

s|three

STEM Staffing Specialists

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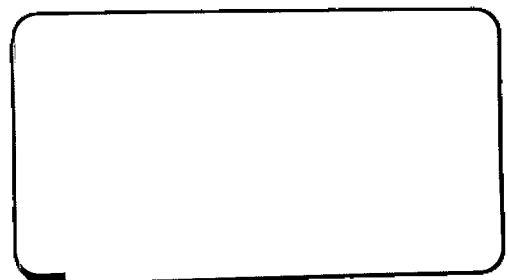
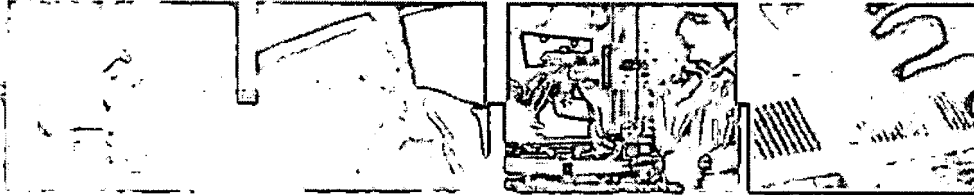
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# ANNUAL REPORT 2017



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SThree plc is a leading international staffing company. We provide specialist Contract and Permanent recruitment services in the STEM (Science, Technology, Engineering and Mathematics) sector.

#### Contract Runners

**10,197**  
(+12%) 2016: 9,078

#### Total headcount

**2,866**  
(+11%) 2016: 2,590

#### Global reach

**16** Countries  
**40** Offices

#### Total sales headcount

**2,257**  
(+10%) 2016: 2,044

#### Revenue

**£1,115m** (+9%)

#### Adjusted Profit Before Tax

**£44.5m\*\*** (+9%\*\*)

#### Gross Profit ('GP')

**£287.7m** (+4%\*)

#### Statutory Basic Earnings Per Share

**21.5p** (+1%)

#### Statutory Profit Before Tax

**£37.7m** (+1%)

#### Adjusted Basic Earnings Per Share

**25.7p\*\*** (+11%\*\*)

#### Financial Year:

**1 December 2016 - 30 November 2017**

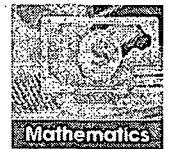
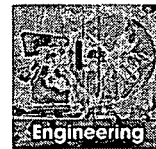
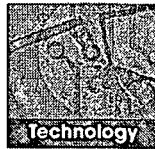
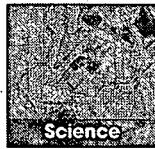
\* In constant currency (a variance in constant currency is calculated by applying the prior financial year foreign exchange rates to current financial year results to remove the impact of exchange rate fluctuations)

\*\* Excludes the impact of £6.7m exceptional strategic restructuring costs (2016: £3.5m), see page 32.



## Overview of SThree

We operate a family of ten brands, each with expertise and focus on niche areas. We believe this gives us deep understanding of industry sectors and allows us to provide a better service to our clients and candidates.



Our strong emphasis on creating a diverse and inclusive working environment allows us to find and retain skilled people and to bring a breadth of thinking to solve workplace challenges for our customers.

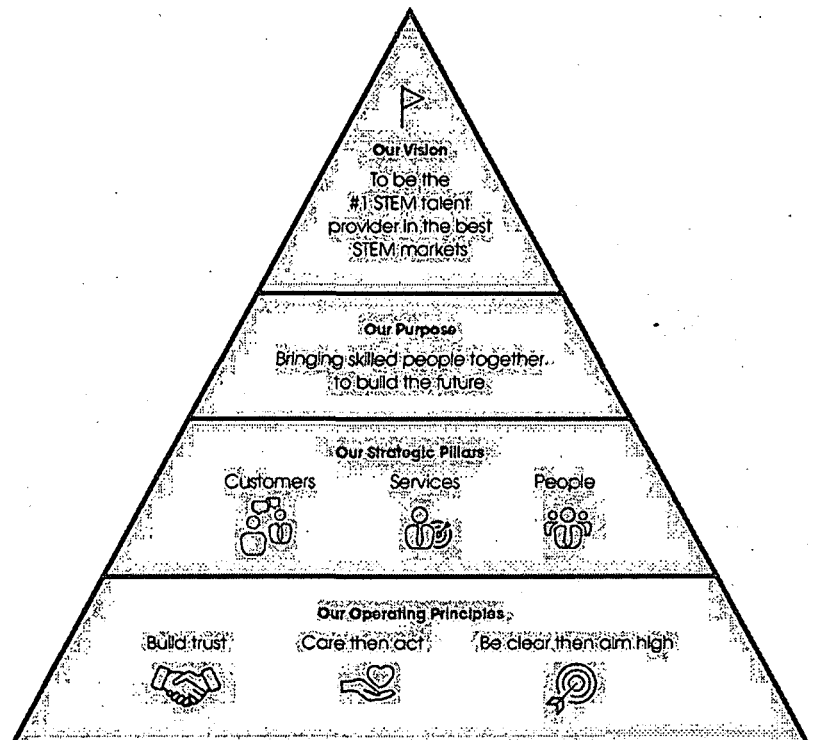
Our Purpose is to bring skilled people together to build the future.

This is why we exist as a company.

Our Vision is to be the number one STEM talent provider in the best STEM markets. This is the goal we are working towards.

We do this through our key Principles which guide the way we work. Our Principles are based on research with our clients and candidates to identify what they most value in a recruitment partner:

- 'Build trust.'
- 'Care then act.'
- 'Be clear then aim high.'



## Overview of SThree

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

We believe that a multi-brand model provides us with the potential to achieve greater market coverage in any given sector or geography than we might be able to achieve through only operating with a single brand.

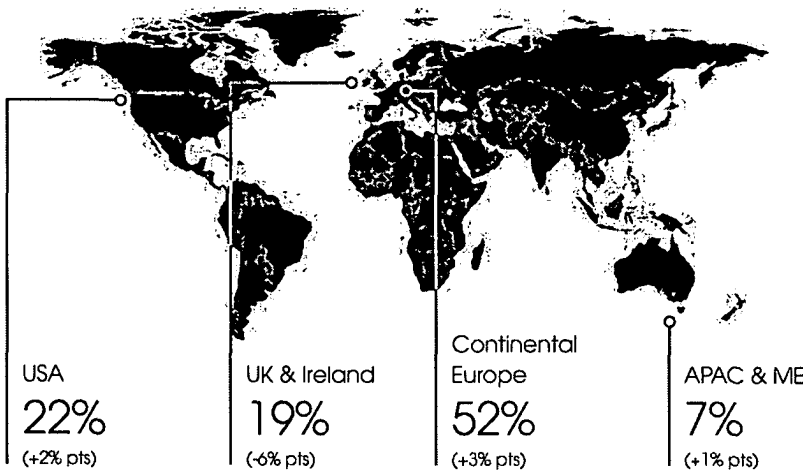
To date all of our brands are home-grown, created within SThree's entrepreneurial culture in response to clear market opportunities. This means that all our brands benefit from a single unified global database of clients and candidates. Customers – both client companies and individual

candidates – are served through systems which are common across all of our brands and sectors.

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

Within the STEM industries we provide Permanent and Contract staff to sectors including Information and Communication Technology ('ICT'), Banking & Finance, Life Sciences, Engineering and Energy.

### Our locations and Gross Profit\* per region for 2017



#### USA

Austin  
Boston  
Chicago  
Houston

Minneapolis  
New York  
San Diego  
San Francisco

#### Continental Europe

Belgium  
France  
Germany  
Luxembourg  
Netherlands  
Norway  
Spain  
Switzerland

#### UK & Ireland

Aberdeen  
Birmingham  
Bristol  
Dublin  
Glasgow  
London  
Leeds  
Manchester

#### Asia Pacific and Middle East

Australia  
Hong Kong  
Japan  
Singapore  
UAE

\* Gross Profit represents revenue less costs of sales, and consists of the total placement fees of Permanent candidates and the margin earned on the placement of contractors.





## Strategic Report

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## Our Business Model

### 1. The global recruitment marketplace

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Temporary and full-time roles filled via agency intermediaries, including SThree, are a significant subset of the global recruitment market. Staffing agency fees across all regions, sectors and role types are estimated at several hundreds of billions of pounds annually. The percentage of roles filled through agencies varies very significantly between countries, with a positive correlation with Gross Domestic Product, underpinned by a supportive legal framework.

SThree deploys its brands in countries with higher levels of recruitment agency fees.

The specialist recruitment market is primarily driven by confidence amongst candidates to move jobs and by businesses to replace them or create new roles as they grow and invest. Additionally there are long-term structural shifts in favour of Contract roles rather than Permanent roles. This is being driven by a mix of supply and demand factors.

### 2. The intermediary model

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SThree employs skilled recruitment consultants who engage both clients and candidates in order to match skilled professionals with niche roles across the STEM sector.

We earn fees from our client companies when we place a candidate with them. These fees are charged as a percentage of a candidate's salary. Candidates do not pay fees in order to be placed.

With Contract we invoice clients on an ongoing basis for the duration of the contract, usually on a monthly basis. We pay contractors an agreed rate and retain a portion of the amount charged to clients as a service fee. Our traditional contractor service model is the Personal Service Company model ('PSC'). This is a model under which a freelance consultant works independently on the basis of a contract between SThree, a client and a PSC. An increasing share of our Contract business is moving towards an alternative contractor service model, the Employed Contractor Model ('ECM'). ECM was first introduced in 2013. It is structured such that the Group employs individuals directly and contracts them to clients. ECM is the preferred contracting model in a number of countries, including the USA. Our business model is expected to shift further towards ECM with time.

With Permanent or full-time roles the fees are usually charged when a candidate begins work with a client.



## Our Business Model

### 2. The intermediary model (continued)

In less competitive markets or for particularly hard to find roles, part of the fees may be payable at the start of a search assignment and before a candidate begins work, which is known as a retained assignment. Occasionally, payments may be spaced out over a number of months once a candidate has begun work.

These two payment models for Contract and Permanent create different financial considerations. A Contract placement generates greater lifetime value, on average, than a Permanent role. Average contract length for SThree is 16 weeks. This generates over 40% greater lifetime Gross Profit than an equivalent Permanent role.

On the other side of the financial equation, Permanent generates cash quicker as there is no associated employment cost. There are also good strategic reasons to include a Permanent offering as part of our overall services. Not only does it respond to client needs but it allows us to place candidates who may in time become hiring managers.

### 3. Making the model work

In order to make our business model a success, we focus on creating a virtuous circle between its three core components of People, Customers and Service. This underlying business model remains unchanged from previous years, although we continue to focus on developing strategic plans to optimise it.

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

That's why we provide our people with the support and systems they need to grow their career. We are committed to creating an inclusive environment which allows them to progress, irrespective of their background; and we put learning and development programmes in place designed to support their careers at all stages. To back this up, our senior team have specific objectives to ensure we are building and retaining a diverse motivated workforce.

We have a strong value proposition to prospective employees, captured through two core ideas: 'A career with purpose' and 'A career with no limits.' This allows us to attract professionals who wish to build a career in recruitment or experts

from other sectors who want to join a large and successful company.

More fundamentally our strong sense of purpose – that we bring skilled people together to build the future – makes this a very appealing place to build a career.

Our efforts in this area allow us to provide strategic advice to our clients about how they can win the war for talent in their own spheres.

**Our Services primarily involve placing people in either Contract or Permanent roles and supporting client companies and candidates before, during and after that process. This covers a range of services from filling positions through to payroll services and ensuring full regulatory compliance.**

Our mix of contract and permanent business means that we are well placed to support clients and candidates at any point in the economic cycle. Our team of consultants specialise in either Contract or Permanent recruitment, in addition to covering a defined market sector and geography. This allows us to offer a high level of service to customers across a wide range of profiles and industries.

We carefully select the best STEM markets in which to deploy these services. In addition to regions or

sectors with a high need for STEM skills, we focus on sectors with a relatively high demand for Contract roles. The very best markets have an additional Permanent opportunity to complement the Contract offering. We also focus on markets where there is an opportunity for us to scale our presence. One of the strengths of SThree is our ability to deploy large offices in multiple cities within a region, running on common technical and support systems. In all of our key regions we are present in several key cities.

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

As working patterns change, particularly driven by a structural shift in favour of contract work, we see additional new services emerging particularly to ensure that contract workers have some of the same protection and obligations as full-time workers. This has driven the emergence of new workplace services in many of our key markets where our role has evolved from

## Our Business Model

### 3. Making the model work (continued)

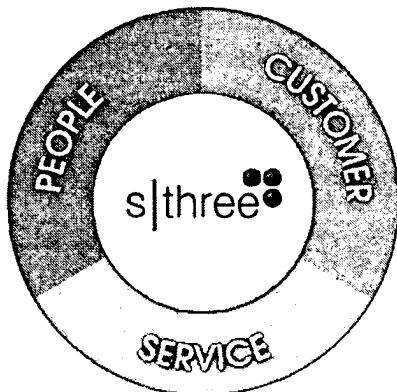
purely finding workers on behalf of companies towards taking on additional employment responsibilities towards contractors on behalf of clients. This creates additional regulatory complexity but also creates a market dynamic which favours larger staffing companies who are able to manage and support this more complicated environment.

**We have three different sets of Customers. The client organisations we work with span almost every size and shape of company in need of skilled technical specialists, from small enterprises through to some of the largest and most respected global companies. We are able to provide them with the talent they need through detailed market sector knowledge and the ability to reach a vast network of candidates through our own bespoke tools and by using market-leading sourcing techniques.**

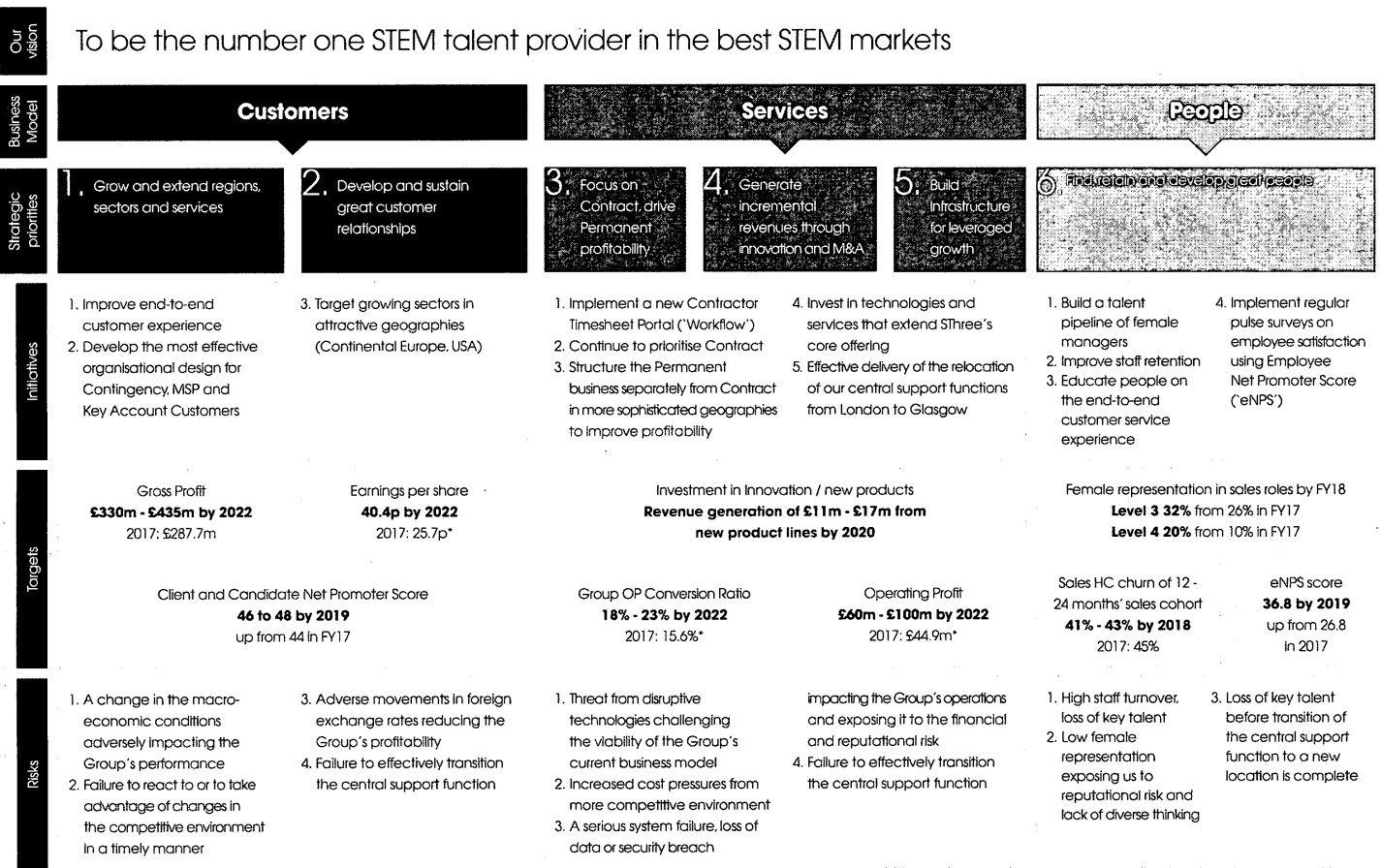
We deal with candidates seeking for new opportunities, under Permanent or Contract roles. We match them to one of the tens of thousands of companies we work with on an ongoing or ad hoc basis.

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

**These three elements of our business model are highly inter-dependent, with efforts in each area also strengthening the other elements.**



## Our Business Model and Strategic Priorities



\* Excludes the impact of £6.7m restructuring costs (2016: £3.5m)

## Our Strategic Priorities

### 1. Grow and extend regions, sectors and services

#### Description

We are in most of the world's biggest recruitment markets and primarily focus on growing our presence in these countries. Where additional opportunities exist we will carefully expand into new countries.

#### What happened in the year

We consolidated our strong presence in markets where we have a significant upside opportunity, particularly the USA and Germany, laying the foundations for future growth

We continued to grow our presence in the Netherlands, particularly in ICT Contract.

We entered new countries: Austria and Spain. We expanded our presence in France by opening new flexible business development offices in Toulouse and Lyon.

We focused on ICT, Life Sciences, Energy and Engineering, adopting a slightly more cautious approach in the UK due to Brexit.

We reviewed our presence in smaller markets and decided to restructure our Hong Kong business.

#### Our plans for 2018

We expect to continue to focus on geographies that meet our criteria for investment, in particular the USA, Germany and the Netherlands.

On sectors we will continue to maximise opportunities in ICT, Life Sciences and Engineering/Energy.

We will expand our Employed Contractor Model to create new opportunities for our Contract business in Continental Europe.

We will selectively trial additional services, including Statement of Work.

