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FINANCIAL HIGHLIGHTS

Gary Elden
Chief Executive Officer

Gary Elden, CEO, commented: "As we enter 2013 macro-economic conditions remain uncertain. In this environment, the benefits of the Group's balance of contract and permanent business, and the success of its geographic and sector diversification in recent years are more evident than ever."

"Our contract division, which makes half of gross profits, reported a strong performance and remains a key area of strategic focus. Our fast growing Energy & Engineering and Pharmaceuticals & Biotechnology businesses, which between them make up about one third of gross profits, continued to experience strong demand."

"Whatever 2013 has in store for us, we remain confident that we will make the best of it. We will manage the business prudently but we will not lose sight of the great medium term prospects for our business and we will invest where appropriate to ensure that the Group's future lives up to its potential."

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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	2012	2011	Change
Revenue	£577.5m	£542.5m	+6.5%
Gross Profit ('GP')	£205.3m	£195.5m	+5.0%
Operating profit	£25.1m	£30.0m	-16.3%
Profit before taxation ('PBT')	£25.3m	£30.3m	-16.6%
Basic earnings per share	14.1p	16.8p	-16.1%
Proposed ordinary final dividend	9.3p	9.3p	-
Total ordinary dividends (interim plus final)	14.0p	14.0p	-
Special dividend	-	11.0p	-

OPERATIONAL HIGHLIGHTS

- A satisfactory performance given the deteriorating macro-economic backdrop as the year progressed,
- Continued sector diversification, with non-ICT disciplines now representing 46% of total GP (2011: 40%) ,
- Strong performances from Energy & Engineering (+48%*) and, Pharmaceuticals & Biotechnology (+39%*), which together now account for 33% of Group GP,
- Non-UK&I share of GP increased to 65% (2011: 63%), with the trend expected to continue as the Group becomes ever more international;
- New offices opened in Oslo, San Diego, Rio de Janeiro and Brisbane, bringing the Group total to sixty four offices in eighteen countries;
- Split of contract versus permanent GP remixes to 50%:50% (2011: 48%:52%);
- Total Group headcount at year end decreased by 3.7% to 2,188 (2011: 2,272), although average Group headcount up 9.4%;
- Group remains in a strong financial position, with year end net cash and term investments of £28.3m (2011: £55.6m) after payment of the special dividend of £13.2m in December 2011,
- Gary Elden appointed CEO with effect from 1 January 2013, as previously announced.

*at constant currency

OVERVIEW, BUSINESS MODEL & STRATEGY

for the year ended 25 November 2012

Gary Elden
Chief Executive Officer

Overview

SThree is a specialist permanent and contract staffing business, currently comprised of four main operating brands, Computer Futures, Huxley Associates, Progressive and Real Staffing Group, all of which operate under a well established multi-brand strategy. The first brand, Computer Futures, opened in London in 1986, expanding internationally in 1998 with the launch of an office in Brussels. Each brand shares common services such as finance, information services, human resources and legal. The Group has grown organically and has a diverse client base of over 7,000 clients, with over 60 offices globally.

The Group has steadily broadened its ICT operations by building fast-growing businesses serving the Engineering & Energy, Banking, Pharmaceuticals & Biotechnology, Accountancy and job board sectors. SThree began trading on the LSE in November 2005 and in 2007 launched a Level One ADR facility in the US.

From inception, the Group has avoided the high volume, low margin business model in favour of focussing on high quality business. The Group's main subsidiary undertakings are disclosed in the notes to the financial statements, with the four main operating brands activities summarised as follows:

Computer Futures – specialising in placing ICT professionals in both permanent and contract roles, Computer Futures was our first business. Today it is one of the largest ICT recruiters in Europe.

Progressive Recruitment – operating throughout four continents, Progressive Recruitment is a specialist recruitment consultancy focusing on Engineering and Oil & Gas.

Huxley Associates – established in 1995, Huxley Associates is one of the world's leading recruitment consultancies, focussing on Banking & Finance.

Real Staffing – is an international recruitment company, specialising chiefly in the Healthcare & Pharmaceutical sectors.

This section, the Chairman's and other officers' sections of this Annual Report provide information relating to the Group's activities, its business and strategy and the principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These, together with the Directors' Remuneration Report, Corporate Governance and CSR Reports, provide an overview of the Group, including environmental and employee matters and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's

position and prospects, in accordance with the Business Review requirements of the Companies Act 2006

Business model & strategy

SThree specialises in placing permanent and contract staff in niche segments of the staffing market, with the ultimate aim of being the most respected and highly valued international, specialist staffing services business, flexing this strategy

as necessary to ensure that the Group maximises its permanent, contract, client or specialist sectoral opportunities to match the prevailing economic climate or local conditions. During the latter part of 2012, the Group re-evaluated its core strategy, with the intention of further increasing its contract and client focus, so providing even greater protection against the current economic backdrop

For permanent placements, the Group charges a range of commissions, typically expressed as a percentage of a candidate's starting salary, the quantum of which depends upon the particular role

specialism, underlying market, geography and candidate skills. For contract placements, a daily, weekly or monthly rate may be charged, which includes a mark up on top of the candidate's own rate, the quantum of which also depends upon the particular role specialism, underlying market, geography and candidate skills. This simple but successful basic recruitment business model is built around the following core principles

Pure play specialist staffing – SThree's long track record of success as a pure play specialist staffing company means that there is no need to fundamentally change this approach. The Group deliberately positions itself as a specialist solution provider, rather than a Recruitment Process Outsourcer (RPO), as consultants are able to offer expertise in high value niches. In this way, there is no need to trade significant value for volume to grow the business, even in more challenging markets

Focus on highly skilled, niche candidates – A key criteria for deciding the attractiveness of a market is the extent to which the candidate's skills are in short supply. This 'niche within a niche' approach means that SThree can typically represent a candidate for whom there is competition amongst employers, so mitigating against margin pressure, whilst also ensuring benefit from wage/rate inflation. A further positive is that, often in such markets, a high rate of employee churn is the norm

Growth through our multi-brand model – The specialist staffing market is highly fragmented with the typical player a small niche operator. This reflects the profile of the candidates whose skillsets are developed around specialist expertise and who have a strong preference for dealing with equally specialist recruiters. By engaging with the candidate in this way the recruiter is able to offer the client higher quality candidates. For this reason, SThree operates as a 'House of Brands' rather than a 'Branded House', via its major specialist brands

Organic growth a key driver – We have not as yet acquired another business and our default assumption is that we will grow our own talent, unless we could acquire a small bolt-on acquisition which expedited our growth into a specific geography and/or segment

Growth through international & sectoral expansion – Having started in the UK, we now generate around two thirds of our business globally, often through building on our increasingly global client base. We currently have over sixty offices in nearly twenty countries and will continue to add new offices each year. In parallel, we now derive around forty percent of our GP from the Engineering & Energy, Banking, Pharmaceuticals & Biotechnology, Accountancy and job board sectors, again building on our increasingly global client base and international reputation.

Growth through predominantly home grown management – We prefer to grow the business using management that we have developed ourselves – typically from early on in the individual's career and often direct from University, providing industry-leading training and career development. Although well over 90% of our management have come via this route, we will look to hire external management where to do so would strengthen our bandwidth in a particular geography and/or sector.

Senior management engagement through equity participation – Given the low barriers to entry a key strategic challenge to scaling staffing businesses is retention of senior staff. Uniquely in this sector we operate a 'tracker share' or 'Minority Interest' model which allows selected management to buy a stake in the business for which they are responsible, at an early stage. This means that they become owner managers, who do not then need to leave STthree for an external wealth creation opportunity.

Growth in line with our values – STthree has a strong cultural identity which has been a key element in our historical success and a major reason why we have retained key staff. The STthree values are 'Energy', 'Reward', 'Rapport' and 'Respect' and these values are common across all STthree brands. Despite each brand's distinctive proposition, these values help to ensure that the Group has a coherent set of shared beliefs across the organisation and an identity as 'STthree'.

Human rights and diversity

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.

Development initiatives have been strengthened throughout the Group to ensure that there is an appropriate management pipeline at all levels and a breakdown showing the current percentage of female employees, broken down by job role and our gender diversity targets at each level is as follows:

Gender-classification and target timeframe	Female Current %	Female Target %
Executive Committee (by 2014)	20%	30%
Global Sales (by 2017), split as below	39%	46%
– Director	9%	25%
– Business Manager	19%	38%
– Senior Team Manager	29%	47%
– Consultant	43%	51%
– Support Roles	51%	50%

Key Performance Indicators ('KPIs')

Both financial and non-financial Key Performance Indicators ('KPIs') are used throughout the Group to drive the business forward and monitor progress, with the principal indicators listed in the table below, including how these apply in a strategic, remuneration or risk context. Further analysis is provided within the

Chairman's and other officers' sections of this Annual Report, where this is appropriate.

For financial KPIs, comparison figures are shown for both the current and prior year, whilst for non-financial KPIs, other generally applicable metrics are indicated.

KPIs	2012	2011	Definition and method of calculation	Strategic/Remuneration/Risk context
Revenue	£577.5m	£542.5m	Total fees earned by the Group, before any cost deductions	These are very broad indicators of how the business is trading
Gross Profit ('GP')	£205.3m	£195.5m	Revenue less cost of sales. Also known as Net Fee Income	
Profit Before Tax ('PBT') and exceptionals	£25.3m	£30.3m	Gross profit, less administration expenses and finance income/costs before exceptional items	Same as above, although this measure also shows how efficient the Group is in terms of managing its cost base, a key strategic measure and component of the Group's bonus arrangements
Total Shareholder Return ('TSR')	41.7%	(14%)	TSR is defined as share price growth plus dividends attributable to shareholders over a specific period	Generally used by investors but also for the Group's LTIP (over a three year period)
Earnings per Share ('EPS')	14.1p	16.8p	EPS is defined as profit before exceptional items for the year attributable to the Group's equity shareholders divided by the weighted average number of shares in issue during the year	Generally used by investors but also for the Group's LTIP (over a three year period)
Gross Profit Margin	35.6%	36.0%	Gross Profit as a percentage of revenue	Increasing margins, day rates and fees, are all indicators of business quality and therefore important to maintain/improve as a niche specialist
Contract Margin	21.5%	21.4%	Contract gross profit as a percentage of contract revenue	As such, they are key strategic measures and components of the Group's bonus arrangements
Gross Profit per Day Rate ('LFL')	£88	£87	Contract gross profit per average number of working days	
Permanent fees average ('LFL')	£13.9k	£13.1k	Average fees of permanent placements that started during the period	
Geographical diversification- international (non UK & Ireland) mix	65%	63%	Split of gross profit by location of client, whether by country or other regional classification	These indicate how well the Group is diversifying geographically, or by sector and are important as the Group seeks to reduce its risk exposure to slower growth, more mature markets. As such, they are key strategic measures and components of the Group's bonus arrangements

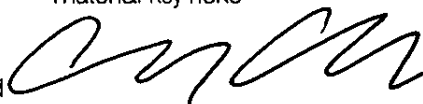
KPIs	2012	2011	Definition and method of calculation	Strategic/Remuneration/Risk context
Contract/Perm mix	50%/50%	48%/52%	Proportion of gross profit attributable to contract and permanent placements	Having a mix of both contract and perm business helps to protect the Group from cyclical extremes, typical of the recruitment sector
Conversion ratio	12.2%	15.3%	The conversion ratio is the operating profit stated as a percentage of gross profit and measure both how productive consultants are and how effective the Group is at controlling the costs and expenses associated with its normal operations and its level of investment for the future	
Cash conversion	88%	102%	Cash conversion is calculated as the cash flows from operating activities for the year after deducting capex, stated as a percentage of operating profit before exceptional items and is a measure of the Group's ability to convert profit into cash	These indicate how efficient the business is in terms of controlling costs and consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements
Days' Sales Outstanding ('DSO') or debtor days	37	36	Represents the length of time it takes the Company to receive payments from its debtors. It is calculated by comparing how many days' billings it takes to cover the debtor balance	Focusing on these measures also helps protect the Group in poor economic conditions
Risk Management (see also section below and Corporate Governance Report)	Aim to reduce risk profile for all key risks identified, where possible	Aim to reduce risk profile for all key risks identified, where possible	The Group has a well defined ERM framework embedded throughout the business using an EBITDA measurement scale to assess impact and probability. Risk appetite levels are set by the Board and risks are regularly reviewed to ensure continued alignment with strategy	
People Measures (Headcount/Churn)	2,188 heads	2,272 heads	These are measures of employee retention and also an indicator of how well a business is run. Lower churn will generally result in increased productivity, as churn often occurs once consultants have become productive, through avoiding having to spend time constantly re-training each new intake. During the year, churn reduced in all but four existing countries, with one country staying the same	To achieve its strategic growth plans and expand efficiently the Group must attract and retain sufficient headcount, thereby building the experience pool and avoiding constant re-training. As such, they are key strategic measures and components of the Group's bonus arrangements
Interviews	Interviews have decreased year on year	Interviews have increased year on year	Number of interviews conducted by consultants per year	Whilst this provides a general measure of sales team activity, the number, the number of interviews required to translate into a placement can vary dramatically between perm/contract as well as sectors

KPIs	2012	2011	Definition and method of calculation	Strategic/Remuneration/Risk context
Credit Risk (see also DSO above) – aged debt metrics.	A. 72%	A 71%	The Group has a well defined credit policy, which sets out certain minimum requirements in order to do business with potential clients/customer. The policy includes specific targets for DSO, ageing of receivables, credit evaluation and payment collection	Adherence to this policy helped to ensure that the Group's exposure to customer/client default is to a minimum. The policy also helps to protect the Group in poor economic conditions
A. Current	B. 20%	B 21%		
B. 0-30 days	C. 5%	C 6%		
C. 31-60 days	D. 1%	D 1%		
D. 61-90 days	E. 2%	E 1%		
E. Over 91 days	100%	100%		
Strategic Development/UK Framework (country expansion limits)	4 new offices in year	9 new offices in year	The Group has significantly enhanced its strategic development capabilities, to fully assess emerging market risks, off strategy risks, development pipeline and also set other new venture minimum KPIs, to ensure that they grow in a controlled and risk-contained manner, whilst also not neglecting the existing UK business	Measures specifically focused on developing the business help to ensure that the Group is able to maximise its return on investments and minimise risks in each geography, whilst also building on the experience gained in setting up each strategic new venture
Compliance targets (by country/sector)	Contract retention/ rate & duration/ 100% basic/ higher risk sector documents	Contract retention/rate & duration/ 100% basic/ higher risk sector documents	Above industry standard contractor compliance targets in respect of client/contractor terms, rates/ duration/types and ID collection are set annually, plus there is zero tolerance on code of conduct breaches or fines. Measures are in line with Board approved risk appetite levels and reviewed on a monthly basis	Compliance processes are regularly reviewed to align with changing local legislation, guard against deemed employment and to significantly mitigate risks in higher risk sectors, e.g. oil & gas/resources, where insurance cover may also be strengthened
Environmental (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

Risk management

The Group has well defined Enterprise Risk Management ('ERM') processes, having articulated both Group and local risk appetite measures, all of which are monitored via the various KPIs described above and underpinned by a formal Risk Management Policy

Using this framework, the Board regularly assess and re-evaluates the Group's material key risks



Gary Elden
Chief Executive Officer

25 January 2013

CHAIRMAN'S TRADING & GOVERNANCE OVERVIEW

for the year ended 25 November 2012

Clay Brendish
Chairman

Trading Overview

Despite the ongoing global economic uncertainty and market conditions which continued to be challenging, the Group was able to continue to expand globally, reducing exposure to those markets which are currently more benign and increasing our focus on growth markets such as energy & engineering and pharmaceuticals & biotechnology

In line with our strategy, we flexed our business mix towards more contract activity, which provides greater protection in times of economic uncertainty. We also opened a number of new offices during the year and plan to open further new offices in 2013. For the foreseeable future, we will maintain our stance of careful selection within each region, based on the market opportunity and will continue this strategy until we see signs of a more sustained economic recovery.

Consequently, whilst our rest of world ('ROW') headcount increased significantly YOY, our UK and European headcount declined slightly, as our more experienced UK and European employees were increasingly used to 'seed' new offices or help to build better market opportunities in existing offices. These individuals will again have the opportunity to invest in those businesses by way of the Group's established tracker share (or 'minority interest') model, as we continue to back our home-grown entrepreneurial talent.

Management & Succession Planning

In May 2012 we announced a number of significant management changes, building on the work previously started by the Nomination Committee, which included NEDs acting as mentors to individual members of the Executive Committee. The aim of all this, was to equip senior management for Executive or other high profile Group roles.

As part of these changes, we announced that Russell Clements would retire as CEO at the conclusion of the 2013 AGM, after more than twenty six successful years with the Group, being succeeded by Gary Elden, who was, at that time, the Group's

Chief Strategy Officer, and who became Deputy CEO from May 2012.

Gary joined the SThree Board in 2008 and has over twenty two years' service with the Group. We had originally agreed to effect a progressive transition of the CEO's responsibilities over the period up to the April 2013 AGM. However, on 30 November 2012, we announced that, as a result of the excellent progress being made on the handover, with a number of key tasks being completed ahead of schedule, the CEO change was to be effective from 1 January 2013, nearly four months ahead of schedule.

Russell's retirement was part of a managed succession process, which included the appointment to the Board as Chief Operating Officer of Steve Quinn, the then Group Managing Director Benelux & Middle East and Justin Hughes, as Group Managing Director Asia Pacific, in a new Board-level role, reflecting the strategic significance of this region, both being effective from 1 June 2012.

I would personally like to thank Russell for the outstanding contribution he has made to the development and success of SThree from its inception. He joined the Group as its second employee in 1986, being appointed CEO in 2004. Gary, Steve and Justin are all talented executives with long and successful track records with the Group and we look forward to their future contributions.

SThree's success has been founded on an effective match of ambition and opportunity, with a focus on the development of home grown management and this succession process provides important further career development opportunities at Board and operational level as we seek to build on the firm foundations laid over the last few years.

Diversity & Values

We have continued our work in this area as part of our 'Identity' project, led by Natasha Clarke, the Group's Director of Strategic Capability & Organisational Development, with initiatives being taken forward both at strategic and local level,

including the setting of specific Group targets to be achieved by 2014 and 2017, which are disclosed in the Business Model & Strategy and CSR Report sections

As part of this process, development initiatives have been strengthened throughout the Group to ensure that there is an appropriate management pipeline at all levels, including tailored courses at Henley Management College. Alicja Lesniak, one of our NEDs, continues to play a crucial role in mentoring women senior management and providing project guidance

We continue to embed our 'Values' initiative, which looks to ensure that the STThree core values of Respect, Rapport, Energy and Reward are at the forefront of everything that we do, whilst also ensuring that our employees feel that they gain from, as well as give something to, the business they work so hard for. Further information on this is contained in the CSR Report section

Dividend

The Board are recommending maintaining the FY 2012 final dividend at the same level of the previous year. This reflects both the current year's trading as well as our confidence in the cash generative nature of the business going forward. It also recognises the importance we place on providing income as well as capital returns to our investors

Governance Overview

As Chairman, I have overall responsibility for the Group's governance arrangements. We are both inclusive, proactive, as well as responsive to our stakeholders, engaging with investors much earlier this year on key remuneration issues and also early adopting many of the changes to directors' remuneration and narrative reporting published by the Department for Business, Innovation and Skills ('BIS')

All of this reflects both our solid stewardship, as well as our well embedded governance framework and we will continue to adapt our procedures accordingly in order to accommodate best practice as well as changing investor needs

During the year the Group undertook a major review and roll out of its Code of Conduct, to ensure alignment with the Bribery Act. Also, as previously reported, in January 2012, as recommended by the UK Corporate Governance Code, the Board, for the first time, commissioned Lintstock Ltd, an independent third party, to undertake its annual Board/Committee evaluation exercise

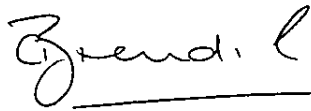
From this analysis, a number of recommendations were agreed and we plan to undertake a follow up external evaluation during 2013, to allow the more recent Board appointees to fully bed in. However, we continue to focus on the following key areas

- **Board** – increasing strategic content/ reviews, with less focus on routine items and more regular lessons learnt/Post Implementation Review ('PIR') sessions, Strengthened development, training and key risk content, including more presentations from senior management and executive support roles,
- **Audit Committee** – reviewed membership and better distillation of Internal Audit information, whilst also rigorously testing that function,
- **Remuneration Committee** – reviewed membership, whilst also increasing HR senior level support, increased frequency and scope of reviews of global remuneration structure and performance,
- **Nomination Committee** – increased activity, broadened and introduced greater formality of succession arrangements

We therefore remain confident that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that all Directors demonstrate full commitment in their respective roles

Finally, after what has been another turbulent and challenging year, I would like to thank all employees for their valued contribution. Despite the continuing market uncertainties, we believe that

our prospects for further growth remain
excellent and we are confident of a bright
future

A handwritten signature in black ink, appearing to read 'Brendish', followed by a horizontal line.

