosec@sthree.com](mailto:cosec@sthree.com)

## Company Number

03805979

## Contact Details

Tel: **0207 268 6000**  
Fax: **0207 268 6001**  
Email: [enquiries@sthree.com](mailto:enquiries@sthree.com)  
Web: [www.sthree.com](http://www.sthree.com)