#### Link to remuneration (see page 67)

Adjusted Profit Before Tax, Operating Profit Conversion Ratio are financial metrics/measures for the annual bonus for Executive Directors.

Earnings per share and relative Gross Profit growth, are financial metrics/measures for the LTIP for Executive Directors.

#### Links to KPIs



### 2. Develop and sustain great customer relationships

#### Description

Customer satisfaction drives future revenue growth and increases employee engagement.

#### What happened in the year

We continued to use Net Promoter Score ('NPS') to measure satisfaction among clients and candidates where we have completed a transaction.

We extended our NPS to also capture feedback at interview stage.

We re-prioritised capital projects based on customer insight. For example, in the design of our new Contractor Timesheet portal ('Workflow').

Development of the most effective organisational design for Contingency, MSP and Key Account Customers in progress. Blueprint and toolkit created for delivery models and job roles, with accompanying tailored reward schemes. Rolled out across each geography.

#### Our plans for 2018

We expect to continue to use a broad measure of NPS to drive improvements in our processes and behaviours.

We will roll out Workflow.

We will continue to educate our people on the importance and value of positive customer relationships.

#### Link to remuneration (see page 67)

- (i) Improvement in Candidate NPS and
- (ii) Developing the Most Effective Organisational Design for Contingency, MSP and Key Account Customers are two out of four Shared Strategic Objectives for the calculation of annual bonus for Executive Directors in FY 2017.

#### Links to KPIs



## Our Strategic Priorities

### 3. Focus on Contract, drive Permanent profitability

#### Description

Contract is generally more profitable and more resilient than Permanent. Our focus is to grow Contract.

Investment in Permanent is highly selective as we continue to focus on improving the profitability of this division.

#### What happened in the year

We continued to grow Contract headcount faster than Permanent headcount, in line with our plan.

In markets with significant Permanent opportunity such as the USA and Germany we continued to maintain a strong Permanent offering.

We actively reduced Permanent headcount in markets with smaller potential for us to improve overall profitability of our Permanent business.

We created separate management structures for our Contract and Permanent businesses in almost all territories to drive accountability and focus.

#### Our plans for 2018

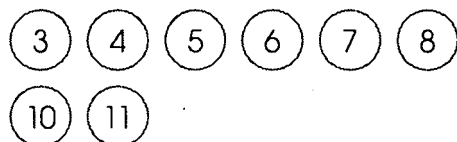
We expect to continue this strategy in 2018.

#### Link to remuneration (see page 67)

- (i) Developing Permanent Strategy and
- (ii) Developing the Most Effective Organisational Design for Contingency, MSP and Key Account Customers are two out of four Shared Strategic Objectives for the calculation of annual bonus for Executive Directors.

A focus on Contract also supports the profitability metrics included within the Executive Bonus and LTIP targets.

#### Links to KPIs



### 4. Generate incremental revenues through Innovation and M&A

#### Description

We aspire to build a more diverse portfolio of products and services so that we capture a greater share of total customer spend on employment matters and to ensure we are not affected by potential disruption.

#### What happened in the year

We launched Talent Deck in the UK, a new smart job board initially aimed at IT talent and clients.

We invested in The Sandpit, an incubator for HR start-ups.

We signed a development agreement with RoboRecruiter and made an investment in the business.

We supported the deployment of Right Staff by Ryatto Limited with a successful trial among shift workers in the UK's National Health Service.

We prepared the ground for two other internally-developed initiatives to launch in 2018.

We developed initial thinking for a Statement of Work service.

We continued to evaluate potential acquisition targets that would enhance our technology and add to revenues.

#### Our plans for 2018

We expect to continue the rollout of Talent Deck and to win additional marquee clients.

We plan to launch two additional ventures which have been incubated within SThree.

We expect to test chat box technology developed by RoboRecruiter.

We will selectively trial additional services, including Statement of Work.

We will continue to look at potential additional investments where we see a good strategic fit.

#### Link to remuneration (see page 67)

Revenue generation from new product lines is included as a strategic objective in the FY17 and FY18 LTIP schemes.

#### Links to KPIs

Strategic elements of LTIP 2017 and 2018.

## Our Strategic Priorities

### 5. Build infrastructure for leveraged growth

#### Description

Our intent is to have a scalable structure which will allow us to grow operating profit faster than gross profit by focusing on consultant productivity and by having systems and IT infrastructure which support this ambition in a cost-effective way.

We plan to situate offices in the right location to serve customers with additional offices in lower-cost locations where possible.

#### What happened in the year

We continued to move towards cloud services for our key systems so that we have a predictable model with reduced long-term costs compared to 'on premise' solutions.

We agreed to invest in new Marketing Automation technology for websites and customer communication.

We announced the strategic restructuring of our UK central support functions from London to Glasgow.

#### Our plans for 2018

We expect to continue to open new offices in our focus markets, e.g. Washington in the USA.

We will deploy our Marketing technology so that we can improve outbound communication.

We aim to maximise office occupation rates.

We expect to complete the relocation of our UK Central Support roles to Glasgow while minimising impact on customer service.

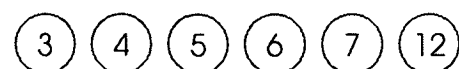
#### Link to remuneration (see page 67)

There is an Executive Director objective for the annual bonus scheme to deliver financial benefits associated with the new support function in Glasgow, establishing it, whilst minimising disruption to BAU activity.

Adjusted Profit Before Tax and Operating Profit Conversion Ratio are financial metrics/measures used for calculation of annual bonus for Executive Directors.

Earnings per share and relative Gross Profit growth, are financial metrics/measures for the LTIP for Executive Directors.

#### Links to KPIs



### 6. Find, retain and develop great people

#### Description

Our primary growth engine is our people. We aim to find great people and enable them to build meaningful careers inside the organisation.

#### What happened in the year

We began to use Employee Net Promoter Score ('eNPS') to measure satisfaction among employees.

We developed a new organisational framework to serve different customer groups in a disciplined way.

We initiated a Female Leadership programme to create the next generation of leaders.

We rolled out a major new behavioural programme focused on our new Operating Principles to build a greater sense of purpose inside the company.

#### Our plans for 2018

We expect to continue to measure eNPS each quarter and to use this to tell us the subjects that matter most to our employees.

We expect to complete the rollout of the new framework and customer delivery model.

We will continue to develop our future female leaders.

We will embed our Operating Principles so that people can understand how to act in a way that creates a great customer experience.

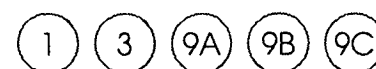
We will build a support function in the UK, on-boarding people into a new way of working and setting us up for future success.

#### Link to remuneration (see page 67)

Customer and people engagement score is one of the Shared Strategic Objectives for the calculation of annual bonus for Executive Directors.

Churn and diversity targets are also included in the FY17 LTIP scheme.

#### Links to KPIs



## Investment Case

Our business model is well diversified across geographies and sectors, while focusing on markets that meet certain criteria to drive profitable growth. We cover the different and complementary revenue streams of both Contract and Permanent recruitment.

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

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

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

We have a unified single database of customers.

Our focus on customer experience

provides sustainable competitive advantage.

We have a diverse and engaged workforce.

Our strength in Contract provides more predictable future earnings.

The Contract market has higher barriers to entry because of cash requirements and regulatory complexity.

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

Our entrepreneurial culture is supported by a range of long-term

incentives to drive sustained performance.

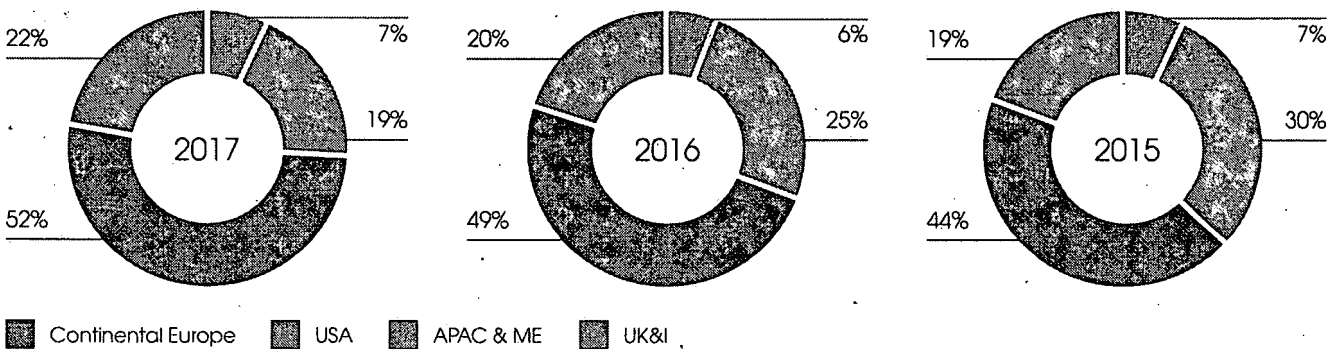
Our balanced business model provides us with a good degree of resilience across a range of sectors, geographies and employment mixes.

Existing footprint and investments give us significant operating leverage to double profit before tax over a five-year period.

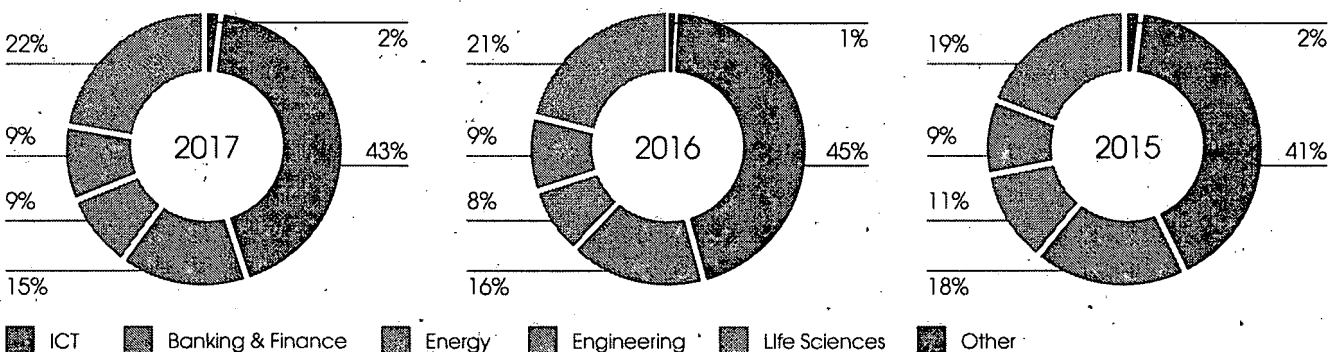
Our experience over the last 30 years gives us insight and flexibility to rapidly re-deploy our staff across sectors and regions in response to changing market dynamics.

### GP Business mix

GP business mix by geography



GP business mix by sector



## Investment Case

### Why STEM?

We specialise in the STEM market, which has the following characteristics:

- Ideal for the recruitment sector as highly skilled candidates are difficult to identify
- Benefit from future market changes brought about by technology/ automation
- A job market growing faster than the overall job market
- Broad client mix
- Higher average salaries and margins
- Increasing government and industry regulations require larger compliant organisations
- The Contract offering is particularly well suited to the STEM market

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

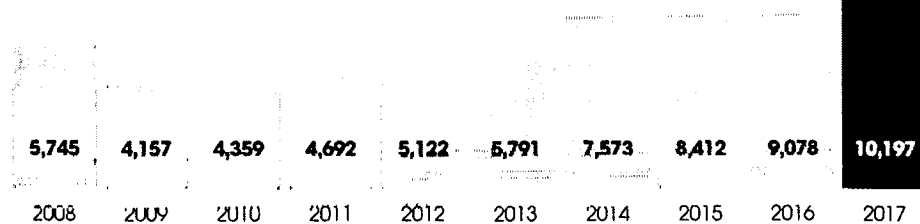
- Structural shift in favour of Contract increases candidate mobility
- Demographic shifts and an ageing workforce
- Relatively high churn as candidates move to update skills and projects require different skill mixes
- Shortage of specialist skills in technical areas
- Expanding client portfolios
- Shortage of talent considering careers in STEM

### Why Contract?

With our Contract runner level at a record high we continue to believe that this presents us with sustained growth opportunities in 2018 for the following reasons:

- Long-term societal preference for Contract assignments, particularly among skilled individuals
- Higher lifetime value than a Permanent equivalent
- Higher Consultant productivity on Contract compared to Permanent
- STEM markets are often project-based
- Tendency for Contract rates to rise in positive economic climate when talent is in short supply
- Greater barriers to entry due to cash requirements and growing compliance and regulatory requirements
- More predictable and visible earnings stream
- More resilient than Permanent in times of economic uncertainty as companies defer long-term investments
- Ongoing client relationships more likely to generate other opportunities
- Contract is a key requirement to deal with Managed Service Providers ('MSPs') who cover roughly 30% of global recruitment spend
- Additional future growth opportunities by expanding into Employed Contractor Model in addition to standard Contractor model

## Contract runners up by 99% since 2012



## Chief Executive Officer's Review

We have delivered an encouraging overall result for the year, with a strong finish in the final quarter. Pleasing performances in the USA and Continental Europe, particularly from our market-leading businesses in the Netherlands and Germany, were key to this result.

Gary Elden

SThree Chief Executive Officer

With 81% of our business now generated outside the UK and 71% of our GP generated by our more resilient Contract business, our business profile has changed significantly over recent years. After two years of turbulent political, market and economic pressure, we enter 2018 in good shape, with a clear vision to be the number one STEM talent provider in the best STEM markets.

This year we also made some changes to SThree's leadership model which

will help us to work in a more effective and agile way in the future. With the creation of the new senior management roles of Chief Sales Officer and Chief Operations Officer, we will be in a better position to align our sales and operational strategies and ensure we have the right services, infrastructure and people to execute our global growth strategy and provide our customers with the best possible experience.

### Growing Contract, driving Permanent profitability

We invested for future growth, with year end sales headcount up 10% year on year and up 7% sequentially vs Q3 2017. We continued to grow Contract headcount (+15%) faster than Permanent headcount (+3%), in line with our plan. The shift in favour of Contract is creating a business that is much more resilient in times of uncertainty, providing stronger and more sustainable profits. While in 2012 our business was evenly split between Contract and Permanent, we now have 65% of our sales headcount working on Contract recruitment. We have also created separate management structures for our Contract and Permanent business in almost all territories to drive accountability and focus.



## Chief Executive Officer's Review

### Growing Contract, driving Permanent profitability (continued)

#### Growing Contract

As I have been able to report every year since taking over as CEO, we enter our next financial year with a record Contract book, passing a key milestone of 10,000 Contract runners to reach 10,197 at the end of the year, up 12% from last year. Contract GP returned to double digit year over year ('YoY') growth of 10%\*, with a strong final quarter up 14%\*. Contract growth YoY was across all sectors and driven by Continental Europe, which was up 17%\* and by USA, up 21%\*. Continental Europe and USA combined now represent nearly 70% of our Contract runners, up from 65% in 2016.

Our traditional Personal Service Company/freelance model ('PSC') continues to perform well and we are also generating increased business through our Employed Contractor Model ('ECM'). ECM is structured such

that the Group employs individuals directly and contracts them to clients. ECM is the established contracting model in a number of countries, including the USA. With governments across the world examining new ways to raise tax revenues to address budget deficits, our business model is expected to shift further towards ECM over time. A key focus for 2018 is the expansion and strengthening of supporting processes of ECM within our Contract business to increase its market opportunity.

#### Driving Permanent Profitability

Investment in Permanent continued to be made on a highly selective basis in the year as we focused on improving the profitability of this division. Permanent GP was down 8%\* YoY, with average sales headcount down 10%, reflecting a 3%\* improvement in Permanent productivity per head over last year.

The USA posted a 12%\* GP increase, driven by supportive Energy and Banking markets. This was offset by declines in all other regions, with Continental Europe down 7%\* and UK&I down 22%\*.

Permanent recruitment is more sensitive to overall market sentiment and has been hit harder by the political, market and economic uncertainty of recent years. In response, we have actively reduced Permanent headcount in certain markets in order to improve overall profitability in our Permanent business. Over the years, this has meant restructuring our UK, Benelux & France, USA, APAC and Middle East (APAC & ME), Oil & Gas and Banking & Finance businesses. In markets with significant Permanent opportunity such as the USA and Germany we continue to maintain a strong Permanent offering.

### Improving customer experience

Last year we rolled-out a major customer experience programme globally, using Net Promoter Score ('NPS') to capture our clients and candidates feedback at every stage of the customer journey. Feedback has then been used to adapt our

systems, processes and behaviours and we have already seen significant improvements in our overall NPS results (+3.6% points) as well as in the volume of data we capture.

From these findings, we have developed operating principles

that place the customer at the heart of everything we do - to build trust, to care and then act, to be clear and then to aim high. We rolled these principles out across the business in the last quarter of 2017 and will continue to reinforce them in 2018.

### Investing in new systems, processes and infrastructure

Our processes, systems and infrastructure are crucial to the delivery of our sales strategy and to providing the best customer experience. We are currently finalising a structure which will provide us with a more holistic, strategic view of our global operational requirements and help us to manage demand and resource for optimum delivery.

We have announced some significant changes this year, including the strategic restructuring and relocation

of our London-based support functions to a new office in Glasgow, which will provide a more sustainable support structure as we continue to grow our business. We expect to substantially complete the reorganisation and relocation during 2018, creating a centre of excellence with a clear objective to reduce costs, while improving operational capability.

We have continued to transition our systems to a cloud-based marketing services structure and

have invested in new automation technology which gives us new and distinct ways to build a single customer view and to communicate in a more personalised way.

We are also part way through a roll-out of a new customer/contractor portal and a new contract management system. Both systems have been developed in response to contractor and customer feedback.

## Chief Executive Officer's Review

### Generating new revenue streams

Innovation and entrepreneurship are a key focus for the Group as we aspire to build a more diverse portfolio of products and services.

We have created an internal system of Innovation which gives us greater ability to identify promising new ideas and to test them quickly. We have invested c.£3.2 million in the year in a number of external innovation start-ups (£1.2 million) and have created our own innovation incubator (£2.0 million). We expect to increase the amount spent on our innovation incubator to c.£3 million in 2018.

Key developments in 2017 included:

- Talent Deck, a new smart job board, focused on cultural fit and automated matching was launched in the UK and has already attracted blue-chip technology brands. We expect to continue the roll-out of Talent Deck and to win additional marquee clients in 2018.

- We prepared the ground for two other internally-developed initiatives to launch in 2018. Showcaser allows a user to create and manage asynchronous video interviews and is currently being trialled with one of our brands. Hirestream combines a digital market platform with key human-centred touch points. A pilot is planned in mid-2018.