Clay Brendish
Chairman

25 January 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

Gary Elden, CEO, commented "As we enter 2013, macro-economic conditions remain uncertain. In this environment, the benefits of the Group's balance of contract and permanent business, and the success of its geographic and sector diversification in recent years are more evident than ever"

"Our contract division, which makes half of gross profits, reported a strong performance and remains a key area of strategic focus. Our fast growing Energy & Engineering and Pharmaceuticals & Biotechnology businesses, which between them make up about one third of gross profits, continued to experience strong demand"

"Whatever 2013 has in store for us, we remain confident that we will make the best of it. We will manage the business prudently but we will not lose sight of the great medium term prospects for our business and we will invest where appropriate to ensure that the Group's future lives up to its potential"

Overview

2012 saw a steady deterioration in macro economic confidence that impacted on our activity levels and financial performance. Given the sentiment-driven nature of the staffing market, demand deteriorated across the year in line with the associated decreases in client and candidate confidence. Against this backdrop, we are pleased to be reporting a satisfactory outcome for the year.

Our performance was particularly impacted in our more mature geographies, where there was less opportunity to capitalise on structural growth to mitigate the economic headwinds. However, we saw strong performances from our Energy & Engineering and Pharmaceuticals & Biotechnology businesses across all geographies as these businesses made an increasingly important contribution to the Group result. Contract, an area of significant focus for the Group in 2012, also significantly out-performed permanent.

During the year, we continued to invest in our international expansion, adding new offices in Oslo, Brisbane, Rio de Janeiro and San Diego, and in our IT

infrastructure, which we see as a key differentiator.

Our commitment to the dividend remains unwavering and we are pleased to be maintaining the level of the ordinary dividend, despite a reduction in profits for the year.

Financial Outcome

During the year Group GP was up 5.0% at £205.3m (2011: £195.5m) and PBT of £25.3m was down 16.6% (2011: £30.3m).

The reduction in profitability was principally driven by a decline in consultant productivity in the face of deteriorating macro-economic confidence, and by continued investment in the future growth of the business (primarily new offices and IT).

Although 2012 was again a year of investment, the Group had another robust performance in terms of cash generation. At the end of 2012 net cash was £28.3m (2011: £55.6m), after buying back £6.9m of shares, paying ordinary and special dividends of £30.0m and investing £10.5m in capital expenditure in respect of new offices and enhancing IT platforms.

Geographical Expansion

The Group continued its well established programme of international expansion, rolling-out a further four office locations during the year. New offices were opened in Oslo, Rio de Janeiro, Brisbane and San Diego to support growth within the Energy & Engineering and Pharmaceuticals & Biotechnology sectors. The Group now has a total of 64 offices in 18 countries.

In aggregate, Group GP generated from outside of the UK&I was £134.4m (2011: £124.2m), up 8.2%. UK&I GP of £70.9m represented a 0.5% decline on the prior year (2011: £71.3m) and reflected the more mature nature of the UK&I staffing market. The UK performance was pleasing given the further deterioration in the already very weak UK investment banking market.

As a consequence of the faster growth recorded outside of the UK&I, the Group's geographical business mix underwent a further shift in favour of our international operations. For 2012 the ratio was 65:35 in favour of non UK&I GP compared

with 63.37 in 2011. We expect this trend to continue ensuring that the Group becomes ever more internationally diverse. That said, we have full confidence in the long term value of our UK&I business and expect to see very positive returns as sentiment ultimately improves. Given our focus on niche specialisms, in more normal conditions our candidates remain highly sought-after, even in more mature markets, and we have demonstrated over many years that our UK&I business does not require high rates of GDP growth to perform strongly.

All of our international markets are less developed than the UK, offering us the opportunity to drive margin improvement and benefit from structural market growth. Group GP generated from Continental Europe was up 1% at £99.4m (up 7% on a constant currency basis), with a robust performance from Germany, up 7%, (up 14% on a constant currency basis) offsetting Benelux, down 9%, (down 3% on a constant currency basis). Group GP generated from Rest of World grew by 36% (up 35% on a constant currency basis) with particularly notable performances from Australia up 38% and USA up 49% (both on a constant currency basis).

Further international office expansion is planned for 2013 with Tokyo, Calgary and Kuala Lumpur all due to open in the first half.

Sector Diversification

We have continued our focus on four core sectors – ICT, Energy & Engineering, Pharmaceuticals & Biotechnology and Banking & Finance.

ICT

ICT represented 54% of GP during the year (2011: 60%). ICT is our longest and most established sector and consequently the majority of ICT business is in the more mature UK and European markets and its performance reflected this geographical bias. ICT GP for 2012 at £110.8m was down 5% (2011: £116.6m) or down 2% on a constant currency basis.

As usual, the GP breakdowns given above are a reflection of the skill set of the candidate rather than the business

sector of the client company. Measured by the latter, rather than a 54% exposure to the ICT market, only 18% of the Group's transactions in 2012 (2011: 19%) were with ICT firms per se. This limits the Group's exposure to this type of customer, who are typically (particularly in mature markets) more margin-sensitive.

Non-ICT

Energy & Engineering and Pharmaceuticals & Biotechnology enjoyed very strong growth, up 48% and 39% respectively on a constant currency basis. Banking & Finance, as expected, had a very challenging 2012 and was down 19% on a constant currency basis.

Overall, non-ICT GP grew by 20% year on year (up 23% on a constant currency basis) to £94.5m (2011: £78.9m).

"High Margin High Value"

Our selective attitude to customers has a direct bearing on our ability to consistently pursue our "High Margin High Value" approach. The Group has an established strategy of focusing on the quality of the business it transacts. Given the highly fragmented nature of the specialist staffing market we do not see the case for buying market share and, in the process, exchanging value for volume. In particular, we consciously avoid the lower margin business which is often a prerequisite of dealing with larger price-sensitive clients in our more competitive markets.

During the year, we developed improved Management Information tools that allow us to calculate the lifetime profitability of individual contractors, taking into consideration GP day rates, initial contract lengths, extensions, credit notes, commissions and the support costs of providing the contractor to the client. Using these tools, we have begun to focus the business on lifetime profitability and in certain sectors, this may start to impact contract margin percentages and/or GP day rates, where we decide it is financially sensible to accept a lower headline margin percentage and/or GP day rate in return for higher overall returns to the Group.

In parallel, we are increasingly looking to move further "up the food chain" and place more highly paid candidates, either

as a function of their seniority and/or their niche specialisation. This initiative, along with the positive impact of an increasing contribution from higher value geographies (e.g. Germany) was reflected in the robustness of our fees and contract rates during the year. The Group's overall contract margin stayed stable at 21.5% (2011: 21.4%) and the average GP per day rate (GPDR) improved somewhat, up 1.3% to £88 (2011: £87) on a constant currency basis.

A similar but more pronounced value theme was seen in the Group's permanent business. The average fee recorded in 2012 was £13,901 (2011: £13,061) up 6.4% on a constant currency basis. It is worth noting that this was achieved despite the fact that the Banking market (with its associated higher-than-average fees) was again weak throughout 2012, and reflects, in part, the growth of our Energy & Engineering and Pharmaceuticals & Biotechnology businesses, which also enjoy attractive fees.

Contract/Permanent Business Mix

As expected, in 2012 contract performed more strongly than permanent against a more challenging economic backdrop. In the current economic environment, contract has been a key area of strategic focus and we have implemented a number of new initiatives including the lifetime profitability analysis discussed above. The number of contract runners at the end of 2012 had improved to 5,122 (2011: 4,692) representing an increase of 9.2%. During the year the Group made a total of 7,343 permanent placements (2011: 7,434), a decrease of 1.2%.

As a result we saw a further re-mixing of the business in favour of contract, such that contract GP represented 50% of the Group total in 2012, up from 48% of GP in 2011. The evolution of this metric in the near term will be at least somewhat dictated by the macro-economic backdrop in 2013. In a more challenging environment contract tends to be the more resilient of the two, but when sentiment changes for the better, permanent can recover very quickly. We are pleased to have a balanced business with our significant contract presence providing a

key source of growth and some downside protection.

Headcount

The Group ended 2012 with a total of 2,188 staff (2011: 2,272) a decrease of 3.7% on the prior year, as we allowed natural attrition to right size businesses in certain markets. Sales headcount grew in Rest of World by 18%, but was down in Europe by 5% and down in the UK by 18%.

Headcount growth for 2013 is likely to be modest and driven by sector and geographical opportunities. This partly reflects the uncertain economic outlook, but is also driven by a focus on improving the productivity of existing staff. In any case, we will only look to grow headcount where the current and recent performance of the specific team and the strength of the demand pipeline, merit it.

Outlook

Given current levels of global economic and political uncertainty, predicting the kind of market conditions the Group will face during 2013 with any accuracy is extremely difficult. While the specialist staffing market does not need high levels of GDP growth to perform strongly, confidence is key to sentiment and this is undermined by persistent uncertainty.

Whatever 2013 has in store for us, we remain confident that we will make the best of it. We will manage the business prudently but we will not lose sight of the great medium term prospects for our business and will invest where appropriate to ensure that the Group's future lives up to its potential.



Gary Elden

Chief Executive Officer

25 January 2013

CHIEF FINANCIAL OFFICER'S REVIEW

Alex Smith
Chief Financial Officer

Revenue for the year increased by 6.5% to £577.5m (2011: £542.5m). GP increased by 5.0% to £205.3m (2011: £195.5m), representing a Group GP margin of 35.6% (2011: 36.0%). The Group GP margin decreased as a result of the remix in business towards contract, which represented 50% of GP in 2012, up from 48% in 2011. Permanent revenues are accounted for at 100% gross margin, whereas contract GP is shown after the associated cost of sales.

Administrative expenses increased by 8.8% to £180.2m (2011: £165.6m) due to the increased cost of new sales heads and increased property costs for new offices, as the Group continued its international expansion. The increase in these costs exceeded the growth in GP resulting in a fall in the Group's conversion ratio to 12.2% (2011: 15.3%).

Average total headcount for the year was 2,234, up 9.4% year on year (2011: 2,042). Total headcount at the year-end was 2,188 at 25 November 2012, down 3.7% on the prior year (2011: 2,272). These metrics reflect both the significant headcount growth in the second half of 2011 in a stronger market, and the decision to let natural attrition run its course in certain geographies and sectors in 2012, as the macroeconomic environment deteriorated. The Group continues to hire sales consultants highly selectively into teams where there is clear market-based evidence to support the investment and to staff the opening of new international offices. However, where the market demand is weaker we are prepared to allow natural attrition to right size teams.

Profit before tax decreased by 16.6% to £25.3m (2011: £30.3m) as the general macro economic climate reduced

productivity, and also reflecting the continued investment in growth in new territories and supporting IT.

Taxation

The taxation charge for the year was £8.4m (2011: £10.0m), representing an effective tax rate of 33.4% (2011: 33.1%). The rate is higher than the effective UK Corporation Tax rate for the year of 24.67% (being 4 months at 26%, and 8 months at 24%), due to profits being generated in countries where the corporation tax rates are higher than in the UK, unrecognised tax losses in certain territories, and disallowable items of expenditure. Based on the current structure of the Group and existing local taxation rates and legislation, it is expected that the underlying effective tax rate will remain at around or slightly below this level in the near to medium term.

Earnings per share

Basic earnings per share were 14.1p (2011: 16.8p), down 16.1%, driven by a decrease in profit after taxation of 17.0%. The weighted average number of shares used for basic EPS fell slightly to 119.5m (2011: 120.6m). Diluted earnings per share were 12.6p (2011: 15.5p), down 18.7%.

Dividends per share

It is the Board's intention to adopt a progressive dividend policy, targeting dividend cover of 2.0x to 2.5x over the medium term.

The Board previously declared an interim ordinary dividend of 4.7p per share (2011: 4.7p), at a cost of £5.6m.

The Board has decided to recommend a final ordinary dividend of 9.3p per share (2011: 9.3p), bringing the total ordinary dividend for the year to 14.0p per share (2011: 14.0p). The final ordinary dividend

FINANCIAL REVIEW

	Revenue			Gross Profit		
	2012 £m	2011 £m	Change %	2012 £m	2011 £m	Change %
Contract	473.9	441.5	7.3	101.7	94.5	7.6
Permanent	103.6	101.0	2.6	103.6	101.0	2.6
Total	577.5	542.5	6.5	205.3	195.5	5.0

will be paid on 5 June 2013 to those shareholders on the register as at 3 May 2013

A special dividend to return surplus cash to shareholders of 11 0p per share was paid on 2 December 2011. Periodically, the Board will review the Group's capital structure, with a view to, where prudent, returning further cash to shareholders in this manner.

Dividends paid in the period increased by £15.4m due to the payment of the special dividend, a 0.7p increase in the interim dividend per share and a 1.3p increase in the final dividend per share.

Financial position

The Group had net assets of £61.9m at 25 November 2012 (2011: £82.5m). The decrease in net assets was principally due to increased dividend payments and purchase of treasury shares.

The Group bought back £6.7m of shares (2.4m shares) to be held in treasury (2011: £7.9m, 3.2m shares), with the intention of using these to settle the buy-back of certain tracker shares and/or awards of shares under the Group's share plans. Certain tracker shares vested for the first time in 2012 and were settled in shares only. A total of 3.4m treasury shares were used to satisfy tracker share buy-backs and other awards in 2012. It is anticipated that treasury shares will continue to be purchased in 2013 to satisfy further vesting of shares under the Group's share plans.

Capital expenditure is principally driven by expansion into new territories and offices and investment in the Group's IT infrastructure. Tangible fixed asset additions amounted to £4.0m (2011: £3.0m), relating to investment in IT hardware and the fit out of new offices. Intangible asset additions increased to £9.4m (2011: £2.9m). The increase is primarily related to the purchase of software and system development costs as the business continues to invest in infrastructure in support of its ongoing globalisation.

The most significant item on the Group's statement of financial position is trade and other receivables. As a result of an increase in revenue in the last quarter year on year of 3.5% and days sales outstanding ("DSO") increasing to 37 days (2011: 36 days), net trade debtors increased by £6.0m to £76.5m (2011: £70.5m). DSOs have increased slightly due to changes in the geographical mix of sales, with a greater proportion of revenues coming from territories with longer payment schedules. Total trade and other payables increased from £95.6m to £99.1m primarily due to an increase in accounts payable related to capital expenditure and an increase in the number of contract runners.

Cash flow

At the start of the year the Group had net cash of £55.6m. During the year, the Group generated cash from operations of £32.7m (2011: £36.4m). Income taxes paid increased to £9.5m (2011: £8.0m). The Group paid ordinary and special dividends of £30.0m (2011: £14.5m) and dividends to tracker share participants of £0.4m (2011: £0.7m). The Group paid £6.9m (2011: £7.6m) for the purchase of its own shares. Cash outflow on capital expenditure increased to £10.5m (2011: £5.8m).

At 25 November 2012 the Group had net cash of £28.3m.

Treasury management and currency risk

A committed flexible revolving credit facility is in place with Royal Bank of Scotland Group ("RBS") until January 2017. Under this arrangement the Group is able to borrow up to £20m. Funds borrowed under this facility bear interest at a minimum annual rate of 1.3% above 3 month LIBOR. The Group has not drawn down against this facility at the year-end.

The main functional currencies of the Group are Sterling, the Euro and the Dollar. The Group has significant operations outside the United Kingdom and as such is exposed to movements in exchange rates.

The Board has undertaken a review of its currency hedging strategy to ensure that it remains appropriate. The Group does not engage in speculative trading. The impact of foreign exchange will become a more significant issue for the Group as we expect the business mix to move further towards International, with the International business accounting for 67% of GP in 2012 (2011: 64%). The Group will continue to monitor its policies in this area.

Other principal risks and uncertainties

Other principal risks and uncertainties generally affecting the business activities of the Group are detailed within the Directors' Report section of the Annual Report. In the view of the Board, there is no material change expected to the Group's key risk factors in the foreseeable future.

Our strong balance sheet and net cash continue to give us the confidence to maximise the opportunities that lie ahead.



Alex Smith
Chief Financial Officer

25 January 2013

BOARD OF DIRECTORS AND SECRETARY

Report & Financial Statements 2012

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

GARY ELDEN

Chief Executive Officer, from 1 January 2013

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

RUSSELL CLEMENTS

Chief Executive Officer, until 1 January 2013

Russell Clements has served as STHree's Chief Executive Officer since 2004 having previously held the position of Deputy Chief Executive Officer since 2001. He worked for VNU Business Publications, before joining Computer Futures in 1986 shortly after its inception as the group's second employee. He subsequently served as Sales Director and Managing Director of Computer Futures. Russell holds a degree in Government from the University of Essex and is also a graduate of the Advanced Management Program at the Wharton Business School, University of Pennsylvania. He is former Chairman of the Association of Professional Staffing Companies (APSCo).

ALEX SMITH

Chief Financial Officer

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

STEVE QUINN

Chief Operating Officer

Steve Quinn was appointed to the Board in June 2012, having been with the Group since 1996, when he joined Progressive. He became Managing Director of Real in 2006, and in 2009 merged four of our businesses to form the Real Staffing Group. He also founded the Real Pharma brand in 2007, which now operates globally. Steve has a degree in Economic History from Queens University Belfast and is a graduate of the Senior Executive Program at Columbia University, New York. He also holds a Postgraduate Diploma in Law from Nottingham.

JUSTIN HUGHES

Managing Director STHree Asia Pacific

Justin Hughes was appointed to the Board in June 2012, having been with the Group since 1994, when he joined Progressive. He became Managing Director of Progressive's global business in 2008, and he was responsible for a number of new ventures in the UK, France, Germany, Switzerland, Belgium, Holland, Singapore and Australia, as well as overseeing the business' diversifications into new sectors and industries. Justin has a degree in Economics from Manchester University. He is also a graduate of the Senior Executive Program at Columbia University, New York.

STEVE HORNBUCKLE

Group Company Secretary

Steve Hornbuckle was appointed to the role in October 2006. Steve has over twenty years' company secretarial experience, having held Deputy and Assistant Secretary positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the Institute of Chartered Secretaries ('ICSA'), sits on the ICSA Company Secretaries' Forum and Investor Relations Society Policy Committee and was voted Company Secretary of the Year in 2011.

CLAY BRENDISH

Chairman

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

TONY WARD

Non Executive Director (Senior Independent Non Executive Director)

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

ALICJA LESNIAK

Non Executive Director

Alicja Lesniak was appointed to the SThree Board in May 2006, to the SThree Audit Committee in July 2006, the Remuneration Committee in February 2008 and the Nomination Committee in April 2008. Alicja is currently a Non Executive Director of Channel 4 and Next Fifteen Communications Group plc and was, until 30 September 2009, CFO of Aegis plc and has over thirty years experience in fast moving service businesses, in the latter twenty years holding senior financial and managerial roles within the advertising/media sector, including seven years with BBDO Worldwide, latterly as Chief Financial Officer for BBDO EMEA, and seven years at WPP Group plc, where she held positions as Chief Financial Officer for Ogilvy & Mather Worldwide and Managing Director of J Walter Thompson in the UK. Prior to joining the advertising sector she held senior management positions with Arthur Andersen & Co, having originally qualified as a Chartered Accountant with them in 1976. Alicja is a Fellow of the Institute of Chartered Accountants in England & Wales and holds a degree in Mathematics from Imperial College.

PAUL BOWTELL

Non Executive Director

Paul Bowtell was appointed to the SThree Board and as Chairman of the SThree Audit Committee, in November 2007 and Nomination Committee in April 2008 and is currently a Non Executive Director of Capita Group plc and Chief Financial Officer of Gala Coral Group. Paul has extensive experience gained from senior finance roles in a variety of companies including most recently as Chief Financial Officer of TUI Travel PLC, but also with First Choice Holidays PLC and British Gas, a subsidiary of Centrica plc, where he was appointed Finance Director in 2002. Prior to that, Paul was with WH Smith plc, where he held a number of corporate centre roles before becoming Finance Director of the UK Retail business, as well as senior tax roles at Forte and Arthur Andersen. Paul is an Associate of the Institute of Chartered Accountants in England & Wales.

NADHIM ZAHAWI

Non Executive Director

Nadhim Zahawi, MP was appointed to the SThree Board and to the Remuneration and Audit Committees in May 2008. Nadhim is the former CEO and co-founder of YouGov plc, a leading international online market research agency and became MP for Stratford on Avon in May 2010. He is a member of the Business Innovation and Skills Select Committee of the House of Commons. He is the author of *Masters of Nothing – The crash and how it will happen again unless we understand human nature*. He was previously European marketing director at Smith & Brooks, with responsibility for marketing brands such as Warner Bros, Disney and Barbie. Nadhim is a patron of Peace One Day and holds a degree in Chemical Engineering from UCL.

DIRECTORS' REPORT

for the year ended 25 November 2012

Steve Hombuckle
Group Company Secretary

The Directors present their Annual Report on the activities of the Group, together with the financial statements and auditors' report for the year ended 25 November 2012 and the Board confirms that the Annual Report & Accounts 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 Company's performance

Principal risks and uncertainties

A commentary on the Board's main areas of risk mitigation focus during 2012 is included in the Business Model & Strategy section, where relevant. However, some of the principal risks facing the business generally are set out as follows

Macro-economic environment/cyclicality

– The performance of the Group has a relationship and dependence on the underlying growth of the economies of the countries in which it operates in so far as it impacts client and candidate confidence. Whilst the year saw markets such as energy & engineering and pharmaceuticals & biotechnology show improvements, the situation is still by no means fully recovered by historical standards, particularly in sectors such as banking. This risk is mitigated in part by maintaining

- a balance of contract and permanent recruitment, weighted more towards contract in the current economic climate,
- a broad exposure across geographies and sectors,
- a flexible cost base that enables us to react swiftly to changes in market conditions by increasing or reducing costs as appropriate, and
- a strong balance sheet with committed debt facilities

A key part of the Group's strategy is to continue to grow the size of its international businesses to reduce the

Group's reliance on any one specific economy, geography or sector

Competitive environment – The Group continues to face competitor risk in the markets where the provision of permanent and contract recruitment is most competitive and fragmented, being generally the UK, Ireland and the Netherlands. There is strong competition for clients and candidates, although we generally resist pricing and margin pressures across our specialist activities. The Group's strategy is to grow its international businesses more aggressively in new geographies (particularly outside Europe) and sectors, to focus on more specialist niches, which tend to be less competitive, whilst also improving the efficiency and operations of our businesses generally. Where markets are still in a development phase, pricing pressure is less of a risk and our strategy is to rapidly grow our businesses in these territories. In all markets we are subject to both existing and new competition from both small start-ups as well as large multi-nationals, as costs of entry can be relatively low, although these costs have gradually risen with increased levels of compliance required from local regulators and clients

Commercial relationships/insolvency risk

– The Group benefits from close commercial relationships with key clients, predominantly in the private sector, although it is not dependent on any single key client. The Group is always subject to the risk that some customers might be unable to fulfill obligations and even more so in a poor economic climate

Availability of candidates – The availability of highly skilled/quality candidates is essential to operating in niche/high margin areas and changes in the other risk areas can affect candidate supply. Expanding into newer geographies/sectors can provide protection against potentially lower candidate availability in some more mature markets

Contractual risk – Clients increasingly require more complex levels of compliance in their contractual arrangements. The Group takes these responsibilities seriously and contracts are therefore closely controlled via the Group's centralised Legal and Business Administration functions and subject to regular audit in order to reduce non-compliance risks. The Group sets out clear guidance on the approval of contractual terms and monitors the application thereof, especially any exceptions to the standard liability/insurance position, which require approval via the Legal Department or Group Company Secretary. The placing of temporary workers generally represents greater risk for the organisation than permanent placements and wherever possible contractual clauses place responsibility for supervision and control directly with the client, excluding any consequential loss and limiting the Group's aggregate liability.

People – The Group is heavily reliant on the ability to recruit, train and develop people to meet its growth strategy. At the same time, the Group's business model demands flexibility to expand or consolidate, depending on the economic environment. In response to this, the Group is focused on engaging with and developing its key managers in each sector/geography and is committed to ensuring it has competitive pay and benefits structures, clearly linked to performance, combined with a succession planning process. Through training and development, it seeks to provide individuals with leadership, sales, key customer management and general business skills that support the Group's expansion needs, whilst providing a rewarding and challenging career. Regional and Country managers are also focused on allocating resources in respect of the best Group opportunities available.

Information Technology ('IT') – The Group is reliant on delivering its service to clients through a number of

technology systems. These are housed in various locations and the Group has capacity to cope with a data or system loss as a result of a significant event through the establishment of disaster recovery sites that are physically based in separate locations to the ongoing operations. A number of important suppliers provide critical IT infrastructure and the performance and robustness of these suppliers is monitored to ensure business-critical processes are safeguarded as far as is practicably possible. IT systems are periodically reviewed to ensure they remain effective and project management teams review risks associated in upgrading key systems, utilising robust management tools which monitor progress across the life of any IT project. The business also continues to review and enhance its ability to cope with a significant data or other loss via its business continuity arrangements.

Regulatory environment and legislative changes – The specialist recruitment industry is governed by increasing levels of compliance, which vary from country to country and market to market. The Group is committed to meeting all of its regulatory responsibilities and continues to strengthen its internal controls and other processes with respect to legal and contractual obligations. As employment laws are changed or harmonised, this creates new risks and opportunities. The contract market is more heavily regulated and changes in legislation (such as changes in managed service company legislation or to contract worker rights) may impact the Group. The Group therefore ensures that its policies, processes and systems reflect best practice, wherever possible in order to meet the legal requirements of the markets in which it operates.

Foreign exchange – The Group has significant operations outside the UK and is consequently exposed to movements in exchange rates. As the business mix moves further towards international, the

impact of foreign exchange will become a more significant issue. The Board therefore regularly reviews its treasury strategy to ensure that it remains appropriate.

Post balance sheet events

There have been no significant events occurring since the balance sheet date.

Results, dividends and going concern

Information in respect of the Group's profits, dividends and other key financial information is contained within the Overview, Chairman's and other officers' sections of this Annual Report. A statement of going concern is included within the Corporate Governance Report.

Directors and their interests

The Directors of the Company, including biographies, are shown within the Board of Directors and Secretary section, earlier in 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, all will retire at the 2013 AGM and submit themselves for election or re-election, as necessary. Further information is contained in the Notice of Meeting.

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

Supplier payment policy, essential contractors and change of control

It is Group policy to comply with terms of payment negotiated with suppliers. Where payment terms are not negotiated, the Group endeavours to adhere to the suppliers' standard terms. SThree plc acts as a holding company for the Group and does not trade and consequently does not have an average creditors' payment period. Trade creditors of the Group as at 25 November 2012 were equivalent to 26 days' purchases (2011: 26 days). The

Group has business relationships with a number of contractors but is not reliant on any single one.

There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the RBS revolving credit facility agreement, in place from January 2012.

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

Share capital

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

Tracker share arrangements ('minority interests or MI model')

The Group regards its tracker share model as a key factor in its success and it is planned to create more of these each year, 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 brands for the purpose of pursuing these new ideas, which have typically evolved organically out of one of the existing SThree businesses, with the relevant managers then being given the opportunity to manage and develop that new brand. Typically, those managers of the new SThree brand will be able to invest, at the Company's discretion, in the new venture and share in its success as well as the risk of failure.

As in prior years, only key individuals will be invited to invest in the creation of any new tracker share business. In order to receive equity ownership such individuals

must invest in any stake at fair value and be actively engaged in that business for a minimum term of between three and five years. Should the individual ultimately wish to dispose of their stake, the Company retains pre-emption rights.

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

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

to shareholders each year, with each authority being granted for five years, although automatically renewed at each following AGM, or any adjournment thereof.

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

Substantial shareholdings

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

Name of shareholder	Number of shares	Percentage shareholding
AXA	5,153,356	4.23%
Blackrock	6,137,031	4.99%
William Frederick Bottrell	7,238,245	5.98%
Russell Clements	4,068,841	3.35%
F&C Management	6,096,679	5.02%
Fidelity	6,028,475	4.95%
HBOS plc	6,983,314	5.21%
JO Hambro	6,280,338	5.21%
JP Morgan Asset Management (UK) Limited	7,021,061	5.07%
Legal & General Group plc	4,841,179	3.97%
Martin Currie Investment Management Limited	4,314,627	3.12%
Standard Life Investments Limited	7,029,628	5.80%
Sunil Wickremeratne	8,483,701	7.00%

Authority to make purchases of own shares

The Company is, until the date of the forthcoming AGM, generally and unconditionally authorised to buy back a proportion of its own ordinary shares. During the year various share purchases were made, which are held as treasury shares and the Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the AGM.

Directors' indemnities, 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 has maintained a Directors' and Officers' insurance policy throughout the year, which will reimburse the Company for payments made to Directors (including legal fees), for all admissible claims. The Board also confirms that there are appropriate procedures in place to ensure that its powers to authorise Directors' conflicts of interest are operated effectively.

Corporate governance

Please refer to the separate Corporate Governance Report.

Financial instruments

Information in respect of financial instruments is set out in the notes to the financial statements.

Corporate & Social Responsibility ('CSR')

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 is contained in the CSR Report, whilst information on employee share plans and share ownership is contained in the Directors' Remuneration Report.

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

Employees – The Group is committed to achieving equal opportunities and complying with anti-discrimination legislation and all employees are encouraged to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to sex, sexual orientation, marital status, race, religion or belief, age or disability.

The Group gives full and fair consideration to the employment of disabled persons for suitable jobs. In the event of employees becoming disabled, every effort is made to ensure that employment continues within the existing or a similar role. 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.

Community – The Group is committed to providing support to the community and society through a number of charitable activities. During the period the Group made charitable donations of £60,296 (2011: £47,855) 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 18 April 2013, at 5th Floor, 215-227, Great Portland Street, London, W1W 5PN. A separate notice details all business to be transacted.

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, 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 Consolidated Group and Company 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 Company and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

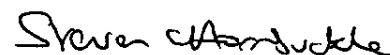
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Consolidated Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006

and, as regards the Consolidated Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Consolidated 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. Each of the Directors, whose names and functions are shown within the Board of Directors and Secretary section earlier in this Annual Report, confirm that, to the best of their knowledge

- the Consolidated Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Consolidated Group and Company, and
- the Directors' report, together with the Overview, Chairman's and other officers' sections of this Annual Report, provide a fair review of the development and performance of the business and the position of the Consolidated Group and Company, together with a description of the principal risks and uncertainties that it faces

By order of the Board



Steve Hornbuckle
Group Company Secretary

25 January 2013

Registered Office
5th Floor,
215-227, Great Portland Street,
London, W1W 5PN

DIRECTORS' REMUNERATION REPORT

for the year ended 25 November 2012

Tony Ward
Chairman of the Remuneration
Committee

Introduction

This year we have chosen to voluntarily structure our 2012 report to incorporate certain features of the forthcoming Department for Business, Innovation and Skills ('BIS') regulations, whilst retaining elements required under existing regulations. Therefore the report contains a policy section, outlining our proposed future remuneration policy, together with an implementation section, explaining how the policy was implemented during the year. One resolution to approve the report in its entirety will be proposed at the forthcoming Annual General Meeting.

The report also complies, as necessary, with the Companies Act 2006, the Directors' Remuneration Regulations 2002, relevant provisions of the Listing Rules and the UK Corporate Governance Code. Regulations currently require the auditors to report to the Company's shareholders on the 'auditable part' of 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) and the report is therefore divided into separate sections for unaudited and audited information.

Remuneration Committee

The Remuneration Committee (the 'Committee') determines the remuneration policy and the individual remuneration packages of the Chairman, the Executive Directors, the Group Company Secretary and certain key senior management posts. The Committee's Terms of Reference (available at www.sthree.com) are reviewed regularly and are aligned with the UK Corporate Governance Code and ICSA best practice guidelines. During the year the Committee comprised only independent Non Executive Directors, being Tony Ward (Chairman), Alicja Lesniak and Nadhim Zahawi. The Chief Executive Officer and most senior HR representative regularly attend meetings by invitation, except for matters related to their own remuneration. The Committee met four times during the year and no member of the Committee has any personal financial

interest (other than as a shareholder) in the matters decided.

Summary statement by Committee Chairman

This year, in an effort to work ever more closely with our major stakeholders, the Group started its consultation process on remuneration matters much earlier than in prior years, allowing shareholders more flexibility to consider the proposals and reflecting the Group's desire to raise the overall level of stewardship engagement. We believe that this approach will serve to foster a much deeper understanding of STthree's principles and policy in this area and the excellent response we received during the process only served to illustrate the importance with which investors now view this. We are therefore pleased to report that, to date, all shareholders who responded expressed their support for our 2012/13 remuneration proposals.

During 2012 the Group announced a number of senior management changes, both at main Board and executive team levels, with the creation of two main Board roles (COO and MD Asia Pacific) and the departure of the former CEO, MD Germany/France and Group HR Director, these latter two roles being combined with existing roles within the executive team. Promotions were also made to the executive team of the MD, DACH region and Sector MD Energy/Natural Resources, reflecting the importance of these areas to the business, going forward. Whilst this has resulted in an increase to the total salaries paid at main Board level, overall the Executive Committee base salary bill following the completion of all of these changes will show a year on year fall.

As a result of the excellent progress made on the handover of CEO responsibilities, with a number of key tasks being completed ahead of schedule, the CEO change was made effective on 1 January 2013.

Appropriate salary increases were made for all role changes in line with the Group's policy of positioning the base salaries of Directors and senior management, at the appropriate position in the range, between

lower quartile and median of the relevant comparable market and so maintain a cost effective, competitive market position. Total Group spend on all employee remuneration in the reporting period was £127.3m (2011: £121.4m), up 4.9% on the prior year and reflecting the increase in average headcount.

The Group's Long Term Incentive Plan ('LTIP') performance requirements were also reviewed, with the Committee concluding that, in light of the continued political and economic uncertainty, the targets for the EPS element for awards to be made in 2013 remain appropriately stretching. If achieved, these targets will represent a significant return for our shareholders in demanding economic conditions.

Policy Report

Remuneration policy is designed to support the strategic business objectives

of the Group in order to attract, retain and motivate Directors and senior managers of a high calibre to deliver sustainable increases in shareholder value. The Committee considers best practice guidelines and reward across the wider employee group in setting total and individual elements of remuneration for senior executives. Individual pay levels are determined by reference to performance, capability, potential and comparative market conditions.

In setting policy, the Committee considers, for benchmarking purposes, the remuneration of equivalent senior management in comparable quoted companies, with the main elements of the Executive Directors' remuneration package summarised below. Bonuses and benefits are not pensionable and are detailed in the later emoluments table.

Key aspect of pay/benefits and supporting information	How each supports the achievement of the Group's short and long term strategic objectives	Maximum potential value/award	Performance metrics
Total remuneration – the combination of fixed and variable pay elements. Variable pay is intended to provide a greater proportion of total remuneration as performance increases (see below).	Attracts, retains and motivates high calibre executives to deliver sustainable increases in shareholder value, with external benchmarking conducted at intervals of, typically, two/three years, in order to retain competitiveness.	Fixed pay/benefits plus maximum potential awards under variable pay schemes.	See individual elements below.
Fixed pay/benefits – basic annual salary/benefits, including company car allowance, life and private medical insurance, plus an employer's contribution to personal pension of 10% of salary. Positioned at between lower quartile and median for the relevant comparative market.	Attracts, retains and motivates high calibre executives to deliver sustainable increases in shareholder value.	Fixed, unless varied by the Committee.	Level of personal capability and personal performance.

Key aspect of pay/ benefits and supporting information	How each supports the achievement of the Group's short and long term strategic objectives	Maximum potential value/award	Performance metrics
Variable annual pay – cash/share based bonus payments. Positioned between median (broadly for on target performance) and upper quartile (for more stretching performance) for the relevant comparative market	Encourages high levels of personal and team performances, focused on the key business strategies and financial/ operational measures	120% of annual salary	Achievement of agreed strategic and financial/ operational annual business targets, including risk based measures, as set out below
Variable long term pay – share based long-term incentives. Positioned between median (for on target performance) and upper quartile (for more stretching performance) for the relevant comparative market	Rewards executives for the delivery of substantial relative and absolute increases in shareholder value over 3 year periods	Usual maximum is 150% of salary pa (maximum 175%), but normally not more than 450% of salary in a three year period	Achievement of agreed relative TSR and absolute EPS targets over three years, as set out below
Service contracts and exit payments, including deferral/claw back for variable annual or long term pay	Contracts are in line with recommended practice, i.e. 12 months rolling Clawback is available to protect investors' against inappropriate payments, being up to the maximum amount of variable annual or long term pay previously awarded, either through a material error or negligence on the part of the individual	Executive Directors' contracts provide for a rolling term with a maximum of 12 months' notice by either party. Each gives a right to basic salary and benefits in the event of early termination, subject to otherwise satisfactory job performance, with mitigation generally required to reduce any compensation payable	Good leavers, eg redundancy, retirement, death, etc, may generally retain LTIP awards on a pro rata basis, subject to still achieving the relevant performance criteria
Appointees/ progression – newly appointed or promoted executives are appointed on basic salaries, in line with their existing experience/ capability, to allow for progression within a scale, as they grow	Facilitates growth in individual capability, so aiding retention/ motivation and promoting sustainable increases in shareholder value	Within a defined scale, validated by regular/ independent benchmarking data	Continued satisfactory performance in the role and against the agreed objectives

Key aspect of pay/ benefits and supporting information	How each supports the achievement of the Group's short and long term strategic objectives	Maximum potential value/award	Performance metrics
Share ownership/ retention – Executive Directors must attain a level of shares equivalent to at least 100% of base salary within five years of 1 December 2008, or their date of appointment, whichever is the later	Policy ensures alignment of Executive Director interests with those of investors	N/A	N/A
External appointments – Executive Directors are encouraged to accept external appointments, where they are able to combine these with their existing role	Helps to broaden experience, which can benefit the Company Currently no such positions are held	N/A	N/A

Policy is examined at the time of each pay review, to ensure that it remains appropriate, particularly in the context of the wider employee base, although employee views per se are not proactively sought. For 2012,

the budgeted level of pay increase for employees generally was circa 2.5%

The ratio of fixed to variable pay at various performance levels, including target, maximum and below-target performance, is as follows

UNAUDITED INFORMATION

Implementation report

The Committee have appointed Deloitte LLP ('Deloitte') as its remuneration advisor and during the year took advice from Deloitte in relation to remuneration matters, for which it paid £37,080 (2011: £36,200), excluding VAT. Deloitte also undertook

work on specific projects for the Company, including subsidiary liquidations. Deloitte have confirmed that they have complied with the Code of Conduct for remuneration consultants and the Committee are satisfied that their advice is objective and independent.

Executive Directors' base salary changes

The table below illustrates the Executives' base salary changes, effective from 1 December 2012, also showing their dates of appointment. All salary increases related to the previously announced changes in personnel and responsibilities, in order to facilitate a successful implementation of the Group's senior management succession plan, noting the following for each individual:

Deputy CEO: Salary was increased to be at the lower end of the relevant competitive range for this role (i.e. from £340k to £390k pa), in line with formal promotion to CEO. This approach is intended to provide scope for above market increases in future years, in

line with developing experience and performance.

CFO: An increase of 5.5% of salary, i.e. from £284k to £300k pa, in recognition of the increased size/seniority of this role and the performance of the individual, positioning pay for this role towards the upper end of the relevant market competitive range.

COO & MD Asia Pacific: These roles were considered to be of equal operational/strategic value. As new appointments at Board level, salaries were positioned at the lower end of the relevant competitive range, providing scope for above market increases, if appropriate, in the future. As such, these salaries increased by 5% from £240k to £252k pa.

	Date Appointed	Base Salary – 2011	Base Salary – 2012	Base Salary – (from 1 Dec 2012)	Increase – (from 1 Dec 2012)
Russell Clements, outgoing CEO	11 Nov 2005	£348,400	£382,892	£382,892	No change, as retires as CEO in 2013)
Gary Elden, incoming CEO (from 1 January 2013)	14 April 2008	£265,400	£340,000	£390,000	14.7%
Alex Smith, CFO	7 May 2008	£258,700	£284,311	£300,000	5.5%
Steve Quinn, COO	1 June 2012	£173,300	£240,000 ⁽ⁱ⁾	£252,000	5%
Justin Hughes, Group MD Asia Pacific	1 June 2012	£173,300	£240,000 ⁽ⁱ⁾	£252,000	5%
Total		£1,219,100	£1,487,203	£1,576,892	

(i) Steve Quinn's and Justin Hughes' salaries were increased to £190,457 on 1 December 2011 and then to £240,000 upon promotion to the main Board on 1 June 2012.

Annual bonus scheme

Executives receive annual bonus payments based on the achievement of stretching targets, set annually by the Committee. The maximum bonus opportunity for Executive Directors is 120% of salary, although for individuals below Board level this can be uncapped, with deferral into shares for achievement over 100% of salary, vesting in equal tranches over two years, provided the Executive remains employed with the Group.

Currently where the agreed targets are achieved, 60% of salary is payable, with maximum bonus payable for achieving 110% of target and with pro rata payment

for achievement between 90% and 110% of target. No bonus is paid for achievement below 90% of target. The table below shows the category of targets agreed by the Committee for 2012 and the expected outturn.

Achievement is based on the Committee's assessment of the performance during the year against each stated measure, with a percentage of salary being accrued for all Executive Directors and having due consideration for risk management, as well as environmental, social and governance ('ESG') issues, to ensure that the incentive structure does not inadvertently encourage irresponsible behaviour.