In addition to unlocking internal ideas, we have also engaged with a number of start-ups in the recruitment space, to identify whether we should make strategic investments or find other ways to unlock the potential in these ideas. We made additional small investments totalling c.£1 million in a number of HR technology start-ups:

- We supported the deployment of Right Staff by Ryalto Limited, a work scheduling app for healthcare professionals in which we have invested, with a successful trial

among shift workers in the UK's National Health Service. This is currently being scaled up for a further roll-out.

- We signed a development agreement and invested in RoboRecruiter, a messaging bot specifically designed for recruitment which engages with candidates without any human intervention.
- We invested in a HR vertical of The Sandpit Limited ('HRecTech'), an incubator with a successful track record in marketing technology, which is now incubating HR technology businesses in the UK and USA.

We will continue to look at potential additional investments where we see a good strategic fit.

### Identifying and developing great talent

SThree's success depends on having highly skilled and motivated employees. We aim to find great people and enable them to build meaningful careers inside the organisation.

We provide on-the-job learning programmes as well as online and classroom-based courses to support our employee's careers at all stages. Our career management platform is leading edge and helps our employees to develop their careers within the group.

This year saw the launch of our revised organisational purpose 'Bringing skilled people together to build the future' and with it, support

for our managers and leaders to bring to life the true meaning of our work with our candidates and clients.

In 2017, we introduced our quarterly Employee Net Promoter Score ('eNPS'), replacing our annual engagement survey, as a more dynamic way to capture regular feedback from our people. Over 70% of our employees responded with feedback about their experience of working at SThree, as well as how they view the services we offer our customers. eNPS will help us make the right changes based on employee feedback and track what is working. Ultimately, it puts our people at the centre of decisions that help to create a brilliant place to work.

As part of our ongoing commitment to creating an inclusive and diverse workforce, we have introduced a new Female Leadership Development Programme: Identify. Thirty high potential, future female leaders from across the Group have been selected to participate in a 12-month development programme. The programme is designed to support them to recognise and develop their leadership strengths through facilitated learning, stretch assignments and executive sponsorship. Through Identify we hope to improve the gender balance at a senior level.

## Chief Executive Officer's Review

### Operating Review

Group GP up 4%\*, with a strong finish to the year with GP up 8%\* in Q4.

The growth in GP was driven by Contract up 10%\*, with growth across all sectors and strong regional performances in Continental Europe up 17%\* and USA up 21%\*. Permanent GP was down 8%\*, with average sales headcount down 10%.

#### Group

##### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +10% | -8%  | +4%   |

##### FY 2017 Mix

| Cont | Perm |
|------|------|
| 71%  | 29%  |

##### Average Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +5%  | -10% | -1%   |

#### Group

|                                 | FY 2017<br>% | FY 2016<br>% |
|---------------------------------|--------------|--------------|
| <b>Breakdown of GP</b>          |              |              |
| <b>Contract/Permanent Split</b> |              |              |
| Contract                        | 71           | 67           |
| Permanent                       | 29           | 33           |
|                                 | <b>100</b>   | <b>100</b>   |
| <b>Geographical Split</b>       |              |              |
| UK&I                            | 19           | 25           |
| Continental Europe              | 52           | 49           |
| USA                             | 22           | 20           |
| Asia Pacific & Middle East      | 7            | 6            |
|                                 | <b>100</b>   | <b>100</b>   |
| <b>Sector Split</b>             |              |              |
| ICT                             | 43           | 45           |
| Banking & Finance               | 15           | 16           |
| Energy                          | 9            | 8            |
| Engineering                     | 9            | 9            |
| Life Sciences                   | 22           | 21           |
| Other                           | 2            | 1            |
|                                 | <b>100</b>   | <b>100</b>   |

### Regional Overview

Regionally, our GP growth was driven by a strong performance in the USA, up 18%\*, and robust growth in Continental Europe up 9%\*, led by the Netherlands up 20%\* YoY.

The USA overtook the UK&I (19% of Group GP) to become our second largest region (22% of Group GP) during the year behind Continental Europe (52% of Group GP). Although the UK&I remains an important part of our business, uncertainty created by the EU Referendum and the relative maturity of the recruitment market have led us to focus on growth opportunities in other regions and to be cautious with our investment in the UK&I business. As part of our regional market penetration plans, we expanded our

global footprint by opening four new offices in Continental Europe. However, as we reviewed regional business performance, it became clear that our return on investment in certain other regions was sub-optimal and we took action to restructure our Hong Kong office.

We have continued to roll out ECM through the year, introducing new offerings in Germany, and improvements in our operating model globally. With governments turning to new means to address their budget deficits, including the

IR35 Intermediaries Legislation in the UK and the Deregulating Beoordeling Arbeidsrelaties (DBA law) in the Netherlands, there is an increasing risk to the traditional Personal Service Company contractor model. However, we are in a position to provide service to clients that is highly compliant with the new legislation and we have a growing footprint in the ECM market which offers a suitable alternative to our candidates and clients. A key focus for 2018 is further growth in ECM and the further diversification of our Contract services.

\* In constant currency

## Regional Overview

### Continental Europe

#### Performance in 2017

Continental Europe is our largest region representing 52% of Group GP. It is split into two regions: Germany, Austria & Switzerland (DACH) which is 28% of Group GP, and Belgium, Netherlands, Luxembourg, France and Spain (Benelux, France & Spain), which is 24% of Group GP. Average headcount was up 10% in the year and period end headcount was up 18% as we continued to invest for future growth in this market.

Overall, we delivered strong growth in GP, up 9%\*, supported by strong labour markets, a shortage of STEM candidates, low unemployment and rising incomes. SThree is the market leader in STEM professional recruitment in the Netherlands and once again our Dutch business delivered an excellent performance, with GP up 20%\*.

Our performance across Continental Europe improved through the year with GP in the final quarter up +16%\* YoY.

Strong growth was achieved in Contract across the region with GP up 17%\*. Contract in Continental Europe provides a significant growth opportunity and average headcount was up 21% YoY. The region had an excellent performance in the final

quarter with Contract GP up 24%\*. The Netherlands Contract business grew GP by 27%\* YoY, France by 16%\* YoY and Germany by 12%\* YoY. We ended 2017 with our Contract runners up 21%, our GP Day Rates ('GPDR') up 1%\* and our sales headcount up 26% YoY, providing a strong pipeline for growth in 2018.

Permanent declined by 7%\*, with average sales headcount down 5% in the year. Average salaries were up 1%\* and fees were up 2%\*. GP yields declined 2%\*, however, improvements were noted in Benelux & France where our Permanent businesses had been restructured in prior years. Period end headcount was up 5% YoY as we invested selectively in opportunities in Germany where SThree is the largest Permanent, professional services recruitment business.

We delivered GP growth across every sector in Continental Europe, with double digit growth in Contract across the board. Contract ICT, our largest sector, grew 18%\* YoY, Life Sciences 12%\*, Engineering 19%\* and Banking & Finance 20%\*.

We opened new offices in Toulouse, Lyon, Vienna and Barcelona in the year in order to better service our client base.

#### Expectations for 2018

Continental Europe exited 2017 with a strong pipeline for growth in 2018, focused and capable management and a highly engaged team with the lowest churn in the Group.

In line with our Group strategy, we will continue to invest in Contract throughout 2018 where we see market opportunity. Labour laws create momentum for demand in the Contract business and our increased offering of ECM services

is expected to help drive further growth. Our ECM offering in Germany has completed a pilot phase successfully with full roll out anticipated in 2018.

This year, we will focus on improving Permanent productivity, with selective headcount investments, especially in Germany.

We expect to open new satellite offices in Lille and Eindhoven in 2018.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +17% | -7%  | +9%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 71%  | 29%  |

#### Average Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +21% | -5%  | +10%  |

\* In constant currency

## Regional Overview

### UK&I

#### Performance in 2017

The UK&I business, which is 19% of Group GP, experienced a challenging year in 2017, in an environment dominated by further uncertainty. The ongoing 'Brexit' negotiations and the UK's snap general election affected market confidence leading to a decline in both our divisions. Average headcount was down 12% YoY with a decline across both Contract and Permanent. Period end headcount was down 3% YoY.

Contract GP in UK&I was down 11%\* YoY. The Contract division is more resilient in tough market conditions, but these were exacerbated by pricing pressures and IR35 Intermediaries Regulation in the Public Sector in the year. We have successfully navigated these new regulations, demonstrating our ability to provide a high quality and compliant service. Average headcount was down 10% YoY, however, period end headcount was down 1%. Contract runners closed at 2,616, down 2% with our GPDR down 1%\*. However, the Contract business showed signs of improvement with runners and GPDR both growing sequentially in H2.

After a significant restructuring of the Permanent business in 2016, we expected GP to be down in the year, but it fell further than anticipated as a result of the continuing political uncertainty through the year and was down 22%\* YoY. Average sales headcount was down 17% with period

end sales headcount down 9%. Whilst Permanent GP yields were down 6%\* YoY, we have been actively working to increase our focus on higher salary placements and our average fees and average salaries were both up 4%\* YoY.

ICT, which includes Public Sector and represents 58% of GP, declined 18%\* YoY, with Contract down 17%\* and Permanent down 22%\*. Banking & Finance, our second largest market in the region, reported a decline of 22%\* YoY. The Banking & Finance sector, which is 14% of UK&I, remains subject to further uncertainty arising from the UK's negotiations with the EU. However, we saw improvements in our Engineering GP which grew 8%\*, with growth achieved in all four quarters of the year. Performance in Engineering was driven by Contract up 12%\*, in part as the sector benefited from increased demand resulting from the depreciation of Sterling. Life Sciences also showed promise with growth from Q2 onwards and FY growth of 3%\* YoY.

The UK&I business is focussed on maintaining profitability and measures were taken through the year to streamline the business. We rationalised the management structure and increased the relative number of candidate resourcing roles in our Glasgow Resource Centre, which benefits from a lower cost base.

We expect to retain a flexible approach to resource allocation to maximise the opportunities available in certain sectors and to adapt to all legislative changes in the region as required, including a proposed expansion of changes to the IR35 Intermediaries Legislation to the private sector in 2019.

#### Expectations for 2018

In the UK, we enter 2018 against a background of continued uncertainty. Increasing inflation and suppressed GDP growth rates for the UK being in the forefront of our minds, we expect to hold UK&I headcount broadly flat this year and to focus on maximising the profitability of the business.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| -11% | -22% | -14%  |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 79%  | 21%  |

#### Average Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| -10% | -17% | -12%  |

\* In constant currency

## Regional Overview

### USA

#### Performance in 2017

The USA is now our second largest region, representing 22% of Group GP. USA was our fastest growing region in 2017, with GP up 18%\*. Our strong performance in 2017 was across both Contract up 21%\* and Permanent up 12%\*. This reflected a significant improvement in GP yields, primarily driven by a recovery in the Energy and Banking markets from the weaker conditions experienced in 2016. Average headcount declined by 8% YoY with both Contract and Permanent headcount reducing following a restructuring in 2016 and a pause on recruitment as potential impacts of the US presidential election result were assessed. However, we made significant investment in headcount in the second half of the year. Period end headcount was up 15% YoY with both Contract and Permanent growing sequentially in Q3 and Q4.

Contract GP was up 21%\* YoY with growth across all quarters. Average headcount declined by 8% and as a result yields were up 31%\*. An improved performance in Contract GP was evident across all sectors with our largest sector, Life Sciences, which represents 45% of the division, up 18%\* YoY. Energy GP was up 68%\* as we expanded our services to key clients. Contract runners were up 14% YoY with GPDR down 3%\*, however, GPDR grew sequentially in Q3 and Q4.

#### Expectations for 2018

With a good exit rate on Contract runners, up 14%, especially in Energy, and excellent permanent yields, we expect to continue our strong growth into 2018. We will continue to invest in headcount in high yielding markets as opportunities are identified. We opened a new office in Washington

Average headcount was down 8% YoY, however, period end headcount was up 11% YoY providing a solid platform for growth in 2018.

Our Permanent division in the region performed well in the year, with GP up +12%\* and excellent yields, up +23%\* YoY. Permanent growth was across all sectors, with strong growth in Banking & Finance, up 9%\*. Permanent Life Sciences was up 3%\* YoY. Average Permanent fees and average salaries declined YoY, down 7%\* and 6%\*, respectively, driven by Banking & Finance and Energy. However, Life Sciences, our largest sector in the division, delivered an increase in both average fees and average salaries. Average headcount was down 9% YoY, however with increased business confidence in the region, headcount build resumed in the second half of the year. Period end sales headcount was up 23% YoY.

Life Sciences which represents 46% of USA GP, grew 13%\* YoY with growth across both Contract and Permanent. Banking & Finance, the second largest sector in the region, grew 2%\* YoY with strong performance in Permanent, up 9%\* YoY, offset by a decline in Contract, down 6%\* YoY. The Energy market in the region showed an encouraging recovery in the year, up 71%\* YoY with growth across both Contract and Permanent.

D.C. in December 2017 to service the needs of our clients in this region.

In the USA, we are confident that we have the right team and structure to deliver a high quality service to our clients and continue to penetrate the largest recruitment market in the world.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +21% | +12% | +18%  |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 69%  | 31%  |

#### Average Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| -8%  | -9%  | -8%   |

\* In constant currency

## Regional Overview

### APAC & ME

#### Performance in 2017

APAC and Middle East ('APAC & ME') is our smallest region representing 7% of Group GP. The business is split into two regions: Australia, Japan, Hong Kong and Singapore (APAC) which represent 5% of Group GP and Dubai (Middle East) which represents 2% of Group GP. The region has struggled since the drop in the oil price in mid-2014. The upstream Energy business, which historically had been the backbone of the operation, has not recovered due to the relatively high break-even price of oil extraction in the region. This has been compounded by weak Banking & Finance markets in 2016 and a slow-down in the rate of growth in China, which has impacted much of APAC. In 2017, the region reported an overall GP decline of 4%\* YoY. Despite a significant improvement in Contract GP, the Permanent business deteriorated through the year. Australia, our largest country in the region representing 34% of GP, declined 2%\*. In response to the continuing decline in the performance of the region, we announced that the Hong Kong office would be downsized, reducing it to a satellite office. Average headcount for the region was down 11% YoY and period end headcount was down 1% YoY.

Contract GP grew by 24%\* YoY, with average headcount down 6% YoY. Energy and Banking & Finance Contract GP were up 22%\* and 41%\* YoY, respectively. The recovery in Contract was generated from a strong pipeline at the start of the year across the region. The Contract

runner book at year end (up 3%) was supported by an increased focus on Contract in the Middle East. GPDR declined 11%\* YoY and was down across the region. Australia, which represents 53% of regional Contract GP, saw good growth of 20%\* YoY, driven by ICT and Banking & Finance. However, we note a slowdown in our performance in the ICT market as we exit this year. Dubai, which is our second largest Contract business in the region, saw a significant improvement, with Contract GP ahead by 49%\* YoY. The growth in Dubai was largely due to the Energy market, where we focus on large international service companies. Banking in Dubai also showed modest growth in the year.

2017 was a challenging year for Permanent with GP declining 22%\* YoY. Average headcount for Permanent was down 17% YoY with yields down 5%\*. We increased our focus in the year on the penetration of markets with higher fees and stronger structural growth opportunities, notably Japan, the second largest recruitment market in the world. Our Japanese Permanent business increased GP by 30%\* YoY and now represents 32% of Permanent GP for the region. Average Permanent fees for Japan were up 2%\* YoY with average salaries also growing.

Banking & Finance, our largest sector for the region, remained relatively flat YoY. Energy saw strong growth, up 10%\* YoY, driven by Dubai Contract. Permanent GP was down across all sectors.

#### Expectations for 2018

Our Chief Operating Officer ('COO'), Justin Hughes, led APAC & ME from Hong Kong until September 2017 when he returned to London to take on the role of COO full time. Japan

and Middle East Contract are being managed for growth, while the rest of the region is being managed to maximise profitability.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +24% | -22% | -4%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 51%  | 49%  |

#### Average Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| -6%  | -17% | -14%  |

\* In constant currency

## Sector Overview

On a sector basis, Group GP benefited from a continued recovery in Energy, up 25%\*, and solid growth in Life Sciences up 7%\*. After a significant restructuring in 2016, Banking & Finance GP was down 2%\* with average headcount down 11% YoY. ICT and Engineering grew, with GP up 1%\* and 5%\*, respectively. ICT suffered from a weak UK&I performance.

### ICT

ICT which accounted for 43% of Group GP in 2017, continues to be our largest and most established sector. GP in this sector showed YoY growth for the fifteenth consecutive quarter, and provides opportunities across all regions. We saw modest growth in GP in the year of 1%\*, but against a strong comparative in 2016, when GP was up 12%\* YoY. The rate of growth slowed in this sector due to a deterioration in the performance of the UK&I. Although average headcount in this sector was down 1% YoY, period end headcount was up 8%. The mix of headcount shifted further in favour of Contract and Continental Europe.

Contract, which was 75% of ICT, was up 4%\* YoY. Runners in the sector were up 6% YoY, with GPDR growth of 2%\* YoY. Permanent was down 6%\* YoY, but saw a growth in average permanent fees, up +2%\* YoY and yields increased 4%\*.

Continental Europe, which constitutes 63% of our ICT business, was up 12%\* YoY, against a strong prior year growth of 17%\*. Contract GP in this region had an exceptional performance, up 18%\* YoY. Permanent, however, remained flat across the region. DACH, which is our largest Permanent ICT business, saw growth of 7%\* YoY and will remain a key area of investment in 2018.

UK&I, our second largest ICT region remained challenging. ICT in the UK&I includes Public Sector, which was 33% of ICT GP in the region. Public Sector employment reforms and a general slowdown in activity in the UK had an adverse impact which resulted in Contract being down 17%\* YoY and Permanent being down 22%\* YoY.

Our USA business grew 12%\* YoY. Although in 2017 USA is a small proportion of our total ICT business, we are confident that our knowledge and expertise in this sector will enable us to maximise the market opportunity in this region, the largest ICT market in the world, over time.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +4%  | -6%  | +1%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 75%  | 25%  |

#### Avg Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +4%  | -10% | -1%   |

### Banking & Finance

Banking & Finance, represented 15% of Group GP in 2017, making it the third largest sector for the Group. We faced mixed trading conditions in this sector across our geographies, with GP declining by 2%\* YoY. Average headcount in this sector in the year declined by 11% following a restructuring implemented in 2016 in response to difficult conditions in the global Banking market. Period end headcount was down 5%.

Contract, which was 55% of Banking & Finance, is more resilient and has had considerable success, up 6%\*, despite a 7% drop in headcount.

Contract GP yields were up 13%\*. Runners at the end of the year were up 8%, with GPDR up 4%\* YoY. Permanent GP declined, as expected, following a significant reduction in headcount in 2016. GP was down 10%\*, with headcount down 15%. Permanent yields therefore improved 6%\*. Average Permanent fees were down by 1%\* YoY.