Performance measure	Maximum potential (% salary)	Anticipated result (% salary)
Profit Before Tax (pre-exceptional)	33.6%	20.7%
Profit Conversion Ratio	25.2%	15.1%
Cash Conversion	25.2%	25.2%
Geographical & Sector Diversification	6.0%	6.0%
High Value/High Margin	6.0%	5.8%
Projects	12.0%	10.6%
People Measures	9.0%	7.3%
Contract Compliance	3.0%	2.2%
Total	120%	92.9%

Long Term Incentive Plan ('LTIP')

The Long Term Incentive Plan ('LTIP') was introduced in November 2006, for Executive Directors and other members of the senior management team, in order to provide an incentive to increase shareholder value and support alignment with shareholder interests through building a stake in SThree shares. The main features of the LTIP are as follows:

- Awards of shares can be made, each year, to Executive Directors and other Senior Executives in the form of forfeitable shares or share options (nil-cost or market value),
- The maximum annual face value of awards which may be made to Executive Directors is 175% of salary, whilst over a three-year period the Committee intends that an Executive Director will not receive aggregate awards in excess of a face value of 450% of salary,
- All Executive Directors' awards must be subject to a performance condition, assessed over the three years following the date of grant, with no facility to re-test performance. For other participants, the Committee has discretion to decide whether or not a performance condition should apply to grants,
- From 2010 onwards, the performance criteria was revised from a relative Total Shareholder Return ('TSR') only, to include an Earnings Per Share ('EPS') growth measure, with each separate measure applying to 50% of the total LTIP award,

- The current TSR peer group consists of circa 40 UK-listed companies, all being recruitment or service companies from the FTSE Support Services, AIM or Fledgling indices, as follows: Empresaria Group plc, Experian plc, Garner plc, Harvey Nash Group plc, Hays plc, Healthcare Locums plc, Hexagon Human Capital plc, Highams Systems Services Group plc, Hyder Consulting plc, Hydrogen Group plc, Impeilam Group plc, Interquest Group plc, Kellan Group plc, Management Consulting Group plc, Matchtech Group plc, Michael Page International plc, Mitie Group plc, Morson Group plc, Network Group Holdings plc, Networkers International plc, Office2office plc, Penna Consulting plc, Pinnacle Staffing Group plc, Prime People plc, Regus plc, Rethink Group plc, Ricardo plc, Robert Walters plc, RPS Group plc, RTC Group plc, Saville Group plc, Servoca plc, Staffline Group plc, Tribal Group plc, Waterman Group plc, White Young plc, Work Group plc, World Careers Network plc and WS Atkins plc. This list is reviewed annually,
- The TSR and EPS measures used for the latest LTIP awards are summarised in the table below and these targets are intended to be used for the forthcoming LTIP awards to be made in early 2013. Targets are reviewed annually by the Committee, in the light of the current trading environment, internal and external forecasts, as well as the guidelines of key investor bodies,

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%

- The preferred EPS growth measure is Compound Average Growth Rate ('CAGR'), as it rewards value creation equally over the period covered by the incentive. Pre-exceptional, undiluted EPS is used as the basis for awards, so that any material abnormal influences are excluded, with any abnormal influences which are not material but still significant, being highlighted to the Committee for consideration as to their treatment.

Employee Benefit Trust and share plans generally

The Group has a culture that encourages tax efficient share participation at all levels. An Employee Benefit Trust ('EBT'), originally funded by gifts from Directors, hold assets comprising shares in the Company, with shares also held as 'Treasury Shares'. Shares in the EBT or held in Treasury, are held for awards and grants under the Group's various share option and share award schemes, which include the LTIP, Savings Related Share Option Scheme ('SAYE Scheme') and a Savings & Investment Plan ('SIP') as well as to satisfy tracker share purchases. The Company intends to make available similar share plans in other jurisdictions, subject to local laws, etc, where commercially viable and has set the critical mass of headcount for roll out in each country at 100 employees.

Generally, in the event of a takeover, or similar, under the Group's share plans, shares may generally vest or options exercised early, with the Committee normally taking into account the length of time between the start of any holding period and the triggering event, as well

as the level of any performance criteria, up to the date of the triggering event. The Committee may also alter the rules of any share plan provided that this is not to the advantage of participants, in which case prior approval of the Company in general meeting must be obtained, whilst any amendment that is to the disadvantage of participants requires the consent of a majority of them. Under the SIP, shares are purchased on a monthly basis, at the then market price and matching shares are awarded on a 1:1 basis, provided that participants do not sell their purchased shares and also remain in employment within the Group for at least one year. In terms of dilution, the Committee intends that awards under the LTIP, EBT and other share plans should be satisfied by a combination of existing EBT shares, Treasury Shares, market purchases and new issue shares. Where new issue shares are used, this will comply with the guidelines provided by the Association of British Insurers. Expected value calculations of share incentives are not disclosed as these are not considered meaningful.

Non Executive Directors ('NEDs')

All Non-Executive Directors ('NEDs') have specific letters of appointment, available upon request, and their remuneration is determined by the Board within the limits set by the Articles of Association and normally based on independent surveys of fees paid to Non-Executive Directors of similar companies. Fees are set taking into account the commitment and responsibilities of the relevant role and were last reviewed in 2011, as part of the main benchmarking exercise, which was the first fee review since the Company was

listed in 2005. Fees will next be reviewed in 2013. The table below shows the NEDs'

dates of appointment, fees and Committee chair positions

Non Executive Director	Date appointed	Total fees – 2011	Total fees – 2012	Committee chair
Clay Brendish	1 May 2010	£125,000	£125,000	Nomination Committee
Alicja Lesniak	3 May 2006	£35,000	£40,000	N/A
Tony Ward	14 August 2006	£40,000	£46,000	Remuneration Committee
Paul Bowtell	5 November 2007	£40,000	£46,000	Audit Committee
Nadhim Zahawi	1 May 2008	£35,000	£40,000	N/A
Total		£275,000	£297,000	

Non Executive Directors are appointed for an initial term of three years, terminable by either the Company or the Non Executive Director at will, and, in normal circumstances, subject to satisfactory performance and re-election at Annual General Meetings, each NED would be expected to serve for at least a second three-year term. Non Executive Directors may be requested to serve for a further (third) three-year term subject to rigorous review at the relevant time and their agreement. Upon termination or resignation, Non Executive Directors are not entitled to compensation and no fee is payable in

respect of the unexpired portion of the term of appointment. Non Executive Directors also do not participate in the Company incentive schemes.

Total Shareholder Return ('TSR')

The graph below shows the Total Shareholder Return ('TSR') of the Company since flotation on 16 November 2005, compared to the FTSE Support Services index, which is considered the most illustrative comparator index for investors, as the Company is a constituent of this index and its constituents are also used for comparing pay and benefit levels.

AUDITED INFORMATION**Directors' remuneration**

The table below summarises all Directors' emoluments, including pension contributions, for the current and prior year for comparison. Other than the LTIP awards disclosed below, no other awards vested to any Director during the year to 25 November 2012.

Director	Salary & fees £'000	Pension contributions £'000	Benefits ⁽ⁱ⁾ £'000	Expected Bonus £'000	2012 Total £'000	2011 Total £'000
Executive Directors						
Russell Clements	380.1	38.3	11.0	353.1	782.5	627.9
Gary Elden ⁽ⁱⁱ⁾	311.7	37.1	17.9	289.6	656.3	501.0
Alex Smith	284.3	28.4	11.0	264.1	587.8	469.0
Steve Quinn ⁽ⁱⁱⁱ⁾	213.4	21.7	4.6	199.9	439.6	298.9
Justin Hughes ^(iv)	226.1	62.7	4.9	199.9	493.6	375.4
Non Executive Directors ^(v)	297.0	–	–	–	297.0	275.0
Aggregate emoluments	1,712.6	188.2	49.4	1,306.6	3,256.8	2,547.2

(i) Benefits in kind normally include a company car as well as medical and life insurance. No other payments, including exit payments, were made during the year except for housing allowances of £16,257 and £49,167 paid to Gary Elden and Justin Hughes, respectively, with amounts being paid in local currency and converted into pounds sterling at the rates shown in notes (ii) and (iii) below.

(ii) Gary Elden relocated from the US back to the UK in June 2012, therefore his salary until that point was paid in US dollars and this has been converted into pounds sterling at an average exchange rate based on the time he was in the US of 0.63547.

(iii) Steve Quinn's salary and car allowance were adjusted downwards for statutory sick pay purposes and to reflect provision of a company car respectively.

(iv) Justin Hughes is based in Hong Kong and his salary is paid in Hong Kong dollars. This has been converted into pounds sterling at an average exchange rate based on the time spent there of 0.08167.

(v) Audited information includes the individual NED fees set out earlier for both 2011 and 2012.

The value of options vesting under the LTIP in February 2013, for awards granted in February 2010, which are based on performance criteria assessed over FY 2010 – 2012, also including the value of any related dividends paid during the vesting period, calculated using a share price of 304.25p, being the price as at 23 November 2012, the last dealing day before the year end, was as follows:

Director	No. of shares which vest, incl dividends	Value of shares vesting £'000
Russell Clements	162,721	495.1
Gary Elden	123,965	377.2
Alex Smith	120,834	367.6
Steve Quinn	38,498	117.1
Justin Hughes	40,192	122.3

Long Term Incentive Plan ('LTIP'), other share options/awards and tracker shares**LTIP**

Executive Directors' awards of forfeitable, deferred shares or options under the LTIP are set out in the table below, showing changes during the year. Awards are subject to the performance criteria detailed earlier, with the next awards due to be made in early 2013 at 150% of salary. No options lapsed during the year, other than for leavers and no discretion was exercised by the Committee in assessing performance.

Awards are structured to include tax approved options, granted at market value, with a corresponding funding award granted at an option exercise price of £1, in respect of each award granted. Unapproved awards are granted at nil cost.

LTIP awards granted in February 2009 became exercisable on 3 February 2012, having vested in full based on the TSR performance target, measured at the end of FY 2011. On that date the share price was 279p per share.

LTIP awards granted in February 2010 may be exercised after 11 February 2013, having vested in full based on the TSR performance target and 76% based on the EPS performance target, measured at the end of FY 2012.

Director	Date of grant/ award	Market price at grant/ award	Shares awarded	Shares vesting in year	Vesting date	Shares outstanding as at 25 Nov 2012
Russell Clements	3/2/2009	154 50p	246,213	246,213	3/2/2012	0
Russell Clements	11/2/2010	299 40p	158,817	–	10/2/2013	158,817
Russell Clements	1/2/2011	371 30p	140,748	–	1/2/2014	140,748
Russell Clements	1/2/2012	272 00p	211,154	–	1/2/2015	211,154
Gary Elden	3/2/2009	154 50p	187,572	187,572	3/2/2012	0
Gary Elden	11/2/2010	299 40p	120,991	–	10/2/2013	120,991
Gary Elden	1/2/2011	371 30p	107,217	–	1/2/2014	107,217
Gary Elden	1/2/2012	272 00p	157,191	–	1/2/2015	157,191
Alex Smith	3/2/2009	154 50p	182,834	182,834	3/2/2012	0
Alex Smith	11/2/2010	299 40p	117,935	–	10/2/2013	117,935
Alex Smith	1/2/2011	371 30p	104,511	–	1/2/2014	104,511
Alex Smith	1/2/2012	272 00p	156,789	–	1/2/2015	156,789
Steve Quinn	3/2/2009	154 50p	54,692	76,019	3/2/2012	0
Steve Quinn	11/2/2010	299 40p	37,575	–	10/2/2013	37,575
Steve Quinn	1/2/2011	371 30p	45,005	–	1/2/2014	45,005
Steve Quinn	1/2/2012	272 00p	52,516	–	1/2/2015	52,516
Steve Quinn	18/7/2012	261 00p	68,966	–	18/7/2015	68,966
Justin Hughes	3/2/2009	154 50p	76,019	76,019	3/2/2012	0
Justin Hughes	11/2/2010	299 40p	39,228	–	10/2/2013	39,228
Justin Hughes	1/2/2011	371 30p	45,005	–	1/2/2014	45,005
Justin Hughes	1/2/2012	272 00p	52,516	–	1/2/2015	52,516
Justin Hughes	18/7/2012	261 00p	68,966	–	18/7/2015	68,966

The Company also operates a Joint Ownership Plan ('JOP'), in respect of some of the unapproved LTIP awards, with JOP options over existing LTIP awards being granted to participants at prices of 60p, 73p and 78p per share. In order to satisfy upfront tax and NIC liabilities on JOP awards, loans have been made available to all participants. These loans carry interest at the prevailing HMRC official rate and are normally to be repaid at the point of exercise. Current loan amounts outstanding are: Russell Clements £55,532, Gary Elden £43,957, Alex Smith £43,021, Steve Quinn £nil, and Justin Hughes £17,501. Prior to the introduction of the JOP, the Committee undertook modelling to ensure that there was no significant cost exposure for the Company.

Save As You Earn ('SAYE')

Executive Directors' awards under the SAYE scheme are set out in the table below, with each award being exercisable three years from the date of grant, for a period of six months, at the relevant option price.

SAYE – Director	Date of grant/ award	Option price at grant/ award	Shares awarded	Shares lapsed	Vesting date	Shares outstanding as at 25 Nov 2012
Russell Clements	14/09/2012	223 00p	4,035	–	01/12/2015	4,035
Gary Elden	14/09/2012	223 00p	4,035	–	01/12/2015	4,035
Alex Smith	14/09/2012	223 00p	4,035	–	01/12/2015	4,035
Steve Quinn	14/09/2012	223 00p	4,035	–	01/12/2015	4,035

Tracker share ('minority interest') arrangements

Gary Elden holds small percentage shareholdings in a number of STthree businesses under the Group's tracker share arrangements. The earliest of these was created in November 2006 and in some cases loans were provided by the Group to enable all senior individuals to acquire their shares. In Gary Elden's case, loans totalling £305,216 were granted under normal commercial terms on 30 November 2006 and 6 February 2007. All loans outstanding are

expected to be repaid in full and details of the individual arrangements are also disclosed in the statutory accounts of the relevant businesses concerned. During 2012, the Company purchased long standing minority interest shares in a number of SThree businesses, using SThree plc shares as consideration, including some businesses held by Gary Elden and Justin Hughes. Some of the proceeds were used to pay off the associated loans, reducing the total outstanding to £251,788.07 for Gary Elden and £160,098.64 for Justin Hughes. As Executive Directors, no individual can participate in any arrangements approved by shareholders after appointment to the Board. No other awards or options are held by any of the Executive Directors.

Directors' interests in shares

Directors' interests in the share capital of the Company as at 25 November 2012 are shown in the table below, including any changes since that date. 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.

For the Executive Directors, changes during the year include the acquisition and subsequent disposal (including for tax and NIC) of shares vesting under the LTIP, shares accrued in lieu of dividends paid during the LTIP vesting period (in common with all LTIP participants) and the satisfaction of minority interest purchases by the Company (in Gary Elden's and Justin Hughes' case), all of which are included in the below totals.

Director	Ordinary shares			Ordinary shares	
	held at 27 Nov 2011	Ordinary shares purchased	Ordinary shares sold	held at 25 Nov 2012	Percentage of share capital
Russell Clements	3,924,281	298,291	(153,958)	4,068,614	3.35%
Gary Elden	3,428,145	555,397	(356,760)	3,626,782	2.99%
Alex Smith	92,154	223,352	(114,327)	201,179	0.16%
Steve Quinn	3,072	70,719	(64,462)	9,329	Below 0.01%
Justin Hughes	353,850	339,113	(40,400)	652,563	0.53%
Clay Brendish	38,300	0	0	38,300	0.03%
Paul Bowtell	50,000	0	0	50,000	0.04%
Alicja Lesniak	4,245	0	0	4,245	Below 0.01%
Tony Ward	14,063	0	0	14,063	Below 0.01%
Nadhim Zahawi	15,988	0	0	15,988	Below 0.01%

Interests in shares relate only to ordinary shares of 1p each, but may include partnership, matching or dividend re-investment shares held in trust under the SIP, which are subject to forfeiture conditions in certain circumstances. Ordinary shareholders may also reinvest dividends by way of a Dividend Reinvestment Plan ('DRIP'). All shares acquired in this way are included above.

On 23 November 2012, the last dealing day before the year end, the closing market price of SThree plc ordinary shares was 304.25p. The highest and lowest closing price of these shares during the year, was 346.5p and 199.2p respectively, based on the London Stock Exchange Daily Official List.

Although there is no formal shareholding requirement below Executive Director level, most of the Executive Committee members already hold shareholdings well in excess of 100% salary, in line with the Group's culture of encouraging share participation at all levels. In particular, it is estimated that over 30% of the Company's share capital is currently held by Directors, Founders, the Employee Benefit Trusts, senior management and other employees.

Approval

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



Tony Ward, OBE, Senior Independent Director
Chairman of the Remuneration Committee

25 January 2013

CORPORATE GOVERNANCE REPORT

for the year ended 25 November 2012

Steve Hornbuckle
Group Company Secretary

The Board believes that high standards of corporate governance are intrinsic to the Company's culture and values. In particular

- They are central to its core values and strategy, including integrity, professional excellence and sustainability, as stated throughout this Annual Report,
- They underpin the objectivity of our processes in support of financial and risk management, the design and operation of remuneration structures, succession planning, as well as our work on diversity and values,

- They are the basis for the accountability of Executive management to the Board and of the Board to the Company's shareholders

The following table outlines how the Company has applied the main/ supporting principles and provisions of the UK Corporate Governance Code, originally published by the Financial Reporting Council in May 2010 ('the Code'), as amended

Relevant section of the Code	Commentary (including relevant Code provision)
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A. Leadership

A.1 The Role of the Board

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

A 1.1 The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of Executive 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 and operating plans, the annual budget, the Annual Report, the Interim Report and related announcements, major divestments and capital expenditure, large acquisitions and disposals, the recommendation of dividends and the approval of treasury and risk management policies. The schedule therefore facilitates structured delegation, subject to certain financial limits and provides a practical framework for executive management/ reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved to the Board is available on the Company's website, www.sthree.com.

A 1 2 The Directors of the Company, including biographies, are set out earlier in this Annual Report, with further details of Board Committee membership being set out below. The number of, and attendance at, Board and Committee meetings during the year, is also shown in a table below. Almost all meetings were fully attended and, outside these, there was frequent contact between Directors on a range of matters.

A 1 3 Appropriate insurance cover is in place in respect of legal action against the Directors.

A.2 Division of responsibilities

A 2 1 There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, set out in writing and approved by the Board so that no one individual has unfettered powers of decision.

A.3 The Chairman

The Chairman leads the Board in the determination of its strategy and achieving its objectives and is responsible for co-ordinating the business of the Board, ensuring its effectiveness, timing and setting its agenda but he has no involvement in the day-to-day running of the Group's business. The Chairman allows adequate debate by all, whilst facilitating the effective contribution of the Non Executive Directors ('NEDs'), overseeing Board induction and evaluation, ensuring constructive relations between Executive and NEDs and that the Directors receive accurate, timely and clear information to undertake Board affairs and facilitate effective communication with shareholders. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and overall responsibility to the Board for the operational and financial performance of the Group, under a job description which clearly sets out these responsibilities.

A 3 1 As stated below, on appointment, the Chairman met the independence criteria set out under the Code.

A.4 Non Executive Directors ('NEDs')

A 4 1 Tony Ward is appointed as the Senior Independent NED 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 the 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 Senior Independent Non Executive Director ('SID') holds annual discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

A 4 3 Each Director ensures that if he/she has any concerns which cannot be resolved, about the Company or a proposed action, such concerns are recorded in the minutes, whilst upon resignation, Non-Executives are invited to provide a written statement to the Chairman for circulation to the Board, of any concerns.

B. Effectiveness

B.1 Composition of the Board

The Board comprises a balance of Executive and NEDs who bring a wide range of skills, experience and knowledge to its deliberations. The NEDs fulfil a vital role in corporate accountability and have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long term interests of shareholders, but also to take proper account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their mix of skills and business experience they contribute significantly to the effective functioning of the Board and its Committees, ensuring that matters are fully debated and that no one individual or small group dominates the decision making process. Directors have a wide range of experience of various industry sectors relevant to the Group's business and each member brings independent judgment 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 regularly evaluated so as to ensure that the balance of skills, expected time commitment, knowledge and experience is right and the Directors can thereby ensure that the balance reflects the changing needs of the Group's business, being refreshed as 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 various employees around the globe, whether it be an office visit or the annual sales conference.

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. In line with the Board's succession plans, two additional Executive Directors were appointed during the year, however, since the retirement of Russell Clements on 1 January 2013, the Board now comprises four Executive Directors and four independent NEDs, thus complying with the Code, which requires at least half of the Board to consist of independent NEDs.

B.2 Appointment to the Board

Appointments to the Board are the responsibility of the full Board, upon the recommendation of the Nomination Committee and after appropriate external consultation, bearing in mind the Board's existing balance of skills and experience, the specific role needs identified, and with due regard for diversity, including gender. Succession planning aspects are regularly reviewed by the Committee, in order to ensure an orderly progression/refreshment of senior management/Board members and maintain an appropriate balance of skills, experience and diversity both within the Company and on the Board. The Chairman's Trading & Governance Overview and Business Model & Strategy sections (earlier in this Annual Report), contain more details 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 appointed for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/re-election at each AGM, would be extended to at least a second three-year term. NEDs may be requested to serve for a further (third) three-year term subject to rigorous review at the relevant time and their agreement. The Company's Articles of Association also contain provisions regarding the removal, appointment, election/re-election of Directors.

B.3 Commitment

B 3.1 The Nomination Committee made several Board changes during 2012, each time preparing a detailed job specification and setting out the time commitment expected. All potential Director candidates are required to disclose any significant outside commitments prior to appointment and must undertake that they have sufficient time to meet these, in addition to Company business, particularly in the event of a crisis.

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

B.4 Development

At scheduled Board and Committee meetings, Directors receive detailed reports/ presentations from management on the performance of the Group or specific areas of focus/responsibility. NEDs attend the Group's annual conference in order to join senior management from each geographic area to discuss current initiatives, whilst Board meetings are also regularly held at office locations globally, in order to allow Directors to meet local managers and improve their understanding of the business. Directors are briefed regarding their responsibilities and on other relevant regulatory, legal, governance or accounting matters. Regular updates are provided on all relevant topics, as required and Directors are encouraged to attend external seminars on areas of relevance to their role in order to facilitate their professional development. These measures help to ensure that the Directors continue to develop their knowledge of the Group's business and get to know its senior management, as well as being aware of their general responsibilities. In addition, the Board encourages Executive Directors to accept external appointments in order to broaden their experience, although currently no such positions are held.

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

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

B.5 Information and Support

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

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

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

B.6 Board Evaluation

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

- Board composition, expertise and dynamics,
- Board support, time management and Board Committees,

- Strategic, operational and risk oversight,
- Succession planning and human resource management, and
- Priorities for change

The results of this analysis were issued in January 2012 and recommendations are currently being implemented. A further external evaluation is to be undertaken at some point during 2013, once the various Board role appointments have bedded in. Subsequent evaluations will build upon the lessons gained in this and ongoing annual evaluations, to ensure that recommendations resulting from each review are followed up and that year on year progress is measured. As part of this process, the Chairman also discusses the individual performance of Directors, in consultation with other Directors.

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

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

B.7 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 will 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.

C. Accountability

C.1 Financial and Business Reporting

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

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

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

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

C.2 Risk Management and Internal Control

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

C.3 Audit Committee and Auditors

Details of the composition, work and responsibilities of this Committee are set out under the relevant section below

D. Remuneration

D.1 Level and Components

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

D.2 Procedure

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

E. Relations with Shareholders

E.1 Dialogue with Shareholders

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

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

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

E.2 Constructive use of AGM

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

E 2.1 The Company proposes a separate resolution on each substantially separate issue and the proxy appointment forms for each resolution provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.

E 2.2 The Company's registrars ensure that all valid proxy appointments received for the AGM are properly recorded and counted and a schedule of proxy votes cast is made available to all shareholders attending the meeting. There is also full disclosure of the voting result via RNS and on the Company's website as soon as practicable after the AGM.

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

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

Board and Committee Composition and Attendance (in accordance with A.1.2 of the Code)

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

the UK Corporate Governance Code and ICSA best practice guidelines

In addition to the scheduled Board meetings held during the year, the Board met for an off site strategy session, for the AGM and annual conference. The number of Board/Committee meetings held and attendance thereat is set out in the table below

Directors	Required attendance as a formal member				Actual attendance			
	Board	Audit	Remuneration	Nomination	Board	Audit	Remuneration	Nomination
Russell Clements	10	N/A	N/A	N/A	9	2	2	3
Gary Elden	10	N/A	N/A	N/A	9	2	3	N/A
Alex Smith	10	N/A	N/A	N/A	10	3	3	N/A
Steve Quinn	5	N/A	N/A	N/A	5	N/A	N/A	N/A
Justin Hughes	5	N/A	N/A	N/A	5	N/A	N/A	N/A
Clay Brendish	10	N/A	N/A	4	9	N/A	1	4
Paul Bowtell	10	4	N/A	4	8	4	N/A	4
Alicja Lesniak	10	4	5	3	9	4	4	3
Tony Ward	10	N/A	5	4	9	N/A	5	4
Nadhim Zahawi	10	4	5	N/A	9	4	5	N/A

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

Audit Committee (in accordance with C.3.1 to C.3.7 of the Code)

The Audit Committee consists of Paul Bowtell (Chairman), Alicja Lesniak and Nadhim Zahawi, and accordingly comprises at least three independent NEDs as required by the Code. The Chief Executive Officer, the Chief Financial Officer, the Group Company Secretary and the external auditors attend all meetings at the request of the Committee. Paul Bowtell is a Chartered Accountant and is considered by the Board to have recent and relevant financial, including relevant audit, experience, given his current role as Chief Financial Officer of Gala Coral Group.

The Committee's principal responsibilities are set out in its terms of reference and, broadly, are to monitor the integrity of the financial statements of the Company

and any formal announcements relating to the Company's financial performance, reviewing any significant financial reporting issues and judgments contained within them, to review the Company's internal financial controls, internal control and risk management systems and reporting thereon, including advising on risk appetite, tolerance and strategy, as well as risk exposures and assessment, advising on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects, assessing material breaches of risk limits, advising on risk performance and remuneration aspects, reviewing arrangements by which Group employees may raise concerns about possible improprieties in financial reporting or other such matters and ensuring appropriate follow up, assessing procedures for detecting fraud or preventing bribery, overseeing the remit of the risk management function, to monitor and review the effectiveness of the Company's internal audit function, to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to

approve the remuneration and terms of engagement of the external auditor, to annually review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical and professional guidance regarding the provision of non-audit services by the external audit firm, reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken and generally to identify and report on any business areas where action or improvement are needed and recommend actions to be taken

The Committee considers matters relating to the recommendation for appointment, re-appointment, remuneration and terms of engagement of the Company's external auditor, PricewaterhouseCoopers LLP ("PwC") Both the Committee and the external auditors themselves have safeguards in place to ensure that objectivity and independence is maintained, including the periodic rotation of the audit partner In addition to the annual appointment of the external auditors by the shareholders, the Committee regularly reviews their independence taking into consideration relevant UK professional and regulatory requirements The Committee also reviews performance and fees charged and meets with the external auditor at least once a year without management present

The Committee therefore considers that the relationship with the external auditors is working well and remains satisfied with their effectiveness Accordingly, to date, it has not considered it necessary to require PwC to re-tender for the audit work, although this will be reviewed periodically, to ensure that the audit remains high quality and effective The external auditors

are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner has been in place for four years, including the 2012 audit There are no contractual obligations restricting the Group's choice of external auditor

The Committee has set clear guidelines on non audit work which may or may not be undertaken by the external auditor and closely monitors this Policy provides that non-audit work may be carried out by the external auditor only where that work does not impair independence or objectivity and where the Committee believes that it is in the Group's best interests to make use of the external auditor's knowledge of the business, skills and experience Such work has included detailed local statutory audits or services required due to legislation, as well as assurance work and other specialist services where no internal resource is available The Committee continuously monitors the quality and volume of this work, the level of fees incurred, as well as safeguards, in order to assess whether to use other accounting firms (or appropriately qualified organisations) and, as a result, continues to use BDO LLP to provide the Group's general tax advice

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

Details of fees paid to the external auditors for both audit and non audit work

are given in the Notes to the financial statements and audit fees were reduced significantly on prior years, mainly as a result of the Group's corporate simplification project. The Committee has fully evaluated all non audit work against its policy and remains comfortable that it is appropriate and the fees justified. For 2012, much of this related to specific projects, including the continuation of the Group's corporate simplification project, for which comparative quotes were obtained, as well as tax restructuring, however the level of non audit fees remains significantly reduced compared to prior years and was also much lower than the total of audit fees incurred in the year, which in themselves were significantly reduced.

The Committee also monitors to ensure that the Group's internal audit function remains at an appropriate size and mix of skills for the business and it firmly believes that this function remains effective and continues to add significant value.

During the year the Group undertook a major review and roll out of its Code of Conduct, to ensure alignment with the Bribery Act. The Group also has in place a dedicated independent whistle blowing hotline, as part of the arrangements set up and monitored by the Committee, so that employees are able to report any matters of concern, where this does not conflict with local laws or customs (see the Company Information and Corporate Advisors section for details).

Nomination Committee (in accordance with B.2.1, B.2.2 and B.2.4 of the Code)

The Nomination Committee consists of Clay Brendish (Chairman), Tony Ward, Alicja Lesniak and Paul Bowtell and accordingly comprises a majority of independent NEDs as required by the Code.

The Nomination Committee's terms of reference are, broadly, to regularly review

the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board, make recommendations with regard to any changes and to review and prepare relevant job descriptions for new appointees. The Committee also considers future succession planning for Board and other senior Executive roles, reviewing leadership and other role needs, bearing in mind the balance of skills, knowledge, experience and diversity already on the Board, so as to maintain an appropriate balance. The Committee engages external search consultants with respect to both Executive and Non-Executive Board appointments and considers applicants from all backgrounds, as was the case for the most recent external appointment, being Clay Brendish. In this, and in other previous similar roles, the Committee first conducted an evaluation of the balance of skills, knowledge and experience on the Board and, in the light of this, prepared an appropriate description of the role and capabilities required for the particular appointment, with the successful appointee being selected from candidates proposed by external advisors and chosen entirely on merit.

In terms of succession planning, development initiatives have been strengthened throughout the Group to ensure that there is an appropriate management pipeline at all levels, including tailored courses at Henley Management College. The Group also continued its 'Top 60' leadership initiative, bringing together key managers from around the globe at regular sessions, in order to identify and develop the most talented individuals for executive positions, whilst Egon Zehnder International had previously conducted detailed evaluations of senior individuals below Board level and prepared succession plans for each. These initiatives enabled us to make two internal promotions to the Board during the year. See also the Chairman's Trading

& Governance Overview section earlier in the Annual Report

Remuneration Committee (in accordance with D.2.1 and D.2.2 of the Code)

The Remuneration Committee is responsible for making recommendations to the Board on Group policy for the remuneration of the Chairman, the Executive Directors, the Group Company Secretary and certain key senior management posts and for the determination, within agreed terms of reference, of additional benefits for each of the Executive Directors, including pension rights and any compensation for loss of office. The Committee is also responsible for the implementation and operation of the Group's employee share incentive arrangements. The Committee comprises at least three independent NEDs as required by the Code. Full information on the composition, role and operation of the Remuneration Committee and remuneration details are disclosed in the Directors' Remuneration Report.

Effectiveness of the Company's risk management and internal control systems (in accordance with C.2.1 of the Code)

The Board has overall responsibility for monitoring the effectiveness of the Company's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets. Executive Directors and senior management are responsible for the implementation and maintenance of the systems, which are subject to periodic, and at least annual, review by the Board, via the Audit Committee where appropriate. As explained above, in response to business requirements, the Group has also created an internal audit function in order to facilitate this process.

The Board, via the Audit Committee, monitors the continuous process by which critical risks to the business are identified, evaluated and managed and this

process explicitly includes the risks and opportunities to enhance the value arising from Environmental, Social & Governance ('ESG') matters. The process is consistent with the Turnbull 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.

The Board assesses the Company's risk management and internal control systems, including material controls such as financial, operational and compliance controls and enterprise risk management ('ERM') systems. These are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board considers, in assessing what constitutes reasonable accuracy, the materiality of financial and nonfinancial risks and the relationship between the cost, or benefit, resulting from the risk management or internal control systems.

In order to manage the business effectively, the Board continually assesses actual results compared with the budgeted and forecast performance of the Group, as well as other key performance indicators, some of which are detailed in the Overview, Business Model & Strategy section of this Annual Report.

Assessment of risk and Enterprise Risk Management ('ERM') framework

The Board, through the Audit Committee, has overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs and this forms the basis for the Group's ERM framework. Under this framework, all Executive, Regional and Country Directors, key support functions and other relevant parties take ownership of their related risks, creating specific sub-Group risk registers, with risks being categorised according to probability and financial

impact and measured according to strictly defined criteria, as set out under the Board approved risk management policy. More significant risks are distilled to form the Group's key risk register, which is closely monitored by the Committee and risks include, amongst others, those relevant to the processes for financial reporting and the preparation of consolidated accounts, with appropriate mitigation measures.

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

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

The Group's ERM arrangements have been designed to meet, as closely as possible, the appropriate BSI standard (BS 3100) on risk management processes. Consequently, the Group has continued to reap the benefits of its enhanced ERM framework through improved strategic and individual region/sector focus on key risk areas, with greater clarity on risk

ownership, identification of opportunities as well as threats, whilst also facilitating better monitoring of progress, mitigation measures and ensuring appropriate forward looking assessment, including, where relevant, ESG matters.

Association of British Insurers ('ABI') guidelines on responsible investment disclosures

In respect of the Company's compliance with the ABI guidelines on responsible investment disclosures, the Board confirms the following, in relation to its responsibilities, policies and procedures, with appropriate KPIs detailed within the Overview, Business Model & Strategy section of this Annual Report:

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

Going concern

The Board has reviewed the Group's budget for the financial year ending 1 December 2013 and medium term financial projections, for the next three years. After taking account of the cash flow projections, including proposed capital expenditure and considering the availability of borrowing facilities, the Board has concluded that it is appropriate to prepare the accounts of both the Group and the Company on the going concern basis.

Corporate and Environmental Responsibility

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

Share capital

Information on the Company's share capital is set out within the Directors' Report.



Steve Hornbuckle
Group Company Secretary

25 January 2013

CSR REPORT

for the year ended 25 November 2012

Gary Elden
Chief Executive Officer

Introduction

SThree's role is about matching the right people to the right business needs, which in turn creates economic stability and growth. It is even clearer given the current economic challenges, how essential skills and mindset are for gaining work and creating enterprise. We know that we have a responsibility to assist companies and candidates with the best staffing services and we also extend that responsibility to playing a role in global priorities, such as the STEM skills agenda, social mobility and youth unemployment.

We are committed to bringing as much value as we can to the table, be that for clients, candidates, employees, investors or community groups.

Our CSR journey

Following our pledge last year, we have been working hard to improve business focus through a target-driven CSR strategy that addresses responsibilities across Community, Workplace and Environment, which is aligned with our corporate strategy. We have set out a series of commitments below.

An Executive Sponsor – Natasha Clarke, Director of Strategic Capability and Organisational Development, has been appointed to champion the programme, along with Clay Brendish, SThree plc Chairman who now chairs the CSR Committee. Membership of the Committee was reviewed to ensure that key areas of the business are being represented, and a global network of CSR champions initiate projects on the ground.

Objectives

Our CSR strategy has four objectives which underpin everything we do:

- Create an employee experience that attracts, engages, develops and retains staff,
- Strengthen the business proposition for clients and candidates, and enhance relationships through developing 'softer' leadership skills,

- Ensure we are ahead of new legislation and succeed at what we do voluntarily; and
- Make a difference because it is the right thing to do for our business, society and the planet.

Highlights

- **Volunteering** – since the new volunteering scheme started in July 2011, 180 employees have taken part in 22 skills-sharing projects, supporting 402 beneficiaries and 28 local charities and schools,
- **Employability workshops** – included in the projects above 10 workshops were designed and delivered for young people from disadvantaged backgrounds (104) and unemployed women (10) who were supported with their CVs, interview technique and confidence-building for employment,
- **Charitable giving** – in our four year partnership with SOS Children we have donated over £270,000. This year we donated over £67,000 and built the SThree house for orphans in Chipata, Zambia,
- **University scholarships** – since 2010 we have funded six scholarships at Birmingham and Manchester Universities. This year one student took up the opportunity to visit consultants in Manchester to discuss her CV and career aspirations,
- **Work experience** – we piloted three placements for young people who are unemployed and from disadvantaged backgrounds,
- **Diversity and inclusion** – this year we set five year female representation targets and action plans across all areas and levels of the business, including a two year target for the Executive Committee whilst also maintaining our focus on other areas, such as ethnic minorities and disabled persons, and

A young unemployed person from the Bromley by Bow Centre, Tower Hamlets spends two weeks on work experience at one of our City offices

"SThree is one of our most valuable partners. The commitment, creative energy and generosity of SThree is impressive, and has proved so impactful, transforming the lives of vulnerable children." Andrew Cates, CEO, SOS Children's Villages UK

ICT students from St Brendan's Sixth Form College spend the day at Computer Futures, Bristol learning about skills for careers in IT

- **Energy efficiency** – over the last four years we have reduced utility emissions, our most significant impact area, year on year

Community

Community involvement

We continued our focus on 'Employability and Aspiration' and this was the theme of the majority of projects completed during the year. SThree has been able to support young people from disadvantaged backgrounds by sharing the skills and mindset of its employees to build confidence for employment. We recognise that community projects provide rewarding experiences that enable

our employees to develop themselves, e.g. inclusive leadership skills, as well as benefiting the beneficiaries, charities and schools that they work with.

Fundraising and corporate giving

The end of the year marked our four year anniversary with SOS Children's Villages. The charity named us a 'transformational corporate partner' and created a page on their website to celebrate partnership achievements. The new SOS Children's Chipata Village, Zambia opened in October 2012, which we have been supporting for three years. The Village will also benefit over 10,000 people in the wider community through additional services, the most important of which is a new medical centre.

This year we are proud to have built an SThree house in Chipata Village where 10 orphans and their 'SOS Mother' will live.

"SThree is one of our most valuable partners. The commitment, creative energy and generosity of SThree is impressive, and has proved so impactful, transforming the lives of vulnerable children." Andrew Cates, CEO, SOS Children's Villages UK

Workplace

Diversity and inclusion

In 2011 we established 'Identity', an internal programme to increase the number of women in leadership and management roles, designed to improve organisational capability.

This year HR and regional Directors went through a comprehensive exercise to set five year female representation targets for all areas and levels of the business. Each region has agreed a specific action plan.

A reporting system has been developed for the Executive Committee to monitor progress against targets on a quarterly basis. To support this, Identity Champions have regular conference calls to share what is happening in different parts of the business and run local events. We have collaborated and shared diversity good

Twins John and Abraham are the first children settled into the SThree house, with their new SOS Mother

practice with clients through a number of initiatives

We refreshed our internal Identity website with new case studies, advice on family and careers, mentoring information, and news articles, and saw high visitor numbers during the re-launch

Talent and leadership

Developing capability at all levels of our business is critical in supporting SThree to achieve its business vision. Over the year

we increased delivery methods to design a much wider portfolio of courses and online resources, and enhanced our offering for managers and leaders

We have focused on core skills for business growth such as strategy, managing people and performance, and business communication on change. These skills have been developed through an in house programme called Momentum which is a blended learning initiative that we run globally.

We continued to invest in our Director population through a partnership with a business school. To date, 23 Directors have completed a Business Leadership Programme that offers a relevant and commercial curriculum and access to experts in their field. It is through this programme that two cohorts and the organisation has benefited from applying new perspectives and skills to current business challenges. In addition, senior leaders have been able to attend business school events delivered by world class experts across a wide range of topics.

We also see effective talent management as a key enabler to achieving our vision for growth, and have been concentrating on leveraging the strengths that our people bring to the business. In accordance with this, we have taken a broader view on career development, using a lattice approach to build a network of career opportunities from lateral moves to secondments as well as vertical progression.

One of our key business growth areas has been new ventures, for example the opening of our operation in Japan in early 2013. A strong collaborative approach was taken between the Learning and Talent department and the Asia Pacific Directors to establish the right selection process. This has created an open and transparent dialogue about careers and global movement.

Wellbeing and health and safety

An e-health and safety training course was rolled out to nearly 40% of the global workforce during the year, and international office administrators completed in-depth training. Over 25 new employees joined the tax-free bicycle scheme this year in the UK.

Environment**Carbon management**

We conducted our fourth UK carbon footprint exercise and the overall footprint was 2,259 tonnes of CO₂e for the year.

Office utility emissions, our most significant impact area, has reduced year on year.

2007-2008	2,346
2008-2009	2,278
2009-2010	2,231
2010-2011	N/A (year missed)
2011-2012	1,740*

*Data from previous years has been recalculated using the latest methodology which has meant minor changes to previously reported figures. This year we made the decision to bring the footprint up to date and this meant missing 2010-2011 data collection.

Efficiency drive

We continue to investigate ways to make our operations more resource efficient and have an ongoing programme that minimises our power use in the data centre as well as on the desktops in our offices. This has made an important contribution to reducing office electricity, and as we upgrade ICT equipment we continue to reduce our power consumption further.

Changing behaviour

Video conferencing has been set up across our office network to minimise travel and maximise efficiencies. In 2012 we established a new travel policy with a rigorous approval process which has resulted in a significant reduction on travel for internal meetings, and this position has been maintained since. The travel policy has been supported by our Learning and Talent department who have designed

online resources, e-learning modules, webinars and video conferencing sessions to reduce travel for training and induction.

For the second consecutive year we commissioned Global Action Plan, the UK's leading environmental behaviour change charity, to measure our UK carbon footprint. We have also worked together on plans for an internal campaign to promote video conferencing, which will be run in 2013. Although office electricity is the largest cause of emissions we believe we can achieve a greater impact addressing travel first.

Carbon offsetting

To offset half of the UK carbon footprint, we are investing again in ClimateCare's Mixed Portfolio. The other half of the offset budget will support an environmental initiative.