Continental Europe, which was our largest region in this sector was up 7%\* YoY. The growth was heavily supported by Contract, which was up 20%\*, with DACH, Benelux & France all showing good growth. Contract Runners for

the region were up 25% YoY, which leaves us with a strong pipeline for 2018. Permanent GP in the region, declined by 9%\* YoY and there was a moderate decline in Permanent average fee down 1%\* YoY.

The UK&I business performance was hampered by uncertainty around the EU referendum leading to cautious hiring decisions. The reduced market confidence was reflected in GP being down 22%\*, with Contract GP down 10%\* YoY and Permanent GP down 45%\*.

\* In constant currency

## Sector Overview

### Banking & Finance (continued)

The USA, which was our second largest Banking & Finance market, saw growth of 2%\* YoY, driven mainly from Permanent which was up 9% YoY. Contract in this region declined

6%\* YoY, but was showing signs of improvement as we exited the year.

While the Banking sector has remained subdued over the last few

years, we will continue to monitor performance in this sector and invest as opportunities arise. We see a strong opportunity for Contract in Continental Europe and Permanent in the USA.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +6%  | -10% | -2%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 55%  | 45%  |

#### Avg Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| -7%  | -15% | -11%  |

### Global Energy

Energy now represents 9% of Group GP. Overall conditions in the Oil & Gas market have stabilised this year and this supported strong growth in GP, up 25%\* YoY (2016: down 29%\* YoY). Although, we have seen growth in this sector in 2017, we remain significantly below our peak performance in 2014. Our average headcount in the sector was up 2%\* YoY and with measured investment in Contract through the year in key markets, our period end headcount was up 17% YoY.

Contract which is 93% of our Energy GP, was up 26%\* YoY, with growth across all our geographies, excluding UK&I. Average Contract headcount was up 4% YoY, with period end

headcount up 19%. Contract yields in the sector were up 21%\* YoY, while GPDR remained flat\* YoY. Contract Runners at the end of the year were up 35%, providing a strong platform for 2018. Permanent, although a small part of Energy GP, was up 15%\* YoY, with yields up 43%\* and average Permanent fees down 16%\* YoY.

Continental Europe, which is 41% of Energy GP, was up 11%\* YoY, with growth in both the Contract and Permanent divisions, up 11%\* and 8%\* respectively. The growth in Contract was across all countries in the region, whereas Permanent growth was concentrated on the Netherlands.

USA, which accounts for 41% of Energy GP, picked up significant upstream and power business though the year. This led to GP being up 71%\* YoY, with Contract, which is the larger part of Energy USA, up 68%\* and Permanent up 117%\* YoY.

UK&I, which is 6% of Energy GP, declined 22%\* YoY. APAC & ME grew 10%\* YoY.

We have noted significant YoY improvements in both Continental Europe and USA this year in both Contract and Permanent. We will continue to remain agile, but cautious, with our future investments in the Energy sector.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +26% | +15% | +25%  |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 93%  | 7%   |

#### Avg Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +4%  | -19% | +2%   |

### Life Sciences

We pride ourselves on being one of the largest global professional recruiters in the Life Sciences market, with growth opportunities across all our geographies and both our divisions. Life Sciences is now 22% of Group GP and was up 7%\* YoY, with average headcount up 3%.

Contract, which represents 64% of Life Sciences GP, was up 15%\* YoY, with growth across all geographies. Contract Runners were up 16% YoY, but GPDR declined 5%\*. Average

headcount was up 9% YoY with our two largest regions, Continental Europe and Americas growing 13% and 8%, respectively. Permanent GP was down 4%\* YoY, with Permanent average fee up 4%\* YoY and Permanent yields down 1%\* YoY. Permanent average headcount declined 3% YoY, however, period end headcount grew 16%.

USA, our largest Life Sciences business, which accounts for 48% of GP, grew strongly, up 13%\* YoY. The growth

was driven by a strong Contract performance, up 18%\* YoY, while Permanent grew 3%\* YoY. We continue to invest in Life Sciences in the USA, which is a key growth market for the Group. Period end headcount was up 24% YoY.

Continental Europe accounts for 38% of Life Sciences GP. GP was up 4%\* YoY, against tough comparatives of 13%\* in 2016. Contract GP in the region was up 12%\* YoY, with excellent growth in Benelux & France, up 59%\*

\* In constant currency

## Sector Review

### Life Sciences (continued)

YoY. Permanent GP, was down 8%\* YoY, against a tough prior year comparative of an increase of 23%\* YoY.

UK&I, which was 11% of our Life Sciences GP, recorded moderate growth of 3%\*. The growth was driven

by Contract, which grew +8%\* YoY, while Permanent declined by 7%\* YoY.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +15% | -4%  | +7%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 64%  | 36%  |

#### Avg Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +9%  | -3%  | +3%   |

### Engineering

Engineering, which was 9% of our Group GP is primarily focused on Continental Europe and UK&I. USA Permanent, a fairly new addition to our Engineering portfolio, has had some initial success, with GP quadrupling YoY. Our average headcount in this sector was up 7% YoY, with most of the headcount increase in Contract. Period end sales headcount was up 26% YoY. We expect further opportunities in this sector as we enter 2018.

Contract, which represents 72% of Engineering GP, was up 17%\* YoY with growth in both UK&I and Continental Europe. Contract Runners are up 17% YoY with GPDR being flat\*. In comparison, Permanent GP was weaker, down 18%\* YoY, with only USA seeing significant growth. Permanent average fees and yields in the sector declined 2%\* and 8%\*, respectively.

Continental Europe, which represents 71% of Engineering GP, was up 2%\*

YoY with Contract up 19%\*, offset by a decline in Permanent down 25%\* YoY. Contract Runners at year end were up 25%, providing a strong pipeline for growth as we enter 2018.

Engineering in the UK&I was up 8%\* YoY, with Contract up 12%\* and Permanent down 5%\* YoY.

#### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +17% | -18% | +5%   |

#### FY 2017 Mix

| Cont | Perm |
|------|------|
| 72%  | 28%  |

#### Avg Sales Headcount Growth YoY

| Cont | Perm | Total |
|------|------|-------|
| +21% | -11% | +7%   |

### Outlook

Looking ahead to 2018, the momentum of our Contract business and the strength of our performances in the USA and Continental Europe leave us well-positioned for further growth.

We have been encouraged by our performance in 2017, particularly in the last quarter, which has provided us with a strong platform to deliver

further growth in the coming year. We will continue to focus our headcount investment to maximise our returns and to pay close attention to productivity in Permanent and in the UK&I. The benefit of the restructuring and relocation of our support service function in the UK is expected to be fully realised during 2019.

Our focus on customers, services and our people, underpinned by investment in technology and innovation, gives us confidence that we are set up for success as we continue on our journey to become the number one STEM talent provider in our markets.

\* In constant currency

## Regional Review - Continental Europe

Continental Europe represents over half of the Group GP. It delivered a robust performance in 2017 (GP 9%\*), with strong delivery in key markets.

### Performance in 2017

Continental Europe is our largest region, representing 52% of Group GP. GP was up 9%\* YoY.

Overall, we delivered strong growth in our largest region, supported by strong labour markets and rising incomes.

Netherlands was a stand out performer where GP grew 20%\* YoY. Strong growth was achieved in Contract across the region. Our Netherlands Contract business grew 27%\* YoY, France Contract grew 16%\* YoY and Germany Contract, up 12%\* YoY. We enter FY18 with a strong Contract runner book up 21% YoY.

### Expectations for 2018

We exit the year with a strong contractor pipeline and a highly focused management team with a clear strategy.

With the implementation of a transformational change programme in Germany, we aligned our structure with external demands. This has improved service delivery, streamlined the organisation structure and improved our attractiveness as an employer. This should help us achieve our growth targets and further improve our client satisfaction.



David Rees  
CEO Continental Europe

Permanent, however, declined 7%\*, with average sales headcount down 5%.

ICT, our largest sector, grew 12%\* and continues to be the strongest growth market in the region, with ICT Contract up 18%\* and Permanent flat\*.

We have opened offices in two new countries, Austria and Spain, both of which have strong STEM opportunities and enable us to follow our clients into new countries.

In line with our Group strategy, we will continue to invest in Contract throughout 2018, where we see market opportunities. We will focus on improving Permanent productivity, with selective headcount investments.

Our investment in the Employee Contractor Model ('ECM') in 2017 has helped the region increase the number of contractors. We expect to leverage this further in 2018 across the region.

Overall, we are encouraged by the strong growth and expect this to continue in 2018.

|                  |       |
|------------------|-------|
| ICT GP           | +12%* |
| Netherlands GP   | +20%* |
| Contract Runners | +21%  |

### GP - Growth YoY\*

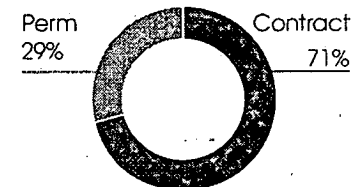
|      |        |      |
|------|--------|------|
| 2017 | 150.6m | +9%  |
| 2016 | 127.5m | +13% |
| 2015 | 103.2m | +14% |
| 2014 | 99.4m  | +12% |

### Sales Headcount - YoY

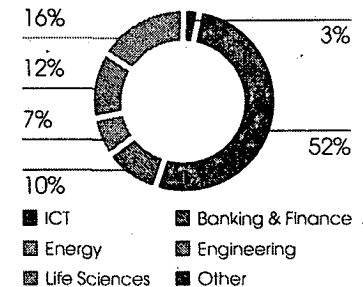
|      |       |      |
|------|-------|------|
| 2017 | 1,231 | +18% |
| 2016 | 1,045 | +4%  |
| 2015 | 1,002 | +11% |
| 2014 | 899   |      |

### FY 2017 -

#### Contract / Permanent Mix



### FY 2017 - Sector Mix



### GP Growth YoY\*

|      |      |       |
|------|------|-------|
| Cont | Perm | Total |
| +17% | -7%  | +9%   |

### Avg. Sales HC

|      |      |       |
|------|------|-------|
| Cont | Perm | Total |
| +21% | -5%  | +10%  |

\* In constant currency

## Regional Review - UK & Ireland

UK&I now represents 19% of the Group GP. Political and economic uncertainty continue to adversely impact the region.

### Performance in 2017

UK&I represents 19% of Group GP after GP fell 14%\* YoY.

It has been a challenging year for the UK dominated by further uncertainty. The 'Brexit' negotiations and the UK's snap general election affected market confidence leading to a decline in both our divisions. Further reforms to employment in the Public Sector have continued to adversely impact this market.

Contract GP in the UK&I was down 11%\* and Permanent GP down 22%\*. The contract division is generally more resilient to tough market conditions, but was exacerbated by pricing pressures and changes to the IR35 Intermediaries Regulation in the

### Expectations for 2018

We step into 2018 with continued uncertainty, 'Brexit' uncertainty, increasing inflation and suppressed GDP growth rates for the UK, being in the forefront of our minds, we expect to hold the UK&I headcount broadly flat.



Mike Walker  
Managing Director UK&I

Public Sector. We have tendered to these regulations and demonstrated our credentials in providing a high quality, compliant service.

We have seen a positive performance in Life Sciences Contract which has grown GP 8%\* YoY. Permanent Average Fees in Life Sciences are up 11%\* YoY providing a positive trend in this sector.

ICT and Banking & Finance, our two largest sectors in the region, continued to decline. However, we saw improvements in our Engineering GP which grew 8%\* YoY. We have invested in strong management internally and a weak Sterling is creating an improved export market.

We expect to remain flexible in allocating our resources to maximise market opportunity and adapt to all legislation changes in the region as needed, including the recently announced consultation on IR35 Intermediaries Legislation in the Private Sector.

|                           |       |
|---------------------------|-------|
| Contract Engineering GP   | +12%* |
| Contract Life Sciences GP | +8%*  |
| Permanent Average Fee     | +4%*  |

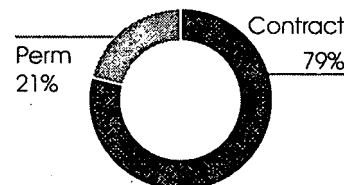
### GP - Growth YoY\*

|      |       |      |
|------|-------|------|
| 2017 | 55.7m | -14% |
| 2016 | 64.0m | -8%  |
| 2015 | 69.5m | +5%  |
| 2014 | 66.3m | +9%  |

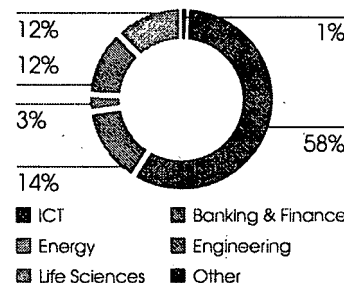
### Sales Headcount - YoY

|      |     |      |
|------|-----|------|
| 2017 | 511 | -3%  |
| 2016 | 530 | -16% |
| 2015 | 634 | +5%  |
| 2014 | 604 |      |

### FY 2017 - Contract / Permanent Mix



### FY 2017 - Sector Mix



### GP Growth YoY\*

|      |      |       |
|------|------|-------|
| Cont | Perm | Total |
| -11% | -22% | -14%  |

### Avg. Sales HC

|      |      |       |
|------|------|-------|
| Cont | Perm | Total |
| -10% | -17% | -12%  |

\* In constant currency

## Regional Review - USA

USA is now the second largest and, in 2017, the fastest growing region in the Group. It delivered a strong performance with Contract GP up 21%\* and Permanent GP up 12%\*.

### Performance in 2017

The USA is now our second largest region, representing 22% of Group GP. It was our fastest growing region in 2017, up 18%\*.

Our strong performance in 2017 was across both Contract 21%\* and Permanent 12%\*. It reflects a significant improvement in GP yields, primarily driven by a recovery in the Energy and Banking markets which experienced weakness in 2016.

The region experienced growth across Energy, Life Sciences and ICT. Energy GP was up 71%\* as we expanded our services to key clients. Life Sciences, our largest sector in the region grew

13%\*. ICT grew by 12%\*. We continue to see further opportunities for growth in all our markets.

Our Permanent division in the region has performed well this year, up 12%\* with excellent yields. Banking & Finance and Energy were the key drivers of this success.

With increased confidence in the region, headcount build has resumed on Permanent and Contract in the second half of the year. Although the average headcount in 2017 is down 8% YoY, period end sales headcount is up 15%.

### Expectations for 2018

With a good exit rate on Contract runners, up 14%, especially in Energy, and excellent Permanent yields, we expect to continue our strong growth into 2018. We will continue to invest headcount in high yielding markets as and when we see opportunities. We have opened a new office in Washington D.C. in December to service the needs of our clients.

We are confident that we have the right team and structure to deliver a

high quality service to our clients and continue to penetrate the largest recruitment market in the world. We remain agile to cater for any risks or opportunities that are posed by the market.

Morgan Kavanagh heads up the USA, following the departure of Steve Quinn (former CEO Americas) in September.



Morgan Kavanagh  
Managing Director, USA

|                  |       |
|------------------|-------|
| Energy GP        | +71%* |
| Life Sciences GP | +13%* |
| Contract Runners | +14%  |

### GP - Growth YoY\*

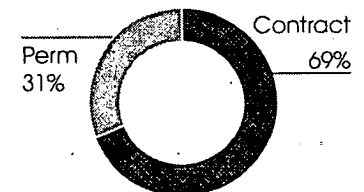
|      |       |      |
|------|-------|------|
| 2017 | 64.4m | +18% |
| 2016 | 50.7m | -    |
| 2015 | 45.5m | +26% |
| 2014 | 33.4m | +73% |

### Sales Headcount - YoY

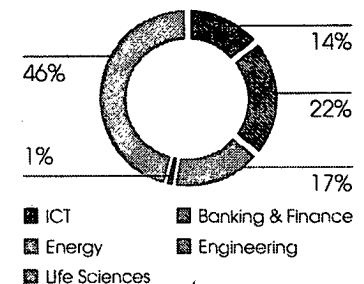
|      |     |      |
|------|-----|------|
| 2017 | 353 | +15% |
| 2016 | 307 | -17% |
| 2015 | 370 | +34% |
| 2014 | 277 | -    |

### FY 2017 -

#### Contract / Permanent Mix



### FY 2017 - Sector Mix



### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +21% | +12% | +18%  |

### Avg. Sales HC

| Cont | Perm | Total |
|------|------|-------|
| -8%  | -9%  | -8%   |

\* In constant currency

## Regional Review - APAC & ME

Restructuring of the region has continued over several years. Hong Kong was restructured in FY17 to improve profitability and focus on faster growth areas such as Dubai Contract and Japan Permanent.

### Performance in 2017

APAC and Middle East represent 7% of Group GP, after GP fell 4% YoY. The region includes Australia, Singapore, Japan, Hong Kong and Dubai.

This diverse region has continued to be impacted by weaker Energy and Banking & Finance markets. Conditions continue to be challenging in both these markets for the region. The business has been restructured over several years, reducing headcount to match market demand and reduce the losses generated by the region.

A further restructuring of the region was made in the year with a restructure of our Hong Kong office. Our focus is now on penetration of markets with higher fees and stronger structural growth opportunities. Japan, the

second largest recruitment market in the world, is a key focus. We have made significant progress in Japan in the year with our Permanent GP up 30%\* YoY and the establishment of a Contract business.

Australia, our largest Contract business in the region is up 20%\* YoY, mainly driven from ICT. However, we have noted a slowdown in the ICT market as we exit the year.

Dubai, our second largest Contract business in the region, has seen a significant improvement, with Contract GP up 49%\* YoY. The growth in Dubai is largely driven by the Energy market, where we focus on large, international service companies, but Banking has also shown modest growth in the year.

### Expectations for 2018

Japan will be our key growth market in the APAC region and will be managed for growth, while others will be managed to maximise profitability.

Middle East Contract will be monitored closely to ensure timely investments are being made as necessary.