Memberships

- FTSE4Good for 4 years
- Alumni of Heart of the City
- The Prince's Trust Technology Leadership Group
The £15,000 donation to join this group enables 15 disadvantaged young people to get into education, employment or training.
- East London Business Alliance (ELBA)

Targets and commitments for the year ahead

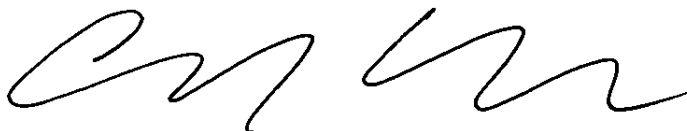
- **Volunteering** – support 8 – 10% of the workforce to share their skills
- **Charitable giving** – continue to match employee fundraising in line with the policy
- **Apprenticeships** – pilot two apprenticeships for young people from disadvantaged backgrounds
- **Work experience** – run 5 – 10 placements for young people from disadvantaged backgrounds
- **Diversity and inclusion** – increase female representation of the Executive

Committee from 20% to 30% by 2014
Increase female representation of the
global sales workforce from 40% to
46% by 2017, and maintain 50% in the
global support workforce

- **Environment and carbon management** – maintain current travel policy to keep internal meeting travel to a minimum and run an employee campaign to promote the use of video conferencing
- **Recycling** – ensure all offices are recycling and promote recycling good practice to employees

Outlook

We will continue to embed CSR into how we do business and look forward to fully rolling out the re-invigorated CSR programme during 2013. Building on the strong foundations already in place, we will strengthen how we measure and report on our progress next year.



Gary Elden
Chief Executive Officer

25 January 2013

INDEPENDENT AUDITORS' REPORT

for the year ended 25 November 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STHREE PLC

We have audited the financial statements of SThree plc for the year ended 25 November 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Statements of Financial Position (Consolidated and Company), the Consolidated and Company Statements of Changes in Equity, Statement of Cash Flows (Consolidated and Company) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, 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 International Standards on Auditing (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.

Scope of the audit of the financial statements

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 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 25 November 2012 and of the Group's profit and the Group's and Company's cash flows for the year then ended,
- the Consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with 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 Consolidated financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out earlier with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

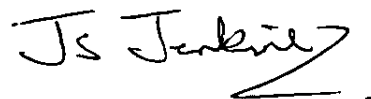
We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review

- the Directors' statement, set out earlier, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration



Julian Jenkins

(Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

25 January 2013

CONSOLIDATED INCOME STATEMENT

Year ended 25 November 2012

		25 November 2012	27 November 2011
	Note	£'000	£'000
Continuing operations			
Revenue	2	577,457	542,450
Cost of sales		(372,161)	(346,920)
Gross profit	2	205,296	195,530
Administrative expenses		(180,205)	(165,567)
Operating profit	3	25,091	29,963
Finance income	5	222	361
Finance costs	5	(46)	(25)
Profit before taxation		25,267	30,299
Taxation	6	(8,442)	(10,034)
Profit for the year attributable to owners of the Company		16,825	20,265
Earnings per share	8	pence	pence
Basic		14.1	16.8
Diluted		12.6	15.5*

*Restated, refer note 1

The accompanying notes on pages 61 to 91 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 25 November 2012

	Year ended 25 November 2012 £'000	Year ended 27 November 2011 £'000
Profit for the year	16,825	20,265
Other comprehensive (loss)/income		
Exchange differences on retranslation of foreign operations	(2,845)	103
Other comprehensive (loss)/income for the year (net of tax)	(2,845)	103
Total comprehensive income for the year attributable to owners of the Company	13,980	20,368

The accompanying notes on pages 61 to 91 are an integral part of these consolidated financial statements

STATEMENTS OF FINANCIAL POSITION

As at 25 November 2012

		Consolidated		Company	
		25 November 2012	27 November 2011	25 November 2012	27 November 2011
	Note	£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	5,897	5,263	-	-
Intangible assets	10	14,250	8,548	-	-
Investments in subsidiaries	11	-	-	253,826	247,002
Deferred tax assets	17	4,871	6,395	294	199
		25,018	20,206	254,120	247,201
Current assets					
Trade and other receivables	12	113,994	111,093	3,863	8,346
Current tax assets		653	-	172	-
Cash and cash equivalents	13	28,291	55,605	3,914	-
		142,938	166,698	7,949	8,346
Total assets		167,956	186,904	262,069	255,547
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	18	1,234	1,230	1,234	1,230
Share premium		4,138	2,925	4,138	2,925
Other reserves		(8,952)	(8,087)	(4,882)	(6,862)
Retained earnings		65,503	86,399	249,418	232,621
Total equity		61,923	82,467	249,908	229,914
Non-current liabilities					
Provisions for liabilities and charges	16	1,484	1,678	-	-
Trade and other payables	14	1,136	-	-	-
		2,620	1,678	-	-
Current liabilities					
Provisions for liabilities and charges	16	5,410	4,894	-	-
Trade and other payables	14	98,003	95,561	12,161	1,883
Financial liabilities	15	-	-	-	23,750
Current tax liabilities		-	2,304	-	-
		103,413	102,759	12,161	25,633
Total liabilities		106,033	104,437	12,161	25,633
Total equity and liabilities		167,956	186,904	262,069	255,547

The accompanying notes on pages 61 to 91 are an integral part of these financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 25 January 2013. They were signed on its behalf by

Alex Smith

Chief Financial Officer



Company Registered number 3805979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 25 November 2012

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Balance at 28 November 2010		1,218	2,925	168	878	-	(1,328)	78,057	81,918
Profit for the year ended 27 November 2011		-	-	-	-	-	-	20,265	20,265
Other comprehensive income for the year		-	-	-	-	-	103	-	103
Total comprehensive income for the year		-	-	-	-	-	103	20,265	20,368
Dividends paid to equity holders	7	-	-	-	-	-	-	(14,518)	(14,518)
Distributions to tracker shareholders		-	-	-	-	-	-	(679)	(679)
Issue of new shares	18(a)	12	-	-	-	-	-	-	12
Purchase of own shares	18(a)	-	-	-	-	(7,908)	-	-	(7,908)
Credit to equity for equity-settled share based payments	18(b)	-	-	-	-	-	-	2,426	2,426
Current tax on share based payment transactions	6	-	-	-	-	-	-	1,776	1,776
Deferred tax on share based payment transactions	6	-	-	-	-	-	-	(928)	(928)
Total movements in equity		12	-	-	-	(7,908)	103	8,342	549
Balance at 27 November 2011		1,230	2,925	168	878	(7,908)	(1,225)	86,399	82,467
Profit for the year ended 25 November 2012		-	-	-	-	-	-	16,825	16,825
Other comprehensive loss for the year		-	-	-	-	-	(2,845)	-	(2,845)
Total comprehensive income for the year		-	-	-	-	-	(2,845)	16,825	13,980
Dividends paid to equity holders	7	-	-	-	-	-	-	(29,951)	(29,951)
Distributions to tracker shareholders		-	-	-	-	-	-	(424)	(424)
Issue of new shares	18(a)	4	1,213	-	-	-	-	(1,217)	-
Purchase of own shares	18(a)	-	-	-	-	(6,682)	-	-	(6,682)
Treasury shares used for buy-back of vested tracker shares	18(a)	-	-	-	-	3,661	-	(3,661)	-
Treasury shares used for share-based payments	18(a)	-	-	-	-	5,001	-	(4,475)	526
Credit to equity for equity-settled share-based payments	18(b)	-	-	-	-	-	-	1,548	1,548
Current tax on share-based payment transactions	6	-	-	-	-	-	-	972	972
Deferred tax on share-based payment transactions	6	-	-	-	-	-	-	(513)	(513)
Total movements in equity		4	1,213	-	-	1,980	(2,845)	(20,896)	(20,544)
Balance at 25 November 2012		1,234	4,138	168	878	(5,928)	(4,070)	65,503	61,923

The accompanying notes on pages 61 to 91 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 25 November 2012

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury shares £'000	Retained earnings £'000	Attributable to Company shareholders £'000
Balance at 28 November 2010		1,218	2,925	168	878	-	174,472	179,661
Total comprehensive income and profit for the year to 27 November 2011	1	-	-	-	-	-	70,529	70,529
Dividends paid to equity holders		-	-	-	-	-	(14,518)	(14,518)
Issue of new shares	18(a)	12	-	-	-	-	-	12
Purchase of own shares	18(a)	-	-	-	-	(7,908)	-	(7,908)
Gain on buy-back of shares from tracker shareholders		-	-	-	-	-	258	258
Credit to equity for equity-settled share based payments		-	-	-	-	-	2,426	2,426
Current tax on share based payment transactions		-	-	-	-	-	416	416
Deferred tax on share based payment transactions	17	-	-	-	-	-	(962)	(962)
Total movements in equity		12	-	-	-	(7,908)	58,149	50,253
Balance at 27 November 2011		1,230	2,925	168	878	(7,908)	232,621	229,914
Total comprehensive income and profit for the year to 25 November 2012	1	-	-	-	-	-	48,607	48,607
Dividends paid to equity holders	7	-	-	-	-	-	(29,951)	(29,951)
Issue of new shares	18(a)	4	1,213	-	-	-	-	1,217
Purchase of own shares	18(a)	-	-	-	-	(6,682)	-	(6,682)
Treasury shares used for buy-back of vested tracker shares	18(a)	-	-	-	-	3,661	698	4,359
Treasury shares used for share-based payments	18(a)	-	-	-	-	5,001	(4,408)	593
Credit to equity for equity-settled share-based payments		-	-	-	-	-	1,548	1,548
Current tax on share-based payment transactions	18(b)	-	-	-	-	-	348	348
Deferred tax on share-based payment transactions	17	-	-	-	-	-	(45)	(45)
Total movements in equity		4	1,213	-	-	1,980	16,797	19,994
Balance at 25 November 2012		1,234	4,138	168	878	(5,928)	249,418	249,908

Of the above reserves, only retained profit of £248,720,000 (2011 £232,621,000) is distributable

The accompanying notes on pages 61 to 91 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

Year ended 25 November 2012

	Note	Consolidated		Company	
		25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Cash flows from operating activities					
Profit before taxation		25,267	30,299	48,407	70,909
Adjustments for					
Depreciation and amortisation charge		6,841	7,659	-	-
Finance income	5	(222)	(361)	(46)	(56)
Finance cost	5	46	25	653	1,203
Loss on disposal of property, plant and equipment		9	67	-	-
Loss on disposal of intangible assets		-	11	-	-
Non-cash charge for share-based payments		1,548	2,426	1,548	992
Operating cashflows before changes in working capital and provisions		33,489	40,126	50,562	73,048
(Increase)/decrease in receivables		(5,265)	(12,005)	7,268	(8,189)
Increase/(decrease) in payables		3,952	8,443	10,297	(56,204)
Increase/(decrease) in provisions		513	(197)	-	-
Cash generated from operations		32,689	36,367	68,127	8,655
Finance income	5	222	361	46	56
Income tax paid		(9,527)	(7,951)	(3,587)	(8,750)
Net cash generated from/(used in) operating activities		23,384	28,777	64,586	(39)
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,862)	(2,918)	-	-
Purchase of intangible assets		(6,669)	(2,911)	-	-
Proceeds from disposal of held-to-maturity investment		-	3,500	-	-
Net cash used in investing activities		(10,531)	(2,329)	-	-
Cash flows from financing activities					
Finance cost	5	(46)	(25)	(653)	(1,203)
Employee subscription for tracker shares		341	135	-	-
Proceeds from exercise of share options		564	-	564	-
Purchase of own shares		(6,882)	(7,557)	(6,882)	(7,557)
Issue of new shares to equity holders		-	12	-	12
Repurchase of unvested tracker shares		(78)	(71)	-	-
Dividends paid to equity holders	7	(29,951)	(14,518)	(29,951)	(14,518)
Distributions to tracker shareholders		(424)	(679)	-	-
Net cash used in financing activities		(36,476)	(22,703)	(36,922)	(23,266)
Net (decrease)/increase in cash and cash equivalents		(23,623)	3,745	27,664	(23,305)
Cash and cash equivalents at beginning of year		55,605	51,718	(23,750)	(445)
Effect of exchange rate changes		(3,691)	142	-	-
Cash and cash equivalents at end of year	13	28,291	55,605	3,914	(23,750)

The accompanying notes on pages 61 to 91 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

SThree plc ('the Company') and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom and Continental Europe. The Group's activities and business are set out in the Directors' Report.

The Company is a public limited company incorporated and domiciled in the United Kingdom and the Company is listed on the London Stock Exchange. The address of its registered office is 5th Floor, GPS House, 215-227 Great Portland Street, London, W1W 5PN.

The Group's principal accounting policies, as set out below, have been consistently applied in the preparation of the consolidated 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') 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 preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Management considers that the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates affect the consolidated financial statements, do not substantially impact the results.

The Group's consolidated financial statements have been prepared under the historical cost convention as modified by fair values as required under IFRSs. The Company's financial statements have been prepared on the same basis. The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present an income statement and statement of comprehensive income for the parent Company alone. The profit for the parent Company for the year was £48.4m (2011: £70.5m).

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

The financial year of the Group comprises 52 weeks and not a calendar year.

Restatement of diluted earnings per share

An assessment of the impact of the tracker share arrangement on earnings per share ('EPS') has been performed in the year and the dilutive effect of the tracker shares has been reflected in diluted EPS presented. Accordingly, diluted EPS for the year ended 27 November 2011 has been adjusted from 16.4p to 15.5p per share after taking into account the dilutive effect of the tracker shares (note 8).

The restatement has no impact on the Group's reported profits or financial position.

Adoption of new and revised Standards

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

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

- Amendments to IAS 1 'Financial Statements Presentation' – regarding other comprehensive income
- Amendments to IFRS 7 'Financial Instruments' – disclosures on derecognition and offsetting of financial assets and liabilities
- Amendments to IAS 12 'Income Taxes'
- Amendments to IFRS 10, 11 and 12 on transition guidance
- IFRS 9 'Financial Instruments: Classification and Measurement'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 13 'Fair Value Measurement'
- IAS 27 (revised 2011) 'Separate Financial Statements'
- Annual improvements 2011

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

1 Accounting policies (continued)

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements.

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 when control ceases. Uniform accounting policies are adopted across the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 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 'Prepayments and accrued income'.

Revenue for 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 income statement.

Cost of sales

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

Gross profit

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

Finance income

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

Dividends

Interim dividends are recognised in the financial statements at the time they are paid. The 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 the dividends are approved by the Company's shareholders.

The Company recognises dividends from subsidiaries at the time that they are received.

Foreign currencies

(i) Functional and presentation currency

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

1 Accounting policies (continued)

(ii) Transactions and balances

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

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the rate ruling at the end of the reporting period,
- income and expenses for each income statement are translated using the average rate of exchange (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other 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 taken to shareholders' equity. When a foreign operation is sold, such exchange differences are removed from equity and recognised in the income statement as part of the gain or loss on sale.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit 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 substantially enacted by the balance sheet 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 determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

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

Computer equipment	33 33% per annum
Leasehold improvement	20% per annum
Fixtures and fittings	20% per annum
Motor vehicles	33 33% per annum

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

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

1 Accounting policies (continued)

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

Computer software

The cost of acquired computer software licenses is capitalised. The cost includes the expenditure that is directly attributable to the acquisition of the software. The costs are amortised over their estimated useful lives of three to seven years (2011: up to three years).

Costs associated with maintaining computer software are recognised as an expense as 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 to software and system development costs 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 are 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 and research expenditure 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.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their respective carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount, by analysing individual assets or classes of assets that naturally belong together. The recoverable amount represents higher of an asset's fair value less costs to sell and its value in use. Value in use is measured based on the expected future discounted cash flows ('DCF' model) attributable to the asset. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Investments

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

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

1 Accounting policies (continued)

Financial instruments

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

Financial assets

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

Held to maturity financial assets

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

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

Loans and receivables

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities and overdrafts

All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. All 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 12 months after the end of the reporting period

Trade and other payables

Trade and other payables are stated at cost

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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

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

1 Accounting policies (continued)

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 Company's equity holders until the shares are cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Employee Benefit Trust

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

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

Employee benefits

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

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

Bonus plans – the Group recognises a liability and an expense for bonuses based on the Directors' best estimate of the amounts due. The Group 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 when employment is terminated before the normal 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 current 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 compensation plans, under which the Group receives services from the employees as consideration 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 the relevant employees become fully entitled to the 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 satisfied.

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, be treated as vesting as described above. The movement in cumulative expense since the previous year-end is recognised in the income statement, with a corresponding entry in equity.

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

1 Accounting policies (continued)

Tracker share arrangements

The Group also has tracker share arrangements whereby certain employees receive an award of tracker shares in a subsidiary business. Refer to note 18(c) for the accounting policy on the tracker share arrangement.

Significant 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 key sources of estimation uncertainty' made by the Directors in these financial statements are set out below.

- (i) The judgement is required in the determination of the carrying amount of capitalised software and systems development costs and assets under construction, the related amortisation, estimation of useful economic life and recoverability of such assets.
- (ii) The Group follows the guidance of IAS 39 to determine when trade and other receivables are impaired. This determination requires significant judgement. In making this judgement, 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 the client and other credit rating factors, the financial health, historical experience of and near-term business outlook for the client.
- (iii) Revenue is recognised when the supply of professional services has been rendered, it also includes an assessment of professional services received by the client for the placement of temporary services between the date of the last received timesheet and the year end. Unsubmitted timesheets are estimated to the extent that an open contract has not expired during the period under assessment. Management apply judgement to several factors in estimating the revenue and cost of sales accruals, any difference compared to actual experience would result in the amount payable to the contractor and receivable from the client being adjusted in the next financial year. The judgement applied, and the assumptions underlying these judgements are considered to be appropriate. However, a change in these assumptions would impact upon both the amount of revenue and cost of sales recognised.
- (iv) The Group recognised a net deferred tax asset of £4.9m (2011: £6.4m), of which £3.4m (2011: £5.5m) related to trading losses that are to be carried forward and relieved against profits arising from relevant subsidiary undertakings in future periods. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon subsidiary revenue and cost forecasts for future years which contain a degree of inherent uncertainty.
- (v) 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.

2 Segmental analysis

IFRS 8 'Segmental Reporting' requires management to apply the 'management approach' to segmental reporting. This requires management to determine those segments whose operating results are reviewed regularly by the entity's chief operating decision maker to make strategic decisions and assess sector performance.

Revenue and Gross Profit by reportable segment

Management has determined the chief operating decision maker to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief Information Officer, the Director of Strategic Capability, the Regional Managing Directors and key function heads. Operating segments have been identified based on reports reviewed by the Executive Committee, which consider the business primarily from a geographic perspective.

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.

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/(loss) comprising revenue less cost of sales.

2 Segmental analysis (continued)

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

Certain comparatives below have been revised from those presented in the 2011 Group Annual Report to provide further detail on the performance of our reportable segments as presented to the Executive Committee

Year ended 25 November 2012

	United Kingdom & Ireland £'000	Continental Europe £'000	Rest of the World £'000	Group total £'000
Revenue from external customers	246,679	262,633	68,145	577,457
Gross profit	70,870	99,397	35,029	205,296

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

Rest of the World refers to 'all other segments' as defined under IFRS 8 and includes Australia, Hong Kong, India, Singapore, Dubai, Qatar, Brazil, USA, Norway and Russia

Year ended 27 November 2011

	United Kingdom & Ireland £'000	Continental Europe £'000	Rest of the World £'000	Group total £'000
Revenue from external customers	242,667	258,977	40,806	542,450
Gross profit	71,348	98,448	25,734	195,530

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	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
UK	240,002	236,920	68,078	68,955
Germany	108,790	102,939	46,349	44,326
Netherlands	70,575	74,311	22,257	25,088
Other	158,090	128,280	68,612	57,161
	577,457	542,450	205,296	195,530

	Non-current assets	
	25 November 2012 £'000	27 November 2011 £'000
UK	17,034	11,012
Germany	422	523
Netherlands	383	350
Other	2,308	1,926
	20,147	13,811

2 Segmental analysis (continued)

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

	Revenue		Gross profit	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Brand				
Progressive	192,327	158,114	67,467	55,241
Huxley Associates	139,854	146,376	50,601	54,551
Computer Futures	144,544	145,879	50,021	52,912
Real Staffing Group	100,732	92,081	37,207	32,826
	577,457	542,450	205,296	195,530
Recruitment classification				
Contract	473,838	441,456	101,710	94,536
Permanent	103,619	100,994	103,586	100,994
	577,457	542,450	205,296	195,530
Discipline				
Information and communication technology	378,169	373,745	110,820	116,619
Others	199,288	168,705	94,476	78,911
	577,457	542,450	205,296	195,530

Others include engineering and energy, banking, accountancy and finance, pharmaceuticals and jobboard sectors

3 Operating profit

Operating profit is stated after charging/(crediting)

	Note	25 November 2012 £'000	27 November 2011 £'000
Movement in bad debt provision and debts directly written off		1,737	223
Depreciation	9	3,177	3,148
Amortisation of intangible assets	10	3,664	4,511
Foreign exchange gains		(335)	(515)
Staff costs	4	127,308	121,392
Loss on disposal of property, plant and equipment		9	67
Loss on disposal of intangible assets		-	11
Operating lease charges			
— Motor vehicles		1,480	1,223
— Land and buildings		11,183	9,912

3 Operating profit (continued)

During the year the Group (including its subsidiaries) obtained the following services from the Company auditor and its associates

	25 November 2012 £'000	27 November 2011 £'000
Amounts payable to PricewaterhouseCoopers LLP.		
Fees payable to the Company's auditor for the annual audit of the Company and consolidated financial statements	72	90
Fees payable to the Company's auditor and its associates for other services to the Group		
— Audit of the Company's subsidiaries pursuant to legislation	260	330
— Audit related assurance services	41	40
— Tax advisory services	54	154
— All other services	50	136
Costs charged to operating profit	477	750

4 Directors and employees

Aggregate remuneration of employees (including executive directors) was

	25 November 2012 £'000	27 November 2011 £'000
Wages and salaries (including bonuses)	108,077	102,446
Social security costs	16,163	15,016
Pension costs	981	791
Temporary staff costs	277	461
Share-based payments (note 18b)	1,810	2,678
	127,308	121,392

The staff costs capitalised during the year on internally developed assets (note 10) and not included in the above amounts were £2,421,000 (2011 £1,661,000)

The average number of employees (including executive directors) during the year was

	25 November 2012 Number	27 November 2011 Number
Geographic analysis		
United Kingdom		
— Sales	545	570
— Non-sales	426	447
	971	1,017
Europe and Rest of the World		
— Sales	1,117	924
— Non-sales	146	101
	1,263	1,025
Total average headcount	2,234	2,042

Included in the headcount numbers above is a total of 65 (2011 31) temporary short-term full time employees

Details of the Directors' remuneration for the year, which form part of these audited financial statements, are given in the Directors' Remuneration Report

5 Finance income and costs

	25 November 2012 £'000	27 November 2011 £'000
Finance income		
Bank interest receivable	222	361
Finance costs		
Bank loans and overdrafts	(46)	(25)
Net finance income	176	336

6 Taxation**(a) Analysis of tax charge for the year**

	25 November 2012 £'000	27 November 2011 £'000
Current taxation		
UK		
Corporation tax charged at 24.67% (2011: 26.67%) on profits for the year	3,357	6,278
Adjustments in respect of prior periods	91	133
Overseas		
Corporation tax charged on profits for the year	3,159	3,252
Adjustments in respect of prior periods	973	(1,073)
Total current tax charge	7,580	8,590
Deferred taxation		
Origination and reversal of temporary differences	382	174
Adjustments in respect of prior periods (note 17)	480	1,270
Total deferred tax charge	862	1,444
Total income tax charge in the income statement	8,442	10,034

6 Taxation (continued)**(b) Reconciliation of the effective tax rate**

The Group's tax charge for the year ended 25 November 2012 exceeds the UK statutory rate and can be reconciled as follows

	25 November 2012		27 November 2011	
	£'000	%	£'000	%
Profit before taxation	25,267		30,299	
Profit before taxation multiplied by standard rate of corporation tax in the UK	6,232	24.67%	8,081	26.67%
Effects of:				
(Non-taxable)/disallowable items	(458)	(1.81%)	626	2.07%
Differing tax rates on overseas earnings	551	2.18%	585	1.93%
Adjustments to tax in respect of previous periods	1,544	6.11%	330	1.09%
Adjustment due to UK tax rate change	93	0.37%	58	0.19%
Tax losses for which no deferred tax was recognised	480	1.90%	354	1.17%
Tax expense and effective tax rate for the year	8,442	33.42%	10,034	33.12%

(c) Current and deferred tax movement recognised directly in equity

	25 November 2012	27 November 2011
	£'000	£'000
Equity-settled share-based payments		
Current tax	(972)	(1,776)
Deferred tax	513	928
	(459)	(848)

The Group expects to receive additional tax deductions in respect of the share awards and share options currently unexercised. Under IFRS the Group is required to provide for deferred tax on all unexercised share awards and 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 25 November 2012 a deferred tax asset of £0.8m (2011: £1.0m) has been recognised in respect of these options (note 17).

7 Dividends

	25 November 2012 £'000	27 November 2011 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend of 4 7p (2011 4 0p) per share ⁽ⁱ⁾	5,624	4,694
Special dividend of 11 0p (2011 nil) per share ⁽ⁱⁱ⁾	13,162	—
Final dividend of 9 3p (2011 8 0p) per share ⁽ⁱⁱⁱ⁾	11,165	9,824
	29,951	14,518
Amounts proposed as distributions to shareholders		
Interim and special dividends for the six months ended 27 May 2012 of 4 7p (2011 4 7p) and nil (2011 11 0p) respectively per share ^{(i) & (ii)}	5,654	18,786
Final dividend of 9 3p (2011 9 3p) per share for the year ended 25 November 2012 ⁽ⁱⁱⁱ⁾	11,166	11,128

- (i) An interim dividend of 4 7 pence (2011 4 0 pence) and a special dividend of 11 0 pence (2011 nil) per share for the six months ended 29 May 2011 were paid on 2 December 2011 to shareholders on record at 4 November 2011
- (ii) A final dividend of 9 3 pence (2011 8 0 pence) per share for the year ended 27 November 2011 was paid on 6 June 2012 to shareholders on record at 4 May 2012
- (iii) An interim dividend of 4 7 pence (2011 4 7 pence) per share for the six months ended 27 May 2012 was paid on 7 December 2012 to shareholders on record at 9 November 2012
- (iv) The Board propose a final dividend of 9 3 pence per share for the year ended 25 November 2012 (2011 9 3 pence), to be paid on 5 June 2013 to shareholders on record at 3 May 2013. This proposed final dividend is subject to approval by shareholders at the Company's Annual General Meeting on 18 April 2013 and has not been included as a liability in these financial statements

8 Earnings per share

The calculation of the basic and diluted earnings per share ("EPS") is based on the following data

Basic EPS is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of shares in issue during the year, excluding shares held as Treasury shares (note 18a) 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 businesses and STThree plc's price-earnings ratio. Therefore, the dilutive effect on EPS will vary in future periods depending on the changes in these factors

	25 November 2012 £'000	27 November 2011 £'000
Earnings		
Profit after taxation attributable to owners of the Company	16,825	20,265
	million	million
Number of shares		
Weighted average number of shares used for basic EPS	119.5	120.6
Dilutive effect of share plans (note 1)	14.3	10.4
Diluted weighted average number of shares used for diluted EPS	133.8	131.0
	pence	pence
Basic earnings per share	14.1	16.8
Diluted earnings per share (note 1)	12.6	15.5

9 Property, plant and equipment

	Computer equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 28 November 2010	10,842	5,029	3,262	159	19,292
Additions	1,591	1,032	363	41	3,027
Disposals	(964)	(201)	(461)	(68)	(1,694)
Reclassification (note 10)	(5)	–	11	–	6
Exchange differences	25	27	17	(1)	68
At 27 November 2011	11,489	5,887	3,192	131	20,699
Additions	2,261	1,346	402	–	4,009
Disposals	(1,000)	(236)	(80)	–	(1,316)
Exchange differences	(157)	(204)	(76)	(2)	(439)
At 25 November 2012	12,593	6,793	3,438	129	22,953
Accumulated depreciation					
At 28 November 2010	8,650	2,900	2,198	97	13,845
Charge for the year	1,513	1,070	523	42	3,148
Disposals	(921)	(178)	(444)	(69)	(1,612)
Exchange differences	12	34	9	–	55
At 27 November 2011	9,254	3,826	2,286	70	15,436
Charge for the year	1,731	975	428	43	3,177
Disposals	(999)	(229)	(79)	–	(1,307)
Exchange differences	(111)	(86)	(52)	(1)	(250)
At 25 November 2012	9,875	4,486	2,583	112	17,056
Net book value					
At 25 November 2012	2,718	2,307	855	17	5,897
At 27 November 2011	2,235	2,061	906	61	5,263

The Group has not leased any assets under finance lease obligations

Depreciation charge is included in 'administrative expenses' in the consolidated income statement

10 Intangible assets

	Goodwill £'000	Computer software £'000	Assets under construction £'000	Internally generated Software and system development costs £'000	Trademarks £'000	Total £'000
Cost						
At 28 November 2010	206,935	3,417	1,713	15,364	71	227,500
Additions	–	914	1,872	87	–	2,873
Disposals	–	(99)	–	–	–	(99)
Reclassification (note 9)	–	(6)	(2,500)	2,500	–	(6)
Exchange differences	–	(8)	–	27	–	19
At 27 November 2011	206,935	4,218	1,085	17,978	71	230,287
Additions	–	4,703	2,994	1,665	–	9,362
Reclassification	–	–	(1,930)	1,930	–	–
At 25 November 2012	206,935	8,921	2,149	21,573	71	239,649
Accumulated amortisation and impairment						
At 28 November 2010	205,687	2,712	–	8,876	64	217,339
Charge for the year	–	740	–	3,770	1	4,511
Disposals	–	(88)	–	–	–	(88)
Exchange differences	–	(47)	–	24	–	(23)
At 27 November 2011	205,687	3,317	–	12,670	65	221,739
Charge for the year	–	957	–	2,706	1	3,664
Reclassification	–	(73)	–	73	–	–
Exchange differences	–	(4)	–	–	–	(4)
At 25 November 2012	205,687	4,197	–	15,449	66	225,399
Net book value						
At 25 November 2012	1,248	4,724	2,149	6,124	5	14,250
At 27 November 2011	1,248	901	1,085	5,308	6	8,548

Amortisation charge is included in 'administrative expenses' in the consolidated income statement

The additions to computer software for the year mainly included software licenses for Enterprise Resource Planning ('ERP') system. Additions to Internally generated assets included the upgrade and ongoing development of the existing ERP system, as well as the enhancement of our Customer Relationship Management ('CRM') system to complement the front-office systems. Further, the costs directly attributable to the development of certain new front-office systems have also been capitalised during the year in accordance with the criteria under IAS 38. The new assets (including software) have remaining useful lives of 2 to 6.5 years.

10 Intangible assets (continued)

The net book value of goodwill is allocated as follows

Investment in	Group's shareholding	2012 £'000	2011 £'000
SThree Staffing UK Limited	100%	833	833
Jobboard Enterprises Limited	80%	415	415
		1,248	1,248

Management has performed an impairment review of goodwill. Disclosures required under IAS 36 'Impairment of Assets' have not been included on the basis that goodwill is not material.

11 Investments in subsidiaries

Company	Shares in subsidiaries £'000
Cost	
At 28 November 2010	253,910
Additions	
— Repurchase of tracker shares	232
— Disposal of tracker shares	(213)
— Group reorganisation	(103)
Capital contribution relating to share-based payments (IFRS 2)	1,434
At 27 November 2011	255,260
Additions	
— Repurchase of vested tracker shares	5,810
— Repurchase of unvested tracker shares	74
Capital contribution relating to share-based payments (IFRS 2)	940
At 25 November 2012	262,084
Provision for impairment	
At 27 November 2011 and 25 November 2012	8,258
Net carrying value	
At 25 November 2012	253,826
At 27 November 2011	247,002

During the year, the Company bought back a portion of tracker shares when they vested and were offered for sale to the Company. The purchase obligation was settled by awarding 1,384,775 shares from Treasury stock and 386,548 through new shares issue to the tracker shareholders. The tracker share scheme is detailed in note 18 (c).

The Company also repurchased certain unvested tracker shares where employees left the business prior to reaching the pre-agree holding period.

IFRS 2 requires that any options or awards granted to employees of a subsidiary company will increase the carrying value of the investment held. In 2012, the Company has recognised an increase in the investments in its subsidiaries of £0.9m (2011: £1.4m) relating to these share options and awards.

11 Investments in subsidiaries (continued)

Investments comprise the following principal subsidiary companies

	Shareholding 2012	2011	Country of incorporation	Principal Activity
SThree Australia Pty Limited	100%	100%	Australia	Recruitment
Computer Futures Solutions NV	100%	100%	Belgium	Recruitment
Huxley Associates Belgium NV	100%	100%	Belgium	Recruitment
SThree Services NV	100%	100%	Belgium	Recruitment
SThree Belgium NV	100%	100%	Belgium	Recruitment
Specialist Staffing Solutions Recrutamento Ltda	100%	100%	Brazil	Recruitment
SThree SAS	100%	100%	France	Recruitment
Jobboard Enterprises GmbH	100%	100%	Germany	Recruitment
SThree GmbH	100%	100%	Germany	Recruitment
SThree Limited	100%	100%	Hong Kong	Recruitment
SThree India Private Limited	100%	100%	India	Recruitment
SThree Staffing Ireland Limited	100%	100%	Ireland	Recruitment
SThree S a r l	100%	100%	Luxembourg	Recruitment
Jobboard Enterprises BV	100%	100%	Netherlands	Recruitment
SThree Holdings BV	100%	100%	Netherlands	Recruitment
SThree Norway AS	100%	0%	Norway	Recruitment
SThree Qatar LLC	100%	100%	Qatar	Recruitment
SThree LLC	100%	0%	Russia	Recruitment
SThree Pte Ltd	100%	100%	Singapore	Recruitment
SThree Switzerland GmbH	100%	100%	Switzerland	Recruitment
Huxley Associates Banking & Finance Limited	100%	100%	UK	Recruitment
Huxley Associates Global Limited	100%	100%	UK	Recruitment
Huxley Associates Limited	100%	100%	UK	Recruitment
Jobboard Enterprises Limited	80%	80%	UK	Recruitment
Orgtel Contract Limited	100%	100%	UK	Recruitment
Orgtel Limited	100%	93%	UK	Recruitment
Real Staffing Group Limited	100%	100%	UK	Recruitment
SThree Finance Limited	100%	100%	UK	Recruitment
SThree Staffing UK Limited	100%	100%	UK	Recruitment
Specialist Staffing Solutions, Inc	100%	100%	USA	Recruitment
SThree IP Limited	100%	100%	UK	Support services
S Three Management Services Limited	100%	100%	UK	Management services
SThree Overseas Holdings Limited*	100%	100%	UK	Holding company
SThree UK Holdings Limited*	100%	100%	UK	Holding company

* Directly held subsidiaries. All other subsidiaries are indirectly held.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Non-controlling interests exist in respect of one company (2011: two companies) at the year end. The aggregate profit and net assets attributable to this non-controlling interest holder have not been separately recognised in the financial statements on the basis of materiality.

12 Trade and other receivables

	Group		Company	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Current				
Trade receivables	78,103	71,945	–	–
Provision for impairment of trade receivables	(1,576)	(1,487)	–	–
Trade receivables – net	76,527	70,458	–	–
Other receivables	4,541	6,670	722	1,021
Amounts due from subsidiaries (note 21)	–	–	2,983	7,325
Prepayments and accrued income	32,926	33,965	158	–
	113,994	111,093	3,863	8,346

Trade receivables and cash and cash equivalents are deemed to be all current loan and receivables for disclosure under IFRS 7 'Financial Instruments' – Disclosures (note 22). No interest is charged on trade receivables. Amounts due by the Company from subsidiaries are subject to interest at a rate of 1.3% (2011: 2.3% for Sterling and 1.75% for other) above 3-month LIBOR of respective currencies in which balances are denominated.

The Group makes judgements on a customer by customer basis as to its ability to collect outstanding receivables and provides an allowance for doubtful debts 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 receivables are written off when the Group determines that it is unlikely that future remittances will be received.

	Group	
	25 November 2012 £'000	27 November 2011 £'000
Movements in the Group's provision for impairment of trade receivables are as follows		
Provision at beginning of year	1,487	1,767
Charge for the year	1,027	628
Bad debts written off	(682)	(503)
Provision reversed as amounts recovered	(256)	(405)
Provision at end of year	1,576	1,487

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.

13 Cash and cash equivalents

	Group		Company	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Cash in hand and at bank	28,291	55,605	3,914	–
Bank overdraft (note 15)	–	–	–	(23,750)
	28,291	55,605	3,914	(23,750)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair values.

The Group has a cash pooling arrangement which allows netting off the overdraft balances to mitigate finance costs.

The Company had nil drawn down at the year end (2011: £23.8m).

14 Trade and other payables

	Group		Company	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Trade payables	37,442	33,294	40	26
Amounts due to subsidiaries (note 21)	–	–	11,054	1,076
Other taxes and social security	10,741	10,082	160	208
Other payables	5,693	5,471	726	367
Accruals	45,263	46,714	181	206
	99,139	95,561	12,161	1,883
Less: non-current portion: Trade payables	1,136	–	–	–
Current portion	98,003	95,561	12,161	1,883

The fair values of trade and other payables are not materially different from those disclosed above.

Trade and other payables are predominantly interest free. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Amounts due to subsidiaries are subject to interest at a rate of 1.3% (2011: 2.3% for Sterling and 1.75% for other) above 3-month LIBOR of respective currencies in which balances are denominated.

15 Financial liabilities

	Group		Company	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Bank overdraft	-	-	-	23,750

In January 2012, the Company signed a new committed revolving credit facility of £20m with Royal Bank of Scotland (RBS). The new facility expires in January 2017 and is secured by way of a floating charge over trade receivables of the Group. The funds borrowed under this facility bear interest at a minimum rate of 1.3% above 3-month Sterling LIBOR. The facility is subject to certain covenants requiring the Group to maintain financial ratios around interest cover, leverage and guarantor cover. The Group has been in compliance with these covenants throughout the period.

At the year-end, the Group had nil drawn down on this facility.

The Group previously had a flexible invoice financing arrangement in place with RBS which expired when the new revolving credit facility was put in place.

16 Provisions for liabilities and charges

	Dilapidations £'000	Tracker shares £'000	Legal £'000	Total £'000
At 27 November 2011	1,831	4,560	181	6,572
Utilised during the year	(300)	(314)	(164)	(778)
Charged/(released) to the income statement	456	(58)	521	919
Tracker share consideration	-	181	-	181
At 25 November 2012	1,987	4,369	538	6,894

	25 November 2012 £'000	27 November 2011 £'000
Analysis of total provisions		
Current	5,410	4,894
Non-current	1,484	1,678
	6,894	6,572

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.

16 Provisions for liabilities and charges (continued)**Dilapidations**

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision has been made based on independent professional estimates of the likely costs based on current conditions and these have been spread over the relevant lease term. The liability is expected to crystallise as follows:

	25 November 2012 £'000	27 November 2011 £'000
Within one year	503	153
One to five years	1,190	1,178
After five and up to twelve years	294	500
	1,987	1,831

Tracker shares

The provision relates to the obligation to repay amounts received or receivable in relation to the subscription of tracker shares awarded to certain employees under the terms of the tracker share arrangements (note 18(c)). The timing of economic outflows is subject to the factors governing each tracker shareholder.

Legal

The provision relates to ongoing legal matters and the timing of economic outflows is subject to the factors governing each legal case.

17 Deferred tax

	Accelerated tax depreciation £'000	Share-based payments £'000	Tax losses £'000	Other £'000	Total £'000
At 28 November 2010	(1,306)	2,132	7,069	775	8,670
Credit/(charge) to income statement for the year	297	(187)	(221)	(63)	(174)
Prior year credit/(charge) to income statement for the year	110	–	(1,431)	51	(1,270)
Charge directly to equity	–	(928)	–	–	(928)
Exchange differences	–	–	97	–	97
At 27 November 2011	(899)	1,017	5,514	763	6,395
Credit/(charge) to income statement for the year	146	145	(527)	(146)	(382)
Prior year credit/(charge) to income statement for the year	685	124	(1,352)	63	(480)
Charge directly to equity	–	(513)	–	–	(513)
Exchange differences	30	–	(211)	32	(149)
At 25 November 2012	(38)	773	3,424	712	4,871

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes

	25 November 2012 £'000	27 November 2011 £'000
Deferred tax assets	4,909	7,294
Deferred tax liabilities	(38)	(899)
Net deferred tax asset	4,871	6,395

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 the deferred tax asset, the Group has considered both the current and the forecast trading performance in these territories and the expectations regarding the levels of profitability that can be achieved.

At the balance sheet date, the Group has unused tax losses of £22.9m (2011: £23.0m) available for offset against future profits. A deferred tax asset has been recognised in respect of £12.9m (2011: £19.0m) of such losses. No deferred tax asset has been recognised in respect of the remaining £10.0m (2011: £4.0m) of losses. Included in unrecognised tax losses are losses of £0.8m (2011: nil) that will expire in 2019 and losses of £0.4m (2011: nil) that will expire in 2022. Other unrecognised tax losses may be carried forward indefinitely.

Unremitted earnings from overseas subsidiaries may be liable to some overseas tax if they were to be distributed as dividends. However, at the end of the reporting period, no tax is expected to be payable on them because there are no plans to remit these earnings. Therefore, no provision for tax in respect of possible future remittances has been made.

In March 2012, Finance Bill 2012 reduced the main rate of UK corporation tax from 26% to 24% with effect from 1 April 2012. As a result, the Group's deferred tax asset has been reduced as at 25 November 2012 by £0.1m, resulting in a charge to the income statement of £0.1m.