Justin Hughes  
CEO APAC & ME

|                        |       |
|------------------------|-------|
| Contract GP            | +24%* |
| Japan Permanent GP     | +30%* |
| Dubai Contract Runners | +34%  |

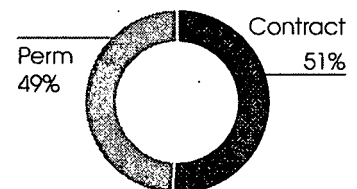
### GP - Growth YoY\*

|      |       |      |
|------|-------|------|
| 2017 | 17.0m | -4%  |
| 2016 | 16.4m | -15% |
| 2015 | 17.5m | -6%  |
| 2014 | 19.1m | +12% |

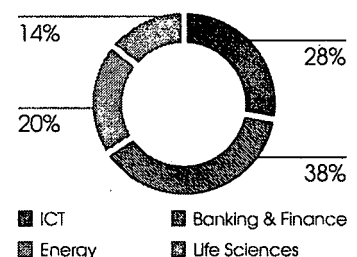
### Sales Headcount - YoY

|      |     |      |
|------|-----|------|
| 2017 | 161 | -1%  |
| 2016 | 163 | -9%  |
| 2015 | 180 | -28% |
| 2014 | 250 |      |

### FY 2017 - Contract / Permanent Mix



### FY 2017 - Sector Mix



### GP Growth YoY\*

| Cont | Perm | Total |
|------|------|-------|
| +24% | -22% | -4%   |

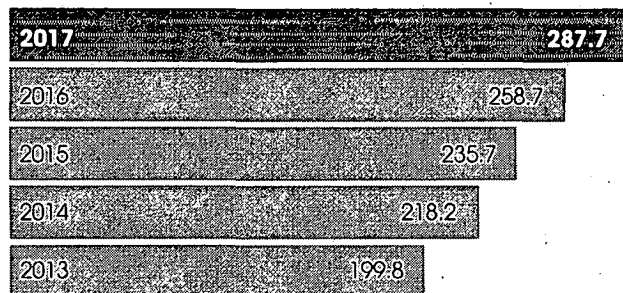
### Avg. Sales HC

| Cont | Perm | Total |
|------|------|-------|
| -6%  | -17% | -14%  |

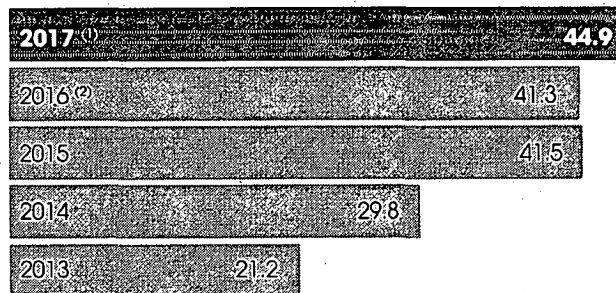
\* In constant currency

## Five Year Financial Review

### Gross Profit (£m)



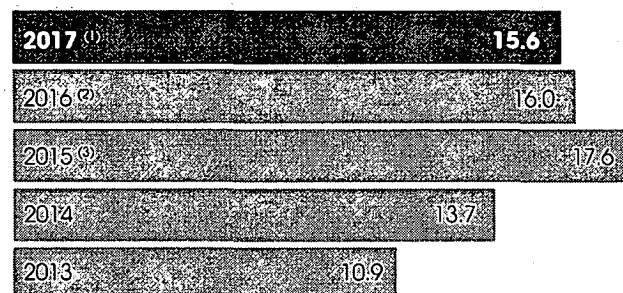
### Operating Profit (£m)



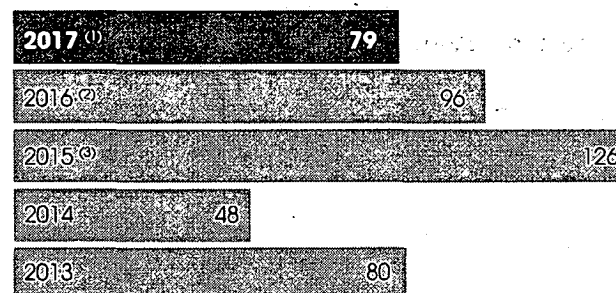
### Adjustments to Profit Before Tax

| £'million  | 2017 | 2016 |
|--|------|------|
| Reported profit before tax after exceptional items       | 37.7 | 37.3 |
| Exceptional strategic restructuring costs <sup>(1)</sup> | 6.7  | -    |
| Reported profit before tax and exceptional items         | 44.5 | 37.3 |
| Non-exceptional restructuring costs <sup>(2)</sup>       | -    | 3.5  |
| Adjusted profit before tax                               | 44.5 | 40.8 |

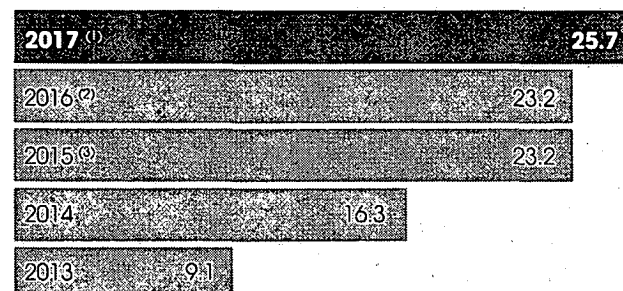
### Conversion Ratio (%)



### Cash Conversion (%)



### Basic Earnings per Share (pence)



### Notes

- (1) 2017 figures were adjusted for the impact of £6.7 million of exceptional strategic restructuring costs.
- (2) 2016 figures were adjusted for the impact of £3.5 million in restructuring of certain sales businesses and central support functions.
- (3) 2015 figures exclude the impact of £0.4 million exceptional gain and were also adjusted for Energy restructuring and impairment costs of £3.1 million.

## Chief Financial Officer's Review

In 2017, we delivered a robust financial performance ahead of market expectations. Our improved operational performance was further supported by currency appreciation against the pound, which enhanced growth in our Revenue, Gross Profit and Profit Before Tax.

Alex Smith

SThree Chief Financial Officer

### Income Statement

Revenue for the year was up 9% on a constant currency basis to £1.1 billion (2016: £959.9 million) and up 16% on a reported basis. On a constant currency basis, Gross Profit ('GP') increased by 4%, and on a reported basis by 11% to £287.7 million (2016: £258.7 million) supported by foreign exchange tailwinds of c.£18.1 million. Growth in revenue exceeded the growth in GP as the business continued to remix towards Contract. Contract represented 71% of the Group GP

in the year (2016: 67%). This change in mix resulted in a decrease in the overall GP margin to 25.8% (2016: 26.9%) as Permanent revenue has no cost of sale, whereas the cost of paying the contractor is deducted to derive Contract GP. The Contract margin remained robust at 19.8% (2016: 19.9%).

Reported profit before tax was broadly flat at £37.7 million. Restructuring costs have been incurred in the current and prior year.

We have reported certain KPIs on an 'Adjusted' basis to provide a more like-for-like view of performance. Adjusted profit before tax was up 9% at £44.5 million (2016: £40.8 million) supported by foreign exchange tailwinds of c.£5.0 million. On a constant currency basis, our adjusted profit before tax was down 3%. This is reflected in a decline in our operating profit conversion ratio of 0.4 percentage points to 15.6% (2016: 16.0%).

#### Gross Profit Growth

**+4%\*** to **£287.7m**  
2016: +2% to £258.7m

#### Adjusted Profit Before Tax

**+9%** to **£44.5m**  
(-3% in constant currency)  
2016: flat at £40.8m

#### Net Cash Balance

**£5.6m**      2016: £10.0m

#### Adjusted Basic Earnings per Share

**+11%** to **25.7p**  
2016: 23.2p



\* In constant currency

## Chief Financial Officer's Review

### Income Statement (continued)

Our operating performance in the period has been strong with increased sales team yields driving our GP growth, but our cost base has increased as we invest in innovation, to secure the future of our business, and incurred other non-exceptional restructuring costs in the year.

#### Adjusted Operating Profit £m

|             |             |
|-------------|-------------|
| <b>2017</b> | <b>44.9</b> |
| 2016        | 41.3        |
| 2015        | 41.5        |
| 2014        | 29.8        |

#### Adjusted Operating Profit Conversion Ratio

|             |              |
|-------------|--------------|
| <b>2017</b> | <b>15.6%</b> |
| 2016        | 16.0%        |
| 2015        | 17.6%        |
| 2014        | 13.7%        |

### Key Financial information

|                                  | 2017                    |          | 2016                    |          | Variance <sup>(3)</sup> |                            |
|----------------------------------|-------------------------|----------|-------------------------|----------|-------------------------|----------------------------|
|                                  | Adjusted <sup>(1)</sup> | Reported | Adjusted <sup>(2)</sup> | Reported | Actual Movement         | Constant Currency Movement |
| Revenue (£ million)              | 1,114.5                 | 1,114.5  | 959.9                   | 959.9    | +16%                    | +9%                        |
| Gross profit (£ million)         | 287.7                   | 287.7    | 258.7                   | 258.7    | +11%                    | +4%                        |
| Operating profit (£ million)     | 44.9                    | 38.2     | 41.3                    | 37.8     | +9%                     | -3%                        |
| OP Conversion ratio (%)          | 15.6%                   | 13.3%    | 16.0%                   | 14.6%    | -0.4%pts                | -1.2%pts                   |
| Profit before tax (£ million)    | 44.5                    | 37.7     | 40.8                    | 37.3     | +9%                     | -3%                        |
| Basic earnings per share (pence) | 25.7p                   | 21.5p    | 23.2p                   | 21.2p    | +11%                    | -1%                        |
| Proposed final dividend (pence)  | 9.3p                    | 9.3p     | 9.3p                    | 9.3p     | Flat                    | Flat                       |
| Total dividend (pence)           | 14.0p                   | 14.0p    | 14.0p                   | 14.0p    | Flat                    | Flat                       |
| Net cash (£ million)             | 5.6                     | 5.6      | 10.0                    | 10.0     |                         |                            |

(1) 2017 figures were adjusted for the impact of £6.7 million of exceptional strategic restructuring costs.

(2) 2016 figures were adjusted for the impact of £3.5 million of restructuring costs.

(3) All variances compare adjusted 2017 against adjusted 2016 to provide a like-for-like view

### Restructuring costs ('Adjusting items')

On 1 November 2017, as part of a strategic reassessment of our UK operations, we announced that we were commencing a consultation with employees on the proposed relocation of support functions away from our London headquarters to a new facility located in Glasgow, along with a restructuring of the marketing department. The purpose of this strategic restructuring is to realise cost savings of approximately £4 - £5 million per annum.

The restructuring is expected to result in certain material one-off costs totalling approximately £14 million to £16 million, of which an estimated

£15 million is operating expenses and approximately £0.5 million is property fit out costs (to be capitalised), less approximately £2 million of grants receivable from Scottish Enterprise. The costs are mainly related to people, property and professional advisor fees.

Exceptional costs of £6.7 million have been recognised and separately disclosed in the Income Statement in 2017, including £1.1 million of restructuring costs incurred or accrued, mainly for professional fees, and £5.6 million as a provision for redundancy costs. The additional exceptional cost to set up a centre

of excellence in Glasgow in 2018 is expected to be between £8 million and £9 million, with a grant of up to c.£2 million potentially receivable over several years.

In the prior year, we carried out a restructuring of certain sales businesses and central support functions in response to the adverse market conditions in certain sectors and regions. These actions resulted in one-off redundancy costs of £3.5 million.

Due to their nature and magnitude, the restructuring costs in the 2017 and 2016 financial years have been separately highlighted to help

## Chief Financial Officer's Review

### Restructuring costs ('Adjusting Items') (continued)

readers understand the Group's underlying results for the year ('Adjusted'). The Group's adjusted profit KPIs for the year are presented in various sections of this Annual Report. The strategic nature and material cost of the restructuring of support functions announced in 2017 is of sufficient magnitude to warrant separate disclosure as an exceptional item on the face of the Consolidated Income Statement, in line with our accounting policy.

A reconciliation of 'Adjusting Items' is provided below:

| £'million  | 2017 | 2016 |
|--|------|------|
| Reported profit before tax after exceptional items | 37.7 | 37.3 |
| Exceptional strategic restructuring costs          | 6.7  | -    |
| Reported profit before tax and exceptional items   | 44.5 | 37.3 |
| Non-exceptional restructuring costs <sup>(1)</sup> | -    | 3.5  |
| Adjusted profit before tax                         | 44.5 | 40.8 |

(1) 2016 figures were adjusted for the restructuring of certain sales businesses and central support functions.

### Operating costs

Adjusted operating costs, excluding one-off restructuring costs of £6.7 million (2016: £3.5 million), increased by 12% to £242.8 million (2016: £217.4 million). The increase was mainly driven by an adverse foreign exchange impact of c.£13 million, focused expenditure on Innovation (c.£2 million), management delayering (c.£1.2 million) and a restructure of our Hong Kong business (c.£0.4 million).

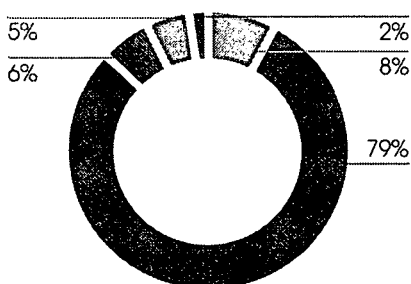
Payroll costs represent 79% of our cost base. Average total headcount was flat at 2,668, with total sales headcount down 1%. The drop in average sales headcount is attributable to a restructuring of our Permanent business, in which headcount was significantly reduced in the second half of 2016 in response to market conditions. Selective headcount build continued throughout 2017. Improvements in consultant productivity and the strength of market activity provided

management with the confidence to invest in headcount in the USA and Continental Europe in the second half of the year. Year-end headcount was up 11% at 2,866.

Year-end sales headcount represented 79% of the total Group headcount.

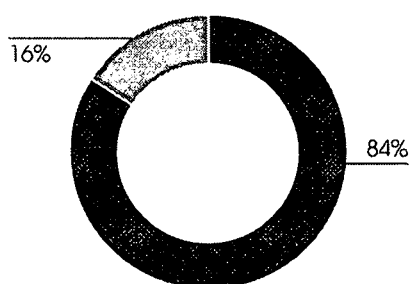
The full benefits of the restructure of our UK Support function on personnel and property costs are expected to be realised from the financial year 2019 onwards.

Cost Base



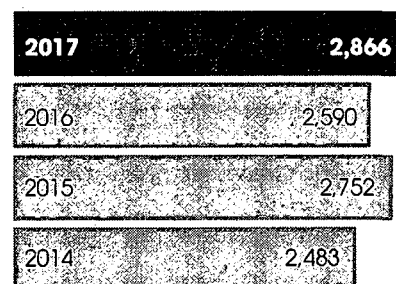
■ Payroll ■ Property ■ IT & Professional  
■ Advertising ■ Other

Payroll Costs



■ Sales ■ Support Services

Year-End Total Headcount



## Chief Financial Officer's Review

### Investments

During the year, we invested in a number of innovation start-ups (£1.2 million), created our own innovation incubator (c.£2 million) and invested in new technology to serve the needs of our customers (£3.4 million, of which £1.9 million in the year was spent on developing a new contract management system and a contractor timesheet application).

Our most significant investment in innovation start-ups was a 30% non-controlling interest in the share

capital of HRecTech Sandpit Limited ('HRecTech') for a total consideration of £0.8 million. The Sandpit Limited is a privately owned group that specialises in developing early stage start-up companies within defined markets.

We continued to support Ryalto in which we have an 18% investment, purchasing convertible bonds for a total consideration of \$0.5 million (£0.4 million) in October 2017.

The bulk of our investment in our own

innovation incubator was focused on Talent Deck, a recruitment platform focused on cultural fit and automated matching that is now in the initial stages of its roll-out. We expect to increase the amount spent on the creation of innovative products to c.£3 million in the current financial year.

We expect to reduce our investment in non-innovation technology spend in the current financial year as we relocate our IT function.

### Impairment of investment in subsidiaries (Company only)

During the year, we reviewed the recoverable amount of the Company's own portfolio of investments, including SThree UK Holdings, which in turn owns SThree Partnership LLP, and determined that an impairment loss of £88 million needs to be recognised due to the

significant downturn in the trading performance and prospects of the UK business. This was the result of several factors, including: the unfavourable impact of the ongoing political uncertainties following the EU referendum on trading in the Permanent division and Banking

sector; changes in working practices in the Public Sector, namely IR35 and framework agreements, and reduced margins impacting the profitability of the UK region. After booking this impairment, the distributable retained earnings were £179.9 million (£2016: £267.3 million).

### Taxation

The tax charge on pre-exceptional statutory profit before tax for the year was £11.4 million (2016: £10.1 million), representing an effective tax rate ('ETR') of 25.6% (2016: 27.0%). The ETR on post-exceptional statutory profit before tax was 26.7% (2016: 27.0%).

The ETR primarily reflects our geographical mix of profits and a cautious approach to recognising assets on tax losses. The ETR will also be influenced by any changes to tax rates and legislation, which may result in certain expenses not allowable for tax, non-taxable income or enhanced tax deductions such as

research and development tax credits.

US Tax Reform legislation passed on 20 December 2017 sees the reduction in the federal corporate tax rate from 35% to 21%. This will have an overall positive impact on our business with an estimated annual tax saving of £1 million at current levels of profitability. This is a non-adjusting post balance sheet event. The full benefit of this will largely be offset in the first year by the reduction in the deferred tax asset.

Other regulatory changes which may impact the group in future years include:

- (i) The extent to which the OECD member countries continue to implement changes to domestic legislation as a result of recommendations from the Base Erosion and Profit Shifting project.
- (ii) The October 2017 announcement of the European Union Competition Commissioner's State Aid investigation into the UK's Controlled Foreign Company legislation.

We will continue to monitor and assess the impact of any changes as they are implemented.

### Earnings per share ('EPS')

On an adjusted basis, EPS was up by 2.5 pence at 25.7 pence (2016: adjusted 23.2 pence), due to an increase in the adjusted profit before tax and a drop in the effective tax rate.

On a reported basis, EPS remained broadly flat at 21.5 pence, up 0.3 pence on the prior year (2016: 21.2 pence), attributable mainly to an increase in restructuring costs as

explained above. The weighted average number of shares used for basic EPS remained stable at 128.6 million (2016: 128.3 million). Reported diluted EPS was 20.8 pence

## Chief Financial Officer's Review

### Earnings per share ('EPS') (continued)

(2016: 20.6 pence), up 0.2 pence. Share dilution mainly results from various share options in place and expected future settlement of certain tracker shares. The dilutive effect on EPS from

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

Adjusted Basic EPS (pence)

|             |             |
|-------------|-------------|
| <b>2017</b> | <b>25.7</b> |
| 2016        | 23.2        |
| 2015        | 23.2        |
| 2014        | 16.3        |

### Dividends

In line with the Group's strategy to operate a policy of financing the activities and development of the Group from retained earnings and to maintain a strong balance sheet position, the Board has proposed a maintained final dividend of 9.3 pence per share (2016: 9.3 pence).

Taken together with the interim dividend of 4.7 pence per share (2016: 4.7 pence), this brings the total dividend for the year to 14.0 pence per share (2016: 14.0 pence). This represents a dividend yield of 4% based on the average share price for the year (2016: 5%). The final

dividend, which amounts to c.£12.1 million, will be subject to shareholder approval at the 2018 Annual General Meeting. It will be paid on 8 June 2018 to shareholders on the register on 27 April 2018.

### Share options and tracker share arrangements

We recognised a share-based payment charge of £3.3 million during the year (2016: £2.9 million) for the Group's various share-based incentive schemes. The greater charge in 2017 is primarily due to an increase in the number of participants in the 2017 Long Term Incentive Plan ('LTIP'), and an improvement in regional performance metrics for legacy LTIPs.