17 Deferred tax (continued)**Company**

The Company's deferred tax asset relates to the equity-settled share-based payments

	£'000
At 28 November 2010	1,300
Charge to income statement for the year	(139)
Charge directly to equity	(962)
At 27 November 2011	199
Credit to income statement for the year	124
Prior year credit to income statement for the year	16
Charge directly to equity	(45)
At 25 November 2012	294

18 Share capital**(a) Share capital**

	25 November 2012	27 November 2011
	Number of shares	Number of shares
Authorised		
Ordinary shares of 1p each	300,000,000	300,000,000
	£'000	£'000
Issued and fully paid		
	Number of shares	Ordinary shares £'000
At 27 November 2011	119,823,682	1,230
Issue of new shares	386,548	4
Repurchase of own shares	(2,363,116)	-
Utilisation of treasury shares	3,380,605	8,662
At 25 November 2012	121,227,719	1,234
		(5,928)

Share issue

During the year, 386,548 (2011 1,248,000) ordinary shares were issued to satisfy buy-back of tracker shares which were vested. This resulted in share premium of £1,213,000 (2011 nil).

Treasury reserve

During the year, as part of the share buy-back programme, STthree plc purchased 2,363,116 (2011 3,183,897) of its own shares to be held as Treasury shares. The average price paid per share was 282.78p (2011 248.39p) and the total consideration paid was £6,682,404 (2011 £7,908,000). An amount of £151,309 (2011 £351,000) is under an irrecoverable purchase agreement and is included in accruals at the year end. Shares are held in treasury for awards and grants under the Group's various share option and share award schemes, which include the Long Term Incentive Plan (LTIP), Save As You Earn (SAYE), Employee Benefit Plan (EBT) as well as to satisfy the buy-back of tracker shares. During the year, 3,380,605 (2011 nil) shares were transferred from treasury towards LTIP, SAYE and the buy-back of tracker shares.

18 Share capital (continued)**(b) Share-based payments**

The Group has a number of share-based payment schemes to incentivise directors and employees. All schemes are treated as equity-settled as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

Scheme	25 November 2012		27 November 2011		Vesting period	Expiry date	Valuation method	Performance metrics
	Charge (£'000)	Number of share options outstanding	Charge (£'000)	Number of share options outstanding				
LTIP*	1,389	3,342,708	2,272	3,432,860	3 years	10 years	Montecarlo model	Incremental EPS growth/TSR ranking against comparator group
SAYE	160	1,097,936	154	1,243,680	3 years	6 months after 3 year vesting period	Binomial	None
SIP	261	N/A	252	N/A	1 year	N/A	N/A	None

* The conditions of the LTIP are provided in the Directors' Remuneration Report.

Long Term Incentive Plan (LTIP)

	Options
At 27 November 2011	3,432,860
Granted	1,778,191
Exercised	(1,651,770)
Forfeited	(216,573)
At 25 November 2012	3,342,708

Out of the 3,342,708 (2011: 3,432,860) options outstanding, 3,006,991 (2011: 3,068,979) options were exercisable. Options exercised in 2012 resulted in nil (2011: 1,248,000) shares being issued. The related weighted average share price at the time of exercise was 287p (2011: 401p) per share. The related transaction costs were negligible.

At the end of the reporting period, share options in relation to the outstanding LTIP were valued as follows:

	2012	2011
Weighted average fair value (£)	2.43	3.37
Key assumptions used		
Weighted average share price	2.82	3.83
Expected volatility	45%	47%
Range of expected option term (life)	3 years	3 years

Other schemes

The SAYE, SIP and EBT schemes are not deemed material for further disclosure.

(c) Tracker Share awards in subsidiary companies (previously 'Minority Interests')

As described in the Directors' report the Group makes awards of shares in certain subsidiary businesses to certain entrepreneurial employees who will participate in the development of those businesses.

These awards generally have the following characteristics:

- an employee receives an award of "tracker shares" in a subsidiary business. This share gives the employee certain rights to income and capital growth of a "tracked" business,

18 Share capital (continued)**(c) Tracker Share awards in subsidiary companies (previously 'Minority Interests') (continued)**

- the employee must subscribe for his award of tracker shares at fair value, as determined by an independent third party share valuer and taking into account the particular rights attached to the shares described in the relevant businesses' Articles of Association. The value takes into consideration factors such as the size and trading record of the underlying business, budget projections, as well as the external market, sector and country data. The external valuer is supplied with detailed analysis down to Profit before tax. Using this information an independent calculation of the initial Equity Value (EV) is completed based on ratio analysis and modelling of financial information extracted from a sample of comparable quoted stocks. This EV is then discounted down to take account of small scale risk, minority status, stock liquidity and absence of voting rights to arrive at a valuation. A number of awards were granted in the year and, although the methodology for calculating the EVs was applied consistently, the data varied depending on the business and timing of the grant date,
- if the employee remains in employment with the Group for a pre-agreed period, being not less than three years depending on the life of the tracker, he may then offer his tracker shares for sale to SThree plc. Should SThree plc decide to buy back the tracker shares, it will do so at a price based on the tracker shares' fair value at that date, which is determined using a formula stipulated in the tracker shares agreement. SThree plc may settle this transaction in cash or in SThree plc shares, as it chooses. The current policy is to settle in shares. During the period of tracker share ownership, the employee may be entitled to a cash dividend distribution based on the underlying profitability of the tracked business at the discretion of the Group,
- if the employee leaves the Group before the pre-agreed period, he is entitled to receive the lower of the initial subscription amount he contributed or the fair value on the date of his departure as set out under the relevant businesses' Articles of Association. A provision relating to the obligation to repay amounts received or receivable in relation to tracker shares is recognised (note 16), and
- employees may receive loans from the Group to pay initial subscription for their tracker shares, on which interest is charged. These loans are included within other receivables.

Movement in tracker share awards during the year was as follows

	Number of awards outstanding 28 November 2010	Number of awards created during the year	Number of awards bought back/redeemed during the year	Number of awards outstanding 27 November 2011
Tracker share awards – 2011	23,674	2,742	(492)	25,924
	Number of awards outstanding 27 November 2011	Number of awards created during the year	Number of awards bought back/redeemed during the year	Number of awards outstanding 25 November 2012
Tracker share awards – 2012	25,924	189	(3,678)	22,435

Employees must pay the fair value of the awards at time of initial subscription and the Group intends to settle all vested tracker shares with shares in SThree plc. Therefore, no share-based payment charge is recognised in the income statement. During the year, net subscription proceeds received for the 2012 or earlier tracker share awards were £340,828 (2011: £135,000), with proceeds in respect of individual awards ranging from £114 to £4,205 (2011: £0.65 to £7,962). The Group also bought back 3,614 (2011: 289) tracker shares during the year for a total consideration of £5,884,000 (2011: £231,254), out of which 2,502 (2011: nil) were vested shares.

19 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 16)

20 Commitments

Group

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 lease arrangements are renewable at end of the lease period at market rate.

The Group also leases various motor vehicles under non-cancellable operating lease arrangements. The lease term typically is 3 years.

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Motor vehicles		Land and buildings	
	25 November 2012 £'000	27 November 2011 £'000	25 November 2012 £'000	27 November 2011 £'000
Within one year	1,229	868	11,109	11,096
In the second to fifth years inclusive	906	1,229	28,048	31,235
After five years	–	–	11,394	15,191
	2,135	2,097	50,551	57,522

Capital commitments

At the end of the reporting period, the Group contracted capital expenditure but not yet incurred of £0.4m (2011: £0.7m).

Guarantees

The Group issued bank guarantees for commitments which amounted to £2.6m (2011: £2.8m).

Company

The Company had no lease or capital commitments at the year end (2011: nil).

21 Related party transactions

Group

Balances and transactions with subsidiaries (note 11) have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and with members of the Executive Board, who are key related parties, are disclosed below.

Remuneration of key management personnel

The Group's key management comprises the Directors (Executive and Non-Executive), members of the Executive Committee and other key managers who are deemed to influence the day to day activities. Details of Directors' remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors' Remuneration Report. Total remuneration for members of key management is detailed below.

	25 November 2012 £'000	27 November 2011 £'000
Short-term employee benefits	4,453	4,108
Share-based payments	1,054	1,698
Post-employment benefits	209	143
Termination benefits	222	322
	5,938	6,271

Company

The Company has related party relationships with its subsidiaries (note 11) and with members of the Board. The Directors receive remuneration from the Company which 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.

	25 November 2012 £'000	27 November 2011 £'000
Transactions with the related parties during the year		
Loans and advances received from subsidiaries	9,978	64,558
Loans and advances repaid by subsidiaries	(4,342)	–
Tracker share loans repaid by/given to directors	(53)	470
Interest income received in respect of interest bearing loans and advances	46	56
Interest paid in respect of interest bearing loans and advances	(653)	(1,203)
Dividend income received	49,885	60,000

No purchase or sales transactions were entered into between the Company and its subsidiaries.

Year end balances arising from transactions with related parties

	25 November 2012 £'000	27 November 2011 £'000
Amounts payable to subsidiaries	(11,054)	(1,076)
Amounts receivable from subsidiaries	2,983	7,325
Amounts receivable from directors	417	470

22 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 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 of Directors. Treasury management, chaired by our Chief Financial Officer, meets on a monthly basis to review Treasury activities. Its members receive management information relating to treasury activities. Our internal auditors regularly review the Treasury internal control environment and compliance with policies and procedures.

In 2012, the Board undertook a review of its currency hedging strategy to ensure it is appropriate. The Group does not hold or issue derivative financial instruments for speculative purposes and our 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 a foreign exchange swap of €16m equivalent of £13m. The swap was taken out on 23 November 2012 and the fair value is not material.

The Treasury function is managed as a cost centre and thus not engaged in speculative trading.

The Group is exposed to a number of different financial risks including foreign currency exchange rates, liquidity, interest rates, and credit risks. The Group's objective and strategy in responding to these risks is set out below.

(a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group and its subsidiaries' ability to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2011.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for bank covenants (note 15), the Group is not subject to any externally imposed capital requirements.

At the end of the reporting period, total capital was

	25 November 2012 £'000	27 November 2011 £'000
Cash and cash equivalents (note 13)	28,291	55,605
Equity	61,923	82,467
Total capital	90,214	138,072

Equity includes all capital and reserves of the Group that are managed as capital.

(b) Foreign currency risk management

The Group has Sterling as presentation currency. It undertakes transactions in a number of foreign currencies, consequently exposures to exchange rate fluctuations arise. Such exchange rate movements affect the Group's transactional revenues, cost of sales, the translation of the earnings and net assets/liabilities of its overseas operations.

The Group is also exposed to foreign currency risk from the value of net investments outside the United Kingdom. The settlement of intercompany balances held with foreign operations is neither planned nor likely to occur in the foreseeable future. Therefore, exchange differences arising from the translation of the net investments are taken into equity.

The Group's businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom. The Group generally converts foreign currency balances into Sterling to manage its cash flows.

22 Financial instruments and financial risk management (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro. If the Euro strengthened against Sterling by a movement of more than 10%, the anticipated impact on the Group's results in terms of translational exposure will be an increase in profit before taxation of £3.5m (2011: £3.5m). If the Euro weakened against Sterling by more than 10% this would result in a decrease in profit before taxation of £3.5m (2011: £3.5m). 10% was used on the assumption that rates are not likely to move by more than this percentage given the history during the year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(c) Liquidity risk management

The Group's treasury function centrally co-ordinates relationships with banks, manage borrowing requirements, foreign exchange requirements and cash management. The Group believes it has access to sufficient funding through a revolving credit facility with Royal Bank of Scotland that provides a committed borrowing facility of £20m which expires in January 2017 and remained unutilised at the year end.

The table below shows the maturity profile of the financial liabilities based on the contractual amounts payable on the date of repayment.

	Trade and other payables	
	Group	Company
	£'000	£'000
At 25 November 2012		
Within one year	88,398	12,001
At 27 November 2011		
Within one year	85,479	1,675

(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 bank for deposits and funds held on accounts as at the year end was £17.9m (2011: £38.0m). The Group will not accept any counterparty bank for Group pooled deposits unless it has been awarded a minimum recognised credit rating of A3/Prime-2 (Moody's). Some local banks in emerging markets may have lower ratings but the funds at risk will be small. The Group will permit exposures with individual counterparty banks and exposure types up to pre-defined limits as part of the Group treasury policy. Exposure to all transaction limits are monitored daily.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to assess further credit extensions to existing clients. In addition, the spread of SME client base (circa 7,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group.

Trade receivables of the Group are analysed in the table below. With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The Group does not typically renegotiate the terms of trade receivables, hence the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at year end.

As of 25 November 2012, trade receivables of £20.9m (2011: £23.9m) were past due but not impaired. These pertain to a number of unrelated customers for whom there is no recent history of default.

As of 25 November 2012, trade receivables of £2.8m (2011: £3.0m) were impaired.

22 Financial instruments and financial risk management (continued)**(d) Credit risk management (continued)**

	2012 £'000	2011 £'000
Trade receivables		
Neither impaired nor past due	54,350	45,044
Ageing of past due but not impaired receivables		
within 30 days	16,096	18,950
31 to 60 days	3,633	3,686
61 to 90 days	1,176	1,284
Ageing of impaired receivables		
within 90 days	187	64
over 90 days	2,661	2,917
Provision for impairment of trade receivables	(1,576)	(1,487)
Total	76,527	70,458

(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 25 November 2012, 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 history 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. Only financial assets which accrued interest were cash and cash equivalents (note 13) with maturity of less than a year and subject to floating interest income.

As part of the presentation of market risks, IFRS 7 requires disclosure on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices. As of 25 November 2012, the Group and 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.

22 Financial instruments and financial risk management (continued)

(g) Currency profile of financial assets/(liabilities)

Functional currency of Group operations:

	Net foreign currency monetary assets			
	Euro £'000	US Dollars £'000	Other Currencies £'000	Total £'000
At 25 November 2012				
Sterling	15,042	298	294	15,634
Other	–	348	–	348
Total	15,042	646	294	15,982
At 27 November 2011	£'000	£'000	£'000	£'000
Sterling	203	66	734	1,003
Other	–	267	–	267
Total	203	333	734	1,270

Other foreign currencies held by the Group include Swiss Francs, United Arab Emirates Dirhams, Australian Dollars, Hong Kong Dollars, Singapore Dollars, Swedish Kronor, Bahrain Dinars, Kuwait Dinars, Qatar Riyals, Saudi Arabia Riyals, Indian Rupees, Russian Ruble, Japanese Yen and Brazilian Real

The Company does not have exposure to other currencies other than its functional currency, Sterling

(h) Fair values of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities are equal to their fair values

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest

Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. A summary of the assumptions used for each category of financial instrument is set out below.

Summary of methods and assumptions

Short-term deposits and borrowings	Approximates to the carrying amount because of the short maturity of these instruments
Cash and cash equivalents	Approximates to the carrying amount
Receivables and payables	Approximates to the carrying amount for current balances, there are no material longer term balances
Financial instruments	Market valuations at the end of the reporting period

FIVE YEAR FINANCIAL SUMMARY

	25 November 2012 £m	27 November 2011 £m	28 November 2010 £m	29 November 2009 £m	30 November 2008 £m
Turnover					
<i>Geographic analysis – by location of client</i>					
United Kingdom & Ireland	246.7	242.7	227.9	274.8	390.8
Europe and Rest of World	330.8	299.8	246.6	244.6	240.7
	577.5	542.5	474.5	519.4	631.5
Gross profit					
<i>Geographic analysis – by location of client</i>					
United Kingdom & Ireland	70.9	71.3	68.3	78.1	123.0
Europe and Rest of World	134.4	124.2	98.1	93.1	95.9
	205.3	195.5	166.4	171.2	218.9
Operating profit before exceptional items	25.1	30.0	21.2	18.0	56.8
	pence	pence	pence	pence	pence
Basic earnings per share before exceptional items	14.1	16.8	11.9	9.5	29.9
Dividends per share					
– ordinary	14.0	14.0	12.0	12.0	12.0
– special	–	11.0	–	–	–
Other key performance indicators					
	number	number	number	number	number
Average headcount	2,234	2,042	1,772	1,841	2,157
Permanent placements in financial year	7,343	7,434	6,551	6,060	10,236
Active contractors at year end	5,122	4,692	4,359	4,157	5,745
	£	£	£	£	£
Average placement fee – permanent	13,509	13,061	12,123	11,930	10,355
Average gross profit per day – contractors	85.30	86.70	84.24	84.69	78.30

SThree plc

Company Information and Corporate Advisers

Executive Directors

Gary Elden, Chief Executive Officer
Alex Smith, Chief Financial Officer
Steve Quinn, Chief Operating Officer
Justin Hughes, Managing Director, Asia Pacific

Non-Executive Directors

Clay Brendish, Non Executive Chairman
Paul Bowtell, Non Executive
Alicja Lesniak, Non Executive
Tony Ward, Non Executive (SID)
Nadhim Zahawi, Non Executive

Group Company Secretary & Registered Office

Steve Hornbuckle, Group Company Secretary
5th Floor, GPS House
215-227 Great Portland Street
London W1W 5PN
cosec@sthree.com

Company number

3805979

Contact details

Tel 0207 268 6000
Fax 0207 268 6001
Email enquiries@sthree.com
Web www.sthree.com

Compliance hotline

Tel 08082347501
Web <https://www.integrity-helpline.com/sthree.jsp>

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars (ordinary shares)

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel (UK) 0871 664 0300*
Tel (Non UK) +44 208 639 3399
Email ssd@capitaregistrars.com
Web www.capitaregistrars.com
*Calls cost 10p per minute plus network extras, lines are open 8 30am-5 30pm Mon-Fri

Financial Advisers & Stockbrokers

UBS Investment Bank
1 Finsbury Avenue
London
EC2M 2PP

Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Financial PR

Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London EC2M 5SY

SHAREHOLDER INFORMATION

Shareholder Enquiries and Electronic

Communications – www.capitashareportal.com

Shareholders with enquiries relating to their shareholding should contact Capita Registrars. Alternatively, you may access your account via www.capitashareportal.com, but will need to have your shareholder reference available when you first log in, which may be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, find out how to register a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers. Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request via the registrar by calling 0871 664 0391 (from UK – calls cost 10p per min plus network extras, lines are open 8 30am – 5 30pm Mon to Fri) or + 44 208 639 3367 (Non UK) or register online at

www.capitashareportal.com. There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the registrar.

Potential targeting of shareholders

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has 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 FSA Register at www.fsa.gov.uk/register to ensure they are authorized
- Use the details on the FSA Register to contact the firm
- Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the Register or you are told they are out of date
- The FSA 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.fsa.gov.uk/scams. You can also call the Consumer Helpline on 0845 606 1234

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 FSA website www.fsa.gov.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 and search for the SThree profile page. Holders can also access information by the following

The Bank of New York Mellon
PO Box 358016
Pittsburgh, PA 15252-8016
Customer service
Tel 1 800 522-6645
(from outside the US Tel 001 201 680-6578)
Email shrrelations@mellon.com
For the issuance of ADRs please contact
London: Damon Rowan
Tel +44 207 964 6527
E-mail damon.rowan@bnymellon.com
New York: Melissa Sobolewski
Tel +1 212 815 5951
E-mail Melissa.j.sobolewski@bnymellon.com
Website <http://www.adrbnymellon.com>

Share price information

Information on the Company's share price can be found via www.sthree.com, or via the FT Cityline Service, tel 0906 003 0000 (code 3912). Calls cost 60p per minute from a BT landline and charges from other telephone networks may vary.

Share dealing service

Capita Share Dealing Services provide a telephone and online share dealing service for UK and EEA resident shareholders. To use this service, shareholders should contact Capita, tel 0871 664 0384 – lines are open Mon to Fri 8 00am – 4 30pm UK time (calls cost 10p per min plus network extras). Alternatively log on to www.capitadeal.com

(Capita Share Dealing Services is a trading name of Capita IRG Trustees Limited which is authorised and regulated by the FSA)

Dividend Re-investment Plan (DRIP) (non sponsored)

For any shareholders who wish to re-invest dividend payments in additional shares of the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Registrars. Under this facility, accrued dividends are used to purchase additional shares. Any shareholder requiring further information should contact Capita on (UK) 0871 664 0381* or (Non-UK) +44 208 639 3402 or e-mail shares@capitaregistrars.com

*Calls cost 10p per minute plus network extras, lines are open 8 30am – 5 30pm Mon to Fri

ShareGift

ShareGift (reg charity no 1052686) operates a charity share donation scheme for shareholders with small parcels of shares whose value may make it uneconomic to sell. Details of the scheme are available from

Website www.sharegift.org,
Tel 0207 930 3737

Financial Calendar 2012/13

Financial year end – 25 November 2012
Results announced – 28 January 2013
Annual General Meeting – 18 April 2013
Ex-div date for final dividend – 1 May 2013
Record date for final dividend – 3 May 2013
Dividend Reinvestment latest – 11 May 2013
Half Year period end – 26 May 2013
Final dividend payable – 5 June 2013
Interim results announced – 15 July 2013
Interim dividend payable – early December 2013