We also operate a tracker share model to help retain and motivate our entrepreneurial management within the business. The programme gives our most senior front office sales colleagues a chance to invest in a business they manage with the support and economies of scale that the Group can offer them. In 2017, 38

employees invested an equivalent of £0.4 million in 15 Group businesses.

We settled certain vested tracker shares during the year for a total consideration of £3.2 million (2016: £4.6 million) which was determined using a formula in the Articles of Association underpinning the tracker share businesses. We settled the consideration in SThree plc shares either by issuing new shares (393,910 new shares were issued on settlement of vested tracker shares in 2017) or treasury shares (in total 647,507 were used in settlement of vested tracker shares in 2017). Consequently, the arrangement is deemed to be an equity-settled share-based payment arrangement under IFRS 2

'Share-based payments'. There is no charge to the income statement as initially the tracker shareholders subscribed to the tracker shares at their fair value. We expect future tracker share settlements to be between £5 million to £15 million per annum. These settlements will either dilute the earnings of SThree plc's existing ordinary shareholders if funded by new issue of shares or will result in a cash outflow if funded via treasury shares.

Note 1 to the financial statements provides further details about all Group-wide discretionary share plans, including the tracker share arrangements.

### Balance sheet

At 30 November 2017, the Group's net assets increased to £80.7 million (2016: £75.7 million), mainly due to the excess of net profit over the dividend payments and share buy backs during the year supported by a strengthening of the Euro vs Sterling.

The most significant item in our statement of financial position is

trade receivables (including accrued income) which increased to £217.7 million (2016: £182.6 million), with £2.3 million of the increase due to a favourable change in foreign exchange rate. Other drivers of an increase in receivables are a three day increase in Days Sales Outstanding to 40.6 days (2016: 37.5 days) and a 14%

increase in Contract GP in Q4 year-on-year. Trade and other payables increased from £138.9 million to £159.6 million, with £2.2 million due to movements in foreign exchange rates and the remainder primarily due to an increase in Contract GP. Creditor days were 18 days (2016: 19 days). Provisions increased by

## Chief Financial Officer's Review

### Balance sheet (continued)

£8.7 million primarily due to a £6.7 million increase in restructuring

provisions, including a provision for the relocation of central support

functions from London to Glasgow (£5.6 million).

### Cash Flow Bridge 2017

On an adjusted basis, we generated lower cash from operations of £41.1 million (2016: £46.9 million on an adjusted basis) due to continued growth of the contract runner book increasing our working capital and an increase in Days Sales Outstanding. This resulted in a lower cash conversion ratio of 78.6% (2016: 96%) on an adjusted basis or 90.2% (2016: 95.0%) on a reported basis.

Capital expenditure reduced to £5.8 million (2016: £7.2 million), of which 33% was related to investments in innovative technology to improve our customer experience. We expect capital expenditure will further decline in 2018. Investments in associates and available for sale assets of £1.2 million (2016: £0.7 million) were made in the year.

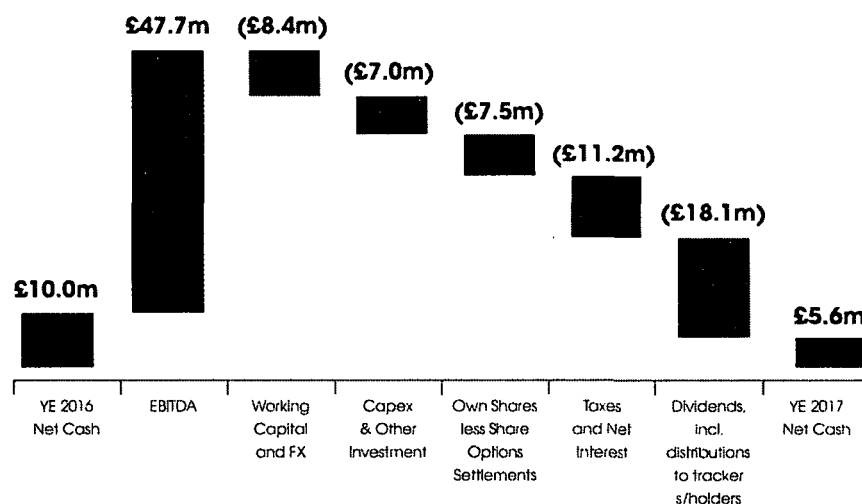
During the year, SThree plc bought back shares amounting to £7.8 million (2016: £6.8 million) to satisfy employee share schemes in future periods. Small cash inflows were generated from share based payment schemes.

Income tax payments increased to £10.9 million (2016: £8.5 million). The figures shown for 2016 reflected a lower than usual outflow due to advanced tax payments made in 2015. Small cash outflows were made for interest payments.

Dividend payments were £18.0 million (2016: £18.0 million) and there was

a small cash outflow representing distributions to tracker shareholders.

We started the year with the net cash of £10.0 million and closed the financial year with a lower but solid net cash balance of £5.6 million. The year-on-year decrease primarily reflected increased cash absorbed in working capital.



Note: EBITDA includes share based payments and other non-cash items

### Treasury management

We finance the Group's operations through equity and bank borrowings. The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. We intend to continue this strategy while maintaining a strong balance sheet position. In general, we do not keep excess cash in any of the countries in which we operate. We have central cash pooling facilities in place for Euros and US Dollars.

We maintain a committed Revolving Credit Facility ('RCF') of £50 million, along with an uncommitted £20 million accordion facility, with Citibank and HSBC, giving the Group an option to increase its total borrowings to £70 million for general corporate purposes. We also have a separate £5 million overdraft facility with RBS. At the year end the Group had drawn down £12 million (2016: £nil) on these facilities.

The RCF is subject to financial covenants whereby we need to

maintain a ratio of net debt to adjusted EBITDA of 2.0 times or lower, and maintain interest cover of at least 1.2. In 2017, we ended the year with significant headroom on our covenants, with a net cash balance of £5.6 million and interest cover (including dividends) of 3:1. The funds borrowed under this facility bear interest at an annual rate of 1.3% above 3 month LIBOR giving an average interest rate of 1.5% during the year (2016: 1.8%). The finance

## Chief Financial Officer's Review

### Treasury management (continued)

costs for the year amounted to £0.4 million (2016: £0.5 million). The RCF expires in May 2019 and we will renew the facility in the first half of 2018.

The Group's UK-based treasury function manages the Group's treasury risks in accordance with policies and procedures set by the Board, and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; the investment of surplus funds; and the management of the Group's interest rate and foreign exchange risks. The treasury function does not engage in speculative transactions or operate as a profit centre.

### Foreign exchange

Foreign exchange volatility continues to be a significant factor in the reporting of the overall performance of the business with the main functional currencies of the Group entities being Sterling, the Euro and the US Dollar. For 2017, movements in exchange rates between Sterling and the Euro and the US Dollar provided a strong tailwind to the reported performance of the Group with the highest impact coming from Eurozone countries. Over the course of the year, the exchange rate movements increased our reported 2017 GP and operating profit by c.£18.1 million and £5.0 million, respectively. Our financial performance KPIs remain materially sensitive to exchange rate movements. By way of illustration, each one percent movement in annual exchange rates of the Euro and the US Dollar against Sterling impacted our 2017 GP by £1.5 million and £0.6 million, respectively, and operating profit by £0.5 million and £0.2 million, respectively.

The Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management to provide the Group with protection against adverse movements in the Euro and the US dollar during the settlement period. The Group does not use derivatives to hedge translational foreign exchange exposure in its balance sheet and income statement.



## Key Performance Indicators

By implementing centrally designed strategic priorities, all of our businesses in 16 countries work together towards the same Group objectives: grow Group Gross Profit; increase earnings and shareholder returns; drive strong cash conversion; foster a skilled, motivated and engaged team; drive business growth in Contract and an improvement in Permanent yields; run efficient and socially responsible operations; and provide an excellent experience to our customers. Our key performance indicators ('KPIs') help the Board of Directors and Executive Management assess returns to shareholders and performance against our six strategic priorities.

### Strategic priorities



1. Grow and extend region sectors and services



2. Develop and sustain great customer relationships



3. Focus on Contract, drive Permanent profitability



4. Generate incremental revenues through Innovation and M&A



5. Build infrastructure for leveraged growth



6. Find, retain and develop great people

### Changes to KPIs

We have updated some of our KPIs this year to better align to our evolved strategy and future remuneration policy.

- We have replaced Adjusted Operating Profit with Adjusted Profit Before Tax.

- We have added Female Representation in Key Sales Roles and Employee Net Promoter Score as these will align with the measure used for executive remuneration.
- We have added Investments in Carbon Offsetting Initiatives, as a KPI to report on Group progress

in minimising our environmental footprint.

- We have added Customer Net Promoter Score as a measure to track progress made in developing and sustaining great customer relationships.

## Key Performance Indicators

There are two categories of KPIs: financial and non-financial.

## Group Financial KPIs

| Objective: Grow Group Gross Profit       | KPI   | 2017 Performance  |  | Link to strategy |
|--|---|---|--|------------------|
|  | <b>1. Gross Profit</b><br>Revenue less cost of sales.<br>Also known as Net Fee Income.<br><br><b>Purpose:</b> A broad indicator of how the business is trading and growing over time. Used for 2017 Group LTIP strategic objective.                                       | <b>£287.7m +11% (+4%*)</b><br><br>Gross Profit £m<br>             | Group gross profit was up this year, on an FX tailwind of £1.8 million and growth in our Contract business, especially in Continental Europe.  |                  |
|  | <b>2. Contract Margin</b><br>Contract gross profit as a percentage of Contract revenue.<br><br><b>Purpose:</b> Increasing margins is an indicator of business quality and the service we offer.   | <b>19.8% flat</b><br><br>Contract Margin<br>                      | Contract gross margin remained broadly flat on prior year, owing to high pressure on margin from the existing clients in Oil & Gas, and Banking sectors.   |                  |
|  | <b>3. Consultant Yield</b><br>Gross profit divided by the Group average sales headcount divided by 12.<br><br><b>Purpose:</b> This is an indicator of the productivity of the sales teams.  | <b>£11.5k +12%</b><br><br>Consultant Yield<br>                    | The increase in consultant yield is attributable to an increased mix towards higher margin regions, a remix towards Contract, and maintaining the level of headcount/lower churn.                                      |                  |
| Objective: Increase earnings and returns | <b>4. Adjusted Profit Before Tax</b><br>Gross Profit less administrative expenses, less interest before adjusting items.<br><br><b>Purpose:</b> A broad indicator of how the business is trading and how efficient we are in managing our cost base. Used for Group STIP. | <b>£44.5m +9% (-3%*)</b><br><br>Adjusted Profit Before Tax £m<br> | Profit Before Tax was up on last year largely due to an FX tailwind of £5 million. A reduction on a constant currency basis has arisen as we invest in service infrastructure and innovation to support future growth. |                  |
|  | <b>5. Total Shareholder Return ('TSR')</b><br>Share price growth plus dividends.<br><br><b>Purpose:</b> Used by investors to assess growth in share price vs other companies. Used for Group LTIP.  | <b>19.1% +31% pts</b><br><br>Total Shareholder Return<br>         | The increase in TSR primarily reflects an increase in confidence in the business and the global macro-economic conditions.   |                  |

## Key Performance Indicators

## Group Financial KPIs (continued)

| Objective: Increase earnings and returns | KPI  | 2017 Performance  |  | Link to strategy |      |       |      |        |      |       |  |  |
|--|--|---|--|------------------|------|-------|------|--------|------|-------|--|--|
|  | <b>6. Adjusted Basic Earnings per Share ('EPS')</b>  | 25.7p +11%**  | Adjusted Basic EPS increased due to the increase in profit before tax and a consistent effective tax rate. The weighted average number of shares in issue during the period was broadly flat at 128.6 million (2016: 128.3 million).                   | 1<br>3<br>5      |      |       |      |        |      |       |  |  |
|  | Profit after tax before adjusting items divided by the weighted average number of shares in issue during the year.<br><b>Purpose:</b> Used by investors to assess return of a business vs share price. Used for Group LTIP vesting in conjunction with determining the Group historical PE ratio for tracker share settlements | Adjusted Basic EPS (pence)<br><table border="1"> <tr><td>2017</td><td>25.7</td></tr> <tr><td>2016</td><td>23.2</td></tr> <tr><td>2015</td><td>23.2</td></tr> <tr><td>2014</td><td>16.3</td></tr> </table>                     | 2017   | 25.7             | 2016 | 23.2  | 2015 | 23.2   | 2014 | 16.3  |  |  |
| 2017                                     | 25.7   |   |  |                  |      |       |      |        |      |       |  |  |
| 2016                                     | 23.2   |   |  |                  |      |       |      |        |      |       |  |  |
| 2015                                     | 23.2   |   |  |                  |      |       |      |        |      |       |  |  |
| 2014                                     | 16.3   |   |  |                  |      |       |      |        |      |       |  |  |
|  |  | ** Excludes the impact of £6.7m restructuring costs (2016: £3.5m).  |  |                  |      |       |      |        |      |       |  |  |
|  | <b>7. Adjusted Operating Profit Conversion Ratio</b>   | 15.6% -0.4% pts**   | The decrease is due to adjusted operating profit growing at a slower rate than gross profit (see above).   | 1<br>3<br>5      |      |       |      |        |      |       |  |  |
|  | Operating profit before adjusting items stated as a percentage of gross profit.<br><b>Purpose:</b> It measures sales team productivity, how effective we are at controlling costs associated with underlying operations and our support costs. Used for Group STIP.  | Adjusted Operating Profit Conversion Ratio<br><table border="1"> <tr><td>2017</td><td>15.6%</td></tr> <tr><td>2016</td><td>16.0%</td></tr> <tr><td>2015</td><td>17.6%</td></tr> <tr><td>2014</td><td>13.7%</td></tr> </table> | 2017   | 15.6%            | 2016 | 16.0% | 2015 | 17.6%  | 2014 | 13.7% |  |  |
| 2017                                     | 15.6%  |   |  |                  |      |       |      |        |      |       |  |  |
| 2016                                     | 16.0%  |   |  |                  |      |       |      |        |      |       |  |  |
| 2015                                     | 17.6%  |   |  |                  |      |       |      |        |      |       |  |  |
| 2014                                     | 13.7%  |   |  |                  |      |       |      |        |      |       |  |  |
|  |  | ** Excludes the impact of £6.7m restructuring costs (2016: £3.5m).  |  |                  |      |       |      |        |      |       |  |  |
| Objective: Drive strong cash generation  | <b>8. Adjusted Cash Conversion Ratio</b>   | 78.6% -18% pts  | Cash conversion has fallen. As we increase the rate of growth in our contractor runner book, more cash is absorbed into working capital. The announcement of our relocation of support to Glasgow has also had a temporary adverse impact on our DSOs. | 3                |      |       |      |        |      |       |  |  |
|  | Cash generated from operations for the year after deducting capex, stated as a percentage of operating profit before adjusting items<br><b>Purpose:</b> It measures a business's ability to convert profit into cash. Used for Group STIP.   | Adjusted Cash Conversion Ratio<br><table border="1"> <tr><td>2017</td><td>78.6%</td></tr> <tr><td>2016</td><td>96.0%</td></tr> <tr><td>2015</td><td>126.0%</td></tr> <tr><td>2014</td><td>48.0%</td></tr> </table>            | 2017   | 78.6%            | 2016 | 96.0% | 2015 | 126.0% | 2014 | 48.0% |  |  |
| 2017                                     | 78.6%  |   |  |                  |      |       |      |        |      |       |  |  |
| 2016                                     | 96.0%  |   |  |                  |      |       |      |        |      |       |  |  |
| 2015                                     | 126.0%   |   |  |                  |      |       |      |        |      |       |  |  |
| 2014                                     | 48.0%  |   |  |                  |      |       |      |        |      |       |  |  |

## Key Performance Indicators

### Group Non-Financial KPIs

| KPI  | 2017 Performance   | Link to strategy   |       |     |      |       |     |      |       |     |      |       |     |  |
|--|--|--|-------|-----|------|-------|-----|------|-------|-----|------|-------|-----|--|
| <p><b>9A. People Measures</b></p> <p><b>Year End Sales Headcount/Churn</b></p> <p>Churn is calculated as the number of leavers in a year as a percentage of the average sales headcount. Headcount is based on full time equivalent heads in place at the year end.</p> <p><b>Purpose:</b> These are the measures of employee retention and also an indicator of how well a business is run. Churn is used for the Group STIP and LTIP.</p>                | <p>Heads/Churn</p> <table border="1"> <tr> <td>2017</td> <td>2,257</td> <td>36%</td> </tr> <tr> <td>2016</td> <td>2,044</td> <td>38%</td> </tr> <tr> <td>2015</td> <td>2,185</td> <td>38%</td> </tr> <tr> <td>2014</td> <td>2,081</td> <td>37%</td> </tr> </table> | 2017   | 2,257 | 36% | 2016 | 2,044 | 38% | 2015 | 2,185 | 38% | 2014 | 2,081 | 37% | <p>To achieve our strategic growth plans and expand efficiently, we must attract and retain sufficient headcount, thereby building the experience pool and avoiding re-training.</p> <p>Lower churn in the current year helped drive increased productivity.</p> |
| 2017   | 2,257  | 36%  |       |     |      |       |     |      |       |     |      |       |     |  |
| 2016   | 2,044  | 38%  |       |     |      |       |     |      |       |     |      |       |     |  |
| 2015   | 2,185  | 38%  |       |     |      |       |     |      |       |     |      |       |     |  |
| 2014   | 2,081  | 37%  |       |     |      |       |     |      |       |     |      |       |     |  |
| <p><b>9B. People Measures</b></p> <p><b>Female Representation in Key Sales Roles</b></p> <p>Female representation in a particular sales cohort (e.g. SL3 or SL4) is calculated as number of female employees at each job level at the year end as a percentage of the total headcount at that job level at that particular point.</p> <p><b>Purpose:</b> A broad indicator of the inclusivity at SThree. It is included as a measure in the FY17 LTIP.</p> | <p><b>Level 3</b><br/>26% in FY17 +6%pts</p> <p><b>Level 4</b><br/>10% in FY17 -12%pts</p> <p>Level 3 cohort represents Sales Interns and Resourcers</p> <p>Level 4 cohort represents Sales Business Managers</p>  | <p>We strive to promote a positive and inclusive work environment. We have maintained a focused approach to the development of our female talent throughout 2017. This year has seen us launch Identify, a programme to prepare our future female leaders and ensure we achieve our aspiration to balance at Level 4 Cohort.</p> |       |     |      |       |     |      |       |     |      |       |     |  |
| <p><b>9C. People Measures</b></p> <p><b>Employee Net Promotor Score ('eNPS')</b></p> <p>Quarterly employee survey introduced to capture regular feedback from employees about their experience at SThree.</p> <p><b>Purpose:</b> eNPS will help us make the right changes based on employee feedback and track what is working using our eNPS benchmark</p>  | <p><b>Average eNPS:</b><br/>25.4 in FY17</p> <p>Broken down as follows</p> <p><b>eNPS Global:</b> 25.4</p> <p><b>eNPS Global Sales:</b> 32.9</p> <p><b>eNPS Global Support:</b> -4.4</p>   | <p>In 2017, when the eNPS was introduced, over 70% of SThree employees responded about their experience of working at SThree, as well as how they view the services we offer our customers.</p> <p>Overall, we have had a positive start, with a good average score of 25.4. We will now look to improve on this YoY.</p>        |       |     |      |       |     |      |       |     |      |       |     |  |

Objective: Foster and retain a skilled, motivated and engaged team

## Key Performance Indicators

### Group Non-Financial KPIs (continued)

|   | KPI   | 2017 Performance   | Link to strategy  |
|---|---|--|---|
| <p>Objective: Investment in Contract to accelerate growth and mitigate economic downturns</p> | <p><b>10. Contract/Perm Mix</b></p> <p>Proportion of gross profit attributable to Contract and Permanent placements.</p> <p><b>Purpose:</b> Having an increased mix towards Contract helps to protect the Group from cyclical extremes, typical of the recruitment sector, and helps drive profitability.</p>   | <p>Adjusted Cash Conversion Ratio</p> <p>2017: 29% Perm, 71% Contract<br/>2016: 33% Perm, 67% Contract</p> | <p>The Group continues to remix towards its Contract business, which has proven to be more profitable and more resilient.</p> <p>3</p>  |
|   | <p><b>11. Contract Runners</b></p> <p>The number of period end Contractors on placement with one of the Group's clients at the end of the relevant period.</p> <p><b>Purpose:</b> It shows progress against our Contract strategy at a point in time and is an indicator of future Contract gross profit when considered in conjunction with average fees.</p>                      | <p>10,197 +12%</p> <p>2017: 10,197<br/>2016: 9,078</p>   | <p>We experienced a significant increase in a number of contract runners, in particular in Continental Europe and the US markets. Reaching over 10,000 contract runners was a key milestone for the Group.</p> <p>1<br/>3</p>   |
| <p>Objective: Act responsibly</p>   | <p><b>12. Investments in 'Carbon Offsetting' Initiatives</b></p> <p>Total spend on energy and resource efficiency initiatives.</p> <p><b>Purpose:</b> A very broad indicator of how the business is managing its environmental footprint over time.</p>   | <p>B score (flat YoY) in the Carbon Disclosure Project</p>   | <p>We continue to take steps to reduce our environmental impact, through increased data management and the completed rollout of FSC standard recycled paper. One focus area is IT, where we are rolling out energy saving measures, such as moving our on premise system to a cloud platform. The move has enabled us to achieve a 31% drop in associated energy usage and carbon savings of 102 tCO<sub>2</sub>e.</p> <p>5</p> |
|   | <p><b>13. Customer Net Promotor Score</b></p> <p>Candidate and client surveys introduced to capture regular feedback from customers about their experience of working with SThree.</p> <p><b>Purpose:</b> It represents the likelihood of our clients and candidates recommending our services to a friend or colleague. It is included within the Group STIP and LTIP targets.</p> | <p>Average NPS: 44 in FY17</p>   | <p>NPS has progressed steadily during the year. Placements from referrals grew considerably year on year, a clear indicator that our customer experience strategy is having a measurable impact on our financial performance.</p> <p>2</p>  |

## Risk Management Strategy

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

Our Enterprise Risk Management framework processes and arrangements all help to ensure the ongoing monitoring of principal risks and controls by the Audit Committee

and Board. Our approach is to have an organisational structure, which allows close involvement of senior management in all significant decisions, combined with a

prudent and analytical approach, as well as clear delegations, all of which help to align the Group's interests with those of shareholders.

## Enterprise Risk Management ('ERM')

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

- our strategy setting process
- the quality of our people and culture
- established procedures and internal controls
- policies for highlighting and controlling risks
- assurance via self-verification, internal audit and external audit

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

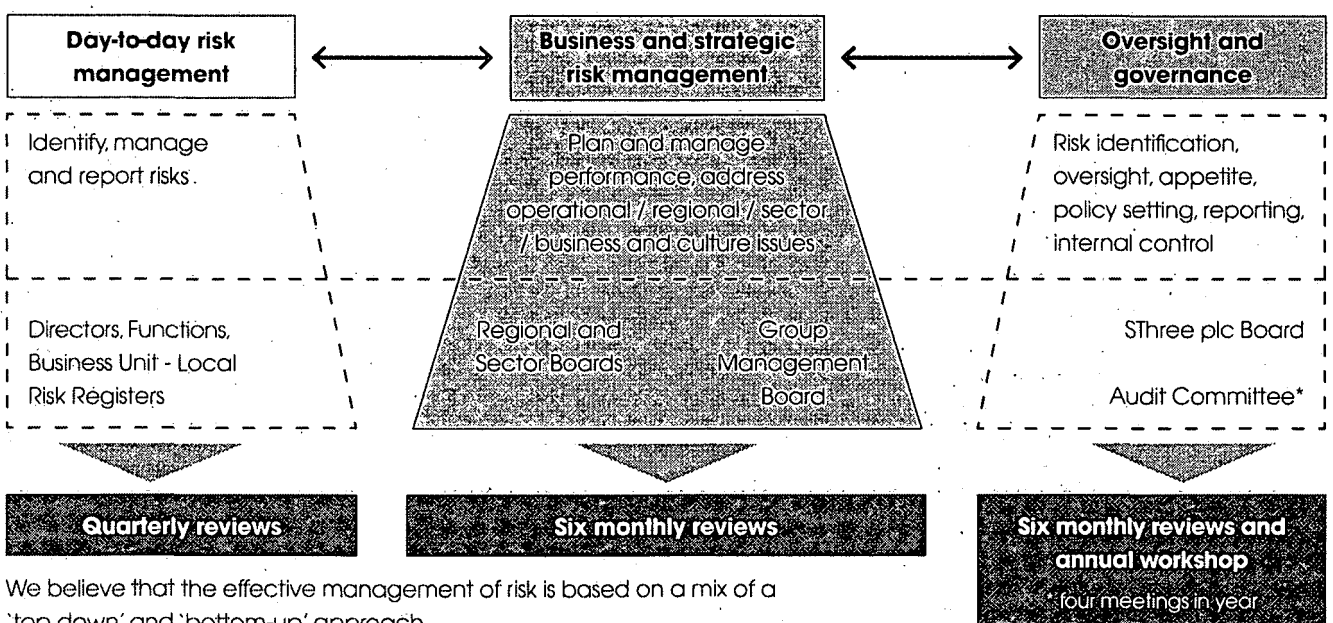
We have integrated ERM processes into our overall strategy, with risk appetite measures reviewed by the Board based on an assessment of its key risks (including reputational risks), to ensure implementation of effective risk management processes and mitigation actions. These are periodically assessed by the Board

and Group Management Board ('GMB') through a variety of measures, including KPIs. Further detail is set out in the Corporate Governance Report.

The Group continues to operate in diverse and increasingly demanding niche/specialist sectors. As such, the Group's strategic planning and review processes are periodically reviewed to ensure alignment of corporate, sector, regional and support goals within the strategic plan in order to mitigate risks.

## Our Approach to Risk - Governance and Oversight

Key risk governance and oversight is via the following:






## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy

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

Key:  Increasing  Stable

| Risk description  | Background/context  | Controls/mitigation  | Change in status versus prior year  | Link to strategic priority   |
|---|---|--|---|--|
| <b>Macro-Economic Environment/Cyclicality</b>   |   |  |   |  |
| <p>A change in the market conditions adversely impacting performance, thereby reducing profitability and liquidity.</p> <p>Any failure to react to or to take advantage of changes in the economy in a timely manner can result in over or under investment and therefore reduce profitability.</p> | <p>The performance of the Group has a relationship and dependence on the underlying growth of the economies of the countries in which it operates in so far as it impacts client and candidate confidence.</p> <p>The recruitment sector, in particular, is highly cyclical and suffers from a lack of visibility which can make even short/medium term planning or target setting difficult.</p> | <p>The Group is well diversified in its operations across geographies, sectors, and mix of Permanent/Contract business. Contract is more resilient in less certain economic conditions than Permanent and also provides a counter cyclical cash hedge working capital release of circa £10k per contract finisher in the event of a decline in business.</p> <p>The Group has a flexible cost base that is carefully managed to react swiftly to changes in market activity. This was demonstrated in our reaction to the impacts of the EU referendum in the UK and subdued Energy and Banking markets.</p> <p>The Group has a strong balance sheet with low levels of net debt through the year and committed/flexible debt facilities to support the business.</p> <p>The Group is cash generative and requires low levels of capital investment.</p> <p>Although political uncertainty continues in the UK, the current global economic outlook has broadly improved through the year. We continue to monitor the impact of Brexit and assess how we mitigate our risks in the UK with opportunities in Continental Europe, especially in Banking &amp; Finance.</p> |  | <br> |



## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description  | Background/context  | Controls/mitigation   | Change in status versus prior year | Link to strategic priority          |
|---|---|---|------------------------------------|-------------------------------------|
| <b>Competitive Environment/Business Model</b>   |   |   |                                    |                                     |
| Competitors, social media or disruptive technology/ innovation taking market share and putting pressure on margins. | The Group faces increasing competitor risk in more mature markets, where there is also strong competition for both clients and candidates. Increasing use of social media for recruitment purposes and a trend towards outsourced recruitment models, with associated margin pressures, can also impact. The realisation/ commercialisation of a disruptive technology or other innovation (e.g. web based, low margin operators) by either a current or new competitor could threaten the Group by challenging the viability of the current business model and therefore the ability to sustain revenue and profits. | <p>Diversify into more geographies/sectors. Focus on specialist/niche roles in developing markets to resist pricing pressure.</p> <p>Investment in online presence and partnering with LinkedIn to improve customer and client experience.</p> <p>Setting up an Innovation Board and project groups to monitor market developments and introduce structured creativity, so as to help guard against the risk of disruptive technology and position the Group as a disruptor itself. This has led to investments in businesses such as Ryatto, RoboRecruiter and HRecTech Sandpit, as well as the development of products such as Talent Deck, Showcaser and Hirestream.</p> <p>Increased focus on customers, targeting and tracking NPS scores.</p> <p>Greater regulatory and compliance requirements on Contract are increasing the barriers to entry. We continue to monitor the impact of Brexit.</p> <p>Despite all mitigating measures, competitive pressures and greater prevalence of market disruptors have further raised the risk status.</p> | ↑                                  | <p>1</p> <p>3</p> <p>4</p> <p>5</p> |
| <b>Commercial Relationships/Customer Risk</b>   |   |   |                                    |                                     |
| Some customers may be unable to fulfil financial obligations resulting in the write off of debts                    | The Group benefits from close commercial relationships with key clients, predominantly in the private sector and is always subject to the risk that some customers might be unable to fulfil obligations.   | Strong credit rating and verification procedures to manage bad debts, working capital, credit control and other financial risks. The Group has a diverse mix of clients and is not financially dependent on any single client.  | =                                  | <p>1</p> <p>2</p>                   |



## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description  | Background/context  | Controls/mitigation  | Change in status versus prior year   | Link to strategic priority   |
|---|---|--|--|--|
| <b>Availability of Candidates</b>   |   |  |  |  |
| Not enough candidates to fill roles to meet client needs, leading to a loss of business and a slowing of growth.                          | The availability of highly skilled/ quality candidates is essential to operating in niche/high margin markets and changes in the other risk areas can affect candidate supply. The risk increases as markets become more mature/ commoditised.        | Expanding into newer geographies/ sectors to protect against lower candidate availability in more mature markets. Investment in online presence and partnering with LinkedIn to improve customer and client experience and aid retention, as well as tracking candidate NPS.<br><br>We continue to monitor the impact of Brexit in relation to EU and UK candidates.   |   | <div data-bbox="1382 495 1445 555">1</div> <div data-bbox="1382 577 1445 636">2</div>    |
| <b>Contractual Risk</b>   |   |  |  |  |
| With larger global service arrangements, there may be demand for more onerous contract terms that can increase the Group's risk exposure. | Clients increasingly require more complex or onerous contractual arrangements. The placing of temporary workers generally represents greater risk for the organisation than Permanent placements. This risk increases in more litigious environments. | Management seek to contain risks when negotiating contracts and ensure that the nature of risks and their potential impact is understood. Contract approval processes with exceptions to standard terms, such as liability or insurance require senior sign off, as defined in the Groups' authority matrix.<br><br>We generally place responsibility for supervision and control directly with the client, excluding any consequential loss.<br><br>Our global legal team has the depth of knowledge and experience to enable them to advise the business on the level of risks posed by non-standard contracts.<br><br>Assurance work is undertaken by the Group internal audit team to monitor compliance, especially in higher risk sectors such as Energy.<br><br>For risks that cannot otherwise be mitigated, insurance cover is purchased where appropriate. |  | <div data-bbox="1382 985 1445 1046">2</div> <div data-bbox="1382 1068 1445 1126">6</div> |





## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description  | Background/context   | Controls/mitigation  | Change in status versus prior year  | Link to strategic priority  |
|---|--|--|---|---|
| <b>People/Talent Acquisition/Retention</b>  |  |  |   |   |
| <p>High churn rates or the loss of key talent could slow our growth and reduce profitability.</p> | <p>The Group is reliant on its ability to recruit, train, develop and retain high performing individuals to meet its growth strategy. Failure to attract and retain individuals with the right skill-set, particularly those who are more senior, may adversely affect the Group's performance. At the same time, the Group's business model demands flexibility to expand or consolidate, depending on the economic environment.</p> <p>High churn or the inability to attract key talent can also lead to insufficient mid and upper managerial bench strength in terms of breadth of experience within or outside SThree. As markets improve, the risk of churn can increase.</p> <p>Low female representation exposing us to reputational risk and lack of diverse thinking.</p> | <p>A structured induction programme and career development with ongoing training and competitive pay/benefits structures, linked to performance. Equity stakes for senior individuals.</p> <p>Continual focus on engaging and developing key managers to ensure succession planning. Training and development programmes to support expansion, whilst also providing a rewarding and challenging career.</p> <p>Greater focus on diversity and inclusion agenda, further development of 'me@work' to improve the structure of development plans and assist in facilitating more rewarding careers, as well as the introduction of eNPS for employees.</p> <p>We maintained a focused approach to the development and progression of our female talent in SThree. In 2017, we launched Identify, a programme to prepare our future female leaders.</p> <p>Churn rates have fallen in the year and we continue to target further reductions as part of our strategic objectives setting.</p> <p>We continue to monitor the impact of Brexit on our people/talent plans in relation to EU and UK employees.</p> |  |  |



## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description   | Background/context  | Controls /mitigation   | Change in status versus prior year  | Link to strategic priority  |
|--|---|--|---|---|
| <b>Information Technology/Cyber Risks</b>  |   |  |   |   |
| <p>A serious system or third party disruption, loss of data or security breach could have a material impact on the Group's operations or project delivery.</p> | <p>The Group is reliant on delivering its service to clients through a number of technology systems and on delivering a number of key internal projects through third party IT specialists.</p> <p>A malicious cyber-attack which compromises the defences of a third party cloud provider/ website could pose significant operational disruption to SThree and/or result in the loss of sensitive data, so damaging reputation. The increasing prevalence of cyber attacks, including at our peers, highlights the risks in this area.</p> | <p>The Group's IT infrastructure is regularly reviewed to ensure it has capacity to cope with a major data or system loss or security breach, with business continuity arrangements in place. As a result of increasing risks in this area, we have further strengthened our investment in software and penetration testing.</p> <p>Important third parties and suppliers provide essential IT and project infrastructure and their performance/robustness is monitored to ensure business-critical processes or projects are safeguarded as far as is practicably possible.</p> <p>IT systems and providers are periodically reviewed to ensure they remain effective/ safe and project management teams review risks associated in upgrading key systems, utilising robust management tools which monitor progress across the life of any project.</p> |    |    |
| <b>Data Processing / Management</b>  |   |  |   |   |
| <p>A serious data compliance failure could expose the Group to potential legal, financial and reputational risk.</p>   | <p>The Group works with confidential, sensitive and personal data in a number of countries on a daily basis under a variety of laws and regulations. Introduction of the General Data Protection Regulation ('GDPR') will necessitate significant changes to our collection and processing activity, to be in place by May 2018.</p>  | <p>Procedures for handling and storing sensitive, confidential and personal data are in place across the Group as part of its Data Protection and Information Security policies and procedures. Where data protection and privacy legislation allows, email monitoring is undertaken to address areas of concern and to protect confidential information.</p> <p>IT systems and providers are periodically reviewed to ensure they remain effective/ compliant. A cross functional project team was formed at the outset to progress initiatives which will ensure GDPR compliance, with regular updates provided to the Audit Committee.</p>  |  |  |



## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description  | Background/context   | Controls /mitigation   | Change in status versus prior year  | Link to strategic priority  |
|---|--|--|---|---|
| <b>Compliance</b>   |  |  |   |   |
| <p>Non-compliance with laws or regulations can lead to increasingly heavy fines/penalties which could expose us to potential legal, financial or reputational risk.</p> | <p>The specialist recruitment industry is governed by increasing levels of regulation/ compliance, which vary from country to country and market to market. This includes employment laws or regulations specific to specialist business sectors or temporary workers, which necessitate pre-employment or independence checks and which may increase the Group's exposure to potential legal, financial or reputational risk. Changes in legislation in the UK (IR35) and Netherlands (DBA), provide both risks and opportunities, such as our ECM model.</p> | <p>The Group is committed to meeting its regulatory responsibilities and continues to strengthen its training programmes, internal controls, audit, compliance and other processes with respect to legal and contractual obligations, particularly in higher risk sectors such as Energy.</p> <p>As employment laws are tightened, this creates both risks and opportunities. The Contract market is more heavily regulated and changes in legislation may impact the Group. Policies, compliance, on boarding processes or systems therefore reflect specific market or sector needs and best practice, to meet legal or other requirements and control risks, with our processes and systems being adapted accordingly. The Internal Audit function carries out regular reviews to ensure that processes are being followed correctly and controls/systems function effectively.</p> <p>Increasing regulatory pressure, including that arising from the OECD's Base Erosion and Profit Shifting project, is monitored and as member states implement recommendations into their domestic legislation, our compliance obligations follow. Our tax strategy is designed to manage risks in this area and further details are published on our website.</p> |    |    |
| <b>Foreign Exchange Translation ('FX')</b>  |  |  |   |   |
| <p>A significant adverse movement in foreign exchange rates may reduce profitability.</p>   | <p>The Group has significant operations outside the UK and is consequently exposed to FX risk due to movements in exchange rates.</p> <p>Following the EU referendum in the UK in June 2016, there has been significant volatility in the value of GBP</p>   | <p>The Board annually reviews the Group's treasury strategy to ensure that it remains appropriate. Whilst the Group's treasury department proactively monitors transactional FX exposures to ensure that they are minimised, translational impacts of movements in the relative value of GBP are not hedged.</p>   |  |  |

## Risk Management Strategy

### Principal Risks, Uncertainties, and Mitigation Strategy (continued)

| Risk description   | Background/context  | Controls/mitigation  | Change in status versus prior year  | Link to strategic priority  |
|--|---|--|---|---|
| <b>Transition of the Group central support function from London to Glasgow</b>   |   |  |   |   |
| <p>A failure to effectively transition central support functions could expose the Group to potential operational, financial and reputational risk.</p> <p>The transition of central support functions relies on roles being transferred effectively.</p> | <p>A loss of key talent before transition has completed or inadequate transition adds operational/reputational risk.</p> <p>Delays in transition could lead to increased costs.</p> | <p>Glasgow was chosen as the location for a Centre of Excellence for support functions, based on the broad availability of skilled talent as well as cost. The Group has engaged experienced external consultants to project manage and advise on the transition, as well as setting up a steering committee, with Non Executive Directors' input.</p> <p>A detailed plan for knowledge transfer is in place and well progressed. Functions will only transfer when qualitative and quantitative performance metrics have been met. Enhanced redundancy packages have been set at a fair and reasonable level to maintain employee engagement throughout the transition.</p> |  |  |

## Risk Management Strategy

### Principal and Compliance Targets

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

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

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

| Risk and Compliance   | 2017   | 2016   | Definition and method of calculation  | Strategic/Remuneration/Risk context  |
|---|--|--|---|--|
| <b>Risk Management</b><br>(see also principal risks & uncertainties above and Corporate Governance and Audit Committee Reports) | Aim to achieve a sensible risk/reward balance, assessed via risk map.                    | Aim to achieve a sensible risk/reward balance, assessed via risk map.                    | The Group has a well defined ERM framework embedded throughout the business using an EBITDA measurement scale to assess impact. Risk appetite levels are set by the Board and risks/mitigation are periodically reviewed to ensure continued alignment with strategy. | The Group's success is dependent on balancing risk and reward. To achieve this it has integrated ERM processes into its overall strategy, with risk appetite measures set by the Board.  |
| <b>Compliance Targets</b><br>(by country/sector)  | Range of metrics varying by region, sector, deemed employment or misclassification risk. | Range of metrics varying by region, sector, deemed employment or misclassification risk. | Contractor compliance targets in respect of client/contractor terms, rates/duration/types and ID collection are set annually, plus there is zero tolerance on code of conduct breaches or fines. Targets are Board assessed and reviewed periodically.                | Compliance processes are regularly reviewed to align with changing local legislation, guard against deemed employment or other risks and significantly mitigate risks in higher risk sectors. Insurance cover may also be strengthened, where necessary. |
| <b>Environment/CSR</b><br>(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 make savings in energy expenditure.   | Measures are agreed strategically, but with local implementation parameters, based on specific office location, age, etc.  |

## Corporate and Social Responsibility Report

Across our core business we continue to create long-term value for individuals, organisations and the wider economy. Through the effective use of our relationships and intellectual capital, our people help resource life-changing sectors and specialist STEM roles that enable industries and countries to thrive.

In line with this our Corporate Social Responsibility ('CSR') vision remains focused on 'Transforming Lives through Skills and Work'.

We aspire to build a responsible, sustainable and trustful business working in partnership with organisations and local communities. A key starting point is creating an inspiring and inclusive work environment where we invest into our people and their ability to build strong relationships with customers and create shared value for communities.

We have identified three CSR strands by which we fulfil on our vision and assess our progress as a corporate citizen:



### Community

**SThree Foundation** - working with employers to support bright young people from underprivileged and diverse backgrounds into STEM. We have three internal themes:

**Employability and Aspiration** - using our core skills to support

people from underprivileged backgrounds into work;

**Enterprise** - sharing our entrepreneurial mindset for success;

**Strategic Support for Charities** - using our business skills to help charities increase their impacts.

### Workplace

**Inclusion and Diversity** - supporting an inclusive culture and raising awareness;

**Employee Engagement** - introduction of our quarterly Employee Net Promoter Score, listening to employees and

supporting continuous improvement in the way we do things and wellbeing initiatives;

**Talent and Leadership** - investing in our employees through training and development.

### Environment

**Energy and Resource Efficiency** - monitoring and managing impacts;

**Reducing Waste** - minimising consumption and recycling

### SThree Foundation



**56** STEM insight placements for students from diverse and underprivileged backgrounds

**£36k** raised through our first fundraising ball

### Volunteering



**1,250+** instances of skills-based volunteering which has positively impacted over **5,780** beneficiaries since 2011

### Fundraising & corporate giving



Exceeded our target **£1 million** for SOS Children's Villages in a nine year partnership, with 35 projects in 13 countries, directly benefitting some 3,000 people

### Employee engagement

Global Employee Net Promotor Score benchmark of **25.4**

### Environment

We offset our full 2016 global carbon footprint to reach a climate neutral status, and maintained our B score in the Carbon Disclosure Project.

## Corporate and Social Responsibility Framework

### Our 2017 sustainability focus

Our strategy today is more-people focused than ever before. We are committed to developing future skills in our workplace, through our core services and in our community initiatives. We continue to deliver on long-term results linked to our strategy by addressing global poverty, social mobility and unemployment.

Completing a successful first year with our SThree Foundation was one of our key 2017 commitments. Through our network and with charity

Generating Genius, the programme addresses societal challenges, such as the future talent pipeline needed to meet the skills gap as well as creating access from an Inclusion and Diversity perspective.

By partnering with SOS Children's Villages, we have shown our active support for investment in deprived communities where we have a strategic interest. Through 'From Babies with Love', we have now sent 68 new baby gifts for employees across the

globe, with 100% of profit supporting SOS Children's Villages.

We continue to minimise our environmental impact through increased data management and the completed rollout of FSC standard paper, coupled with the introduction of secure print in the UK which has already started to reduce overall paper and toner use as well as waste.

## Community

### Developing our talent and those in the community through skills-based support

We aim to achieve positive long-term impacts for communities by focusing our skills, time and resources to address local needs where we operate and on programmes that align with our strategic interests.

Our central theme remains 'Employability and Aspiration' to enable us to make the biggest contribution based on our business knowledge and networks.

The availability of skilled and motivated candidates to meet client needs is essential to our business growth as

well as being crucial to economic prosperity. We understand that in order to achieve long-term profitability, we must support the wider system in which we operate.

Through our community activities we build the confidence and skills of people from underprivileged backgrounds to help them move into meaningful careers, which brings a wide range of societal benefits including self-worth, productivity and economic growth.

#### Key highlights

£430k  
2016: £385k

Total estimated value of community programme

Employee volunteering skills shared

815 hours this year

Fundraising and corporate giving

£1 million in nine year partnership

## Workplace

### Fostering long-term careers to support Group growth

Our people are our greatest asset. Our proposition for employees is a career with purpose and without limits.

#### Inclusion and diversity

At SThree we strive to promote a positive and inclusive work environment where diverse opinions and perspectives are valued and a true meritocracy exists. When our internal diversity and inclusion programme was set up in 2011, our

focus was to support the development and progression of women within the organisation, since then, it has evolved to support inclusion and diversity in all forms.

We continue to drive progress and action against our aspirational gender targets. Globally we have a solid representation of females in our Level 1 sales roles, currently at 45%, whilst increasing our Level 2 role

#### Key highlights

28%  
2016: 27%

Female representation in key roles

30

high-potential females invited to take part in Identify

2,820  
2016: 2,552

Direct employment

## Corporate and Social Responsibility Framework

### Workplace (continued)

representation from 26% to 40%, Level 3 from 19% to 26% and Level 4 from 4% to 10%, since targets were put in place in July 2012. Females account for 60% of our support services roles.

We have maintained a focused approach to the development of our female talent. This year we launched Identify, a programme to prepare our future female leaders and ensure we achieve our aspiration to balance at Level 4. Thirty females

### Gender classification

At 30 November 2017:

| Category                                 | Male  | %   | Female | %   |
|--|-------|-----|--------|-----|
| Directors of SThree plc                  | 6     | 75% | 2      | 25% |
| Senior Managers (Directors/LLP Partners) | 48    | 79% | 13     | 21% |
| Employees                                | 1,492 | 53% | 1,328  | 47% |

were selected globally, which includes being allocated a senior sponsor, receiving personal

development to guide them through their careers and an opportunity to collaborate on a corporate project.

### Environment

#### Developing a sustainable business by minimising our environmental footprint

We recognise that our business activities have an impact on the environment and are committed to reducing emissions wherever possible.

#### Mandatory reporting

We have continued to work with Carbon Smart to ensure compliance with the greenhouse gas (GHG) emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations

2013. As in 2016, our 2017 reporting covers scope 1, 2, and 3 emissions.

Using a financial control approach, our calculated GHG emissions<sup>1</sup> arising from business activities in the financial year ended 30 November 2017 are as follows:

|   |  | Tonnes of CO <sub>2</sub> e |                 |                 |                  |                     |
|---|--|-----------------------------|-----------------|-----------------|------------------|---------------------|
|   | Emissions Source   | Baseline FY 2013            | FY 2016         | FY 2017         | % change (vs PY) | % change (baseline) |
| Scope 1   | Natural gas  | 195                         | 154             | 120             | -22%             | -39%                |
|   | Leased transport   | 855                         | 388             | 506             | 30%              | -41%                |
| Scope 2   | Purchased electricity (market/location based) <sup>2</sup> | 1,948 <sup>3</sup>          | 2,384/<br>1,862 | 1,642/<br>1,567 | -31%<br>-16%     | n/a<br>-20%         |
|   | Water  | 122                         | 71              | 71              | 0%               | -42%                |
| Scope 3   | Business travel  | 1,400                       | 1,673           | 2,007           | 0%               | -43%                |
|   | Paper  | 37                          | 44              | 53              | 20%              | 43%                 |
|   | Waste  | 20                          | 24              | 111             | 19%              | 445%                |
|   | Electricity T&D  | 156                         | 138             | 80              | 356%             | -49%                |
| <b>Total tonnes of CO<sub>2</sub>e (market based)</b>   |  | <b>n/a</b>                  | <b>4,876</b>    | <b>4,589</b>    | <b>-6%</b>       | <b>n/a</b>          |
| <b>Total tonnes of CO<sub>2</sub>e (location based)</b> |  | <b>4,733</b>                | <b>4,354</b>    | <b>4,514</b>    | <b>+4%</b>       | <b>-5%</b>          |
| <b>Number of employees</b>                              |  | <b>2,248</b>                | <b>2,686</b>    | <b>2,867</b>    | <b>7%</b>        | <b>28%</b>          |
| <b>Tonnes of CO<sub>2</sub>e per employee</b>           |  | <b>2.11</b>                 | <b>1.62</b>     | <b>1.57</b>     | <b>-3%</b>       | <b>-25%</b>         |

<sup>1</sup> The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards: the World Resources Institute Greenhouse Gas Protocol (revised version); 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance'

(Defra, October 2013) and ISO 14064 - part 1.

<sup>2</sup> This work is partially based on the country-specific CO<sub>2</sub> emission factors developed by the International Energy Agency. © OECD/IEA 2017 but the resulting work has been prepared by Carbon Smart Limited and does not necessarily reflect the views of the

International Energy Agency.

<sup>3</sup> Scope 2 dual reporting (market and location based) was introduced in 2015/16 and so market based emissions are not reported in historic years.

## Corporate and Social Responsibility Framework

### Environment (continued)

#### Mandatory reporting (continued)

Our location based carbon footprint has increased by 4% compared to the prior year, primarily a result of increased business travel – but has reduced by 3% on a per employee basis, indicating that whilst we are growing our business, we are improving the efficiency of our operations.

The 6% reduction in our absolute market based emissions on 2015-16, and drop of 12% in these emissions per employee, reflects the carbon intensity of the electricity tariffs purchased by our global offices, as opposed to location based emissions which reflect the intensity of the average grid in each country, and is thus a more accurate representation of our Scope 2 emissions.

#### Carbon Disclosure Project ('CDP')

As part of our commitment to disclosing our environmental performance, we responded to

CDP for the fourth consecutive year and maintained our score 'B' score from the previous year. This placed us above the industry and the overall average score of 'C'. CDP's feedback noted that our score is indicative of "more advanced environmental stewardship" and that we have taken steps to "reduce negative climate change impacts".

#### Energy and resource efficiency

This year we completed the multi-million pound investment in moving our online system to a new SaaS platform. The move to cloud services has enabled us to close one of our UK data centres resulting in a significant 31% drop in associated energy usage and carbon savings of 102 tCO<sub>2</sub>e.

#### Reducing waste

Having identified paper as a significant resource, we launched a Managed Print service across the

UK and Europe during October to tackle unnecessary printing by reducing the number of printers in use, as well as reducing toner waste.

We are reporting on waste and recycling for the second year and have seen enhanced data coverage across our portfolio. Waste emissions have increased but can be attributed to more accurate reporting of site activities and an increase of 40% in the carbon conversion factor issued by the UK government.

For waste electrical equipment, we use an accredited supplier in line with the General Data Protection Regulation.

We achieved carbon neutral status by offsetting all of our 2016 global emissions with ClimateCare.

### Targets and commitments for the year ahead

We have progressed against last year's commitments. The development of our SThree Foundation continues to be a big focus, to be strengthened with a university scholarship scheme to encourage more female students into IT and Engineering.

We also continue regional work for charitable giving, and plan to

further refresh CSR strategy and communications.

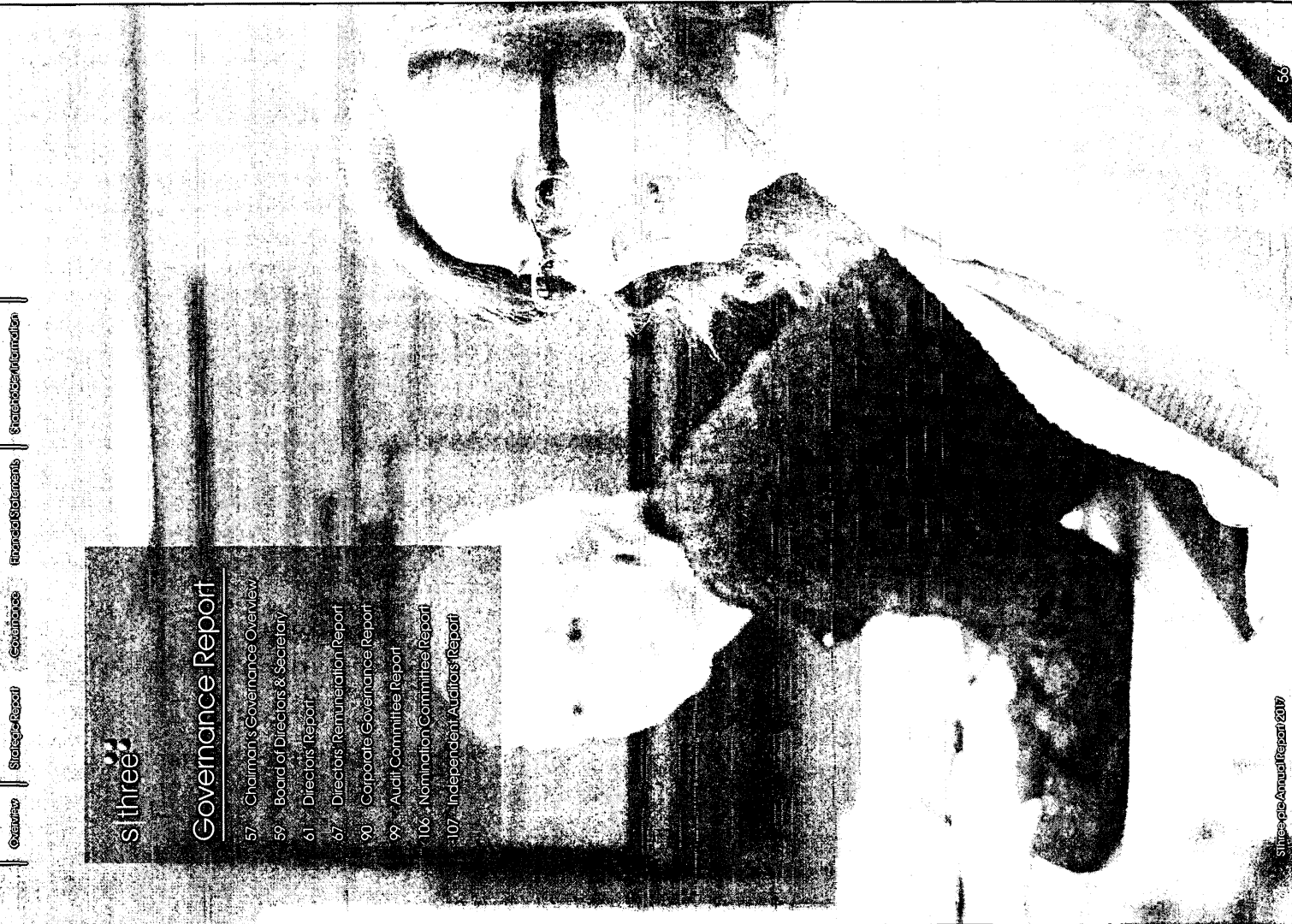
On diversity, we have prepared gender pay information in line with required reporting timelines and will further strengthen our Identify project whilst building on our Employee Net Promotor Score of 25.4.

On environmental matters, we will explore setting carbon reduction targets whilst continuing IT efficiencies and working with external parties to maximise our environmental performance within the agreed CDP framework.



## Governance Report

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## Chairman's Governance Overview

Dear Shareholder,

I am pleased to present to you the Chairman's Governance Overview section of the Annual Report and report on compliance with the UK Corporate Governance Code (the 'Code'). The Group complied with all sections of the Code throughout the year and to the date of this report. Further detail on how the Group has applied the principles and provisions of the Code is set out in the Corporate Governance Report.



Clay Brendish  
SThree Chairman

### Governance arrangements & stakeholder engagement

As Chairman, I take primary responsibility for the Group's governance arrangements and, remain confident that our proactivity on shareholder engagement and standards of corporate governance stand us in good stead. The Board continues to apply high standards of corporate governance, which it believes, are intrinsic to the Group's strategy, culture and values, being founded on integrity, professional excellence and sustainability. Such governance standards underpin the objectivity of our processes in support of financial and operational risk management, the design and operation of remuneration structures, succession planning, as well as our work on diversity and values. They also provide a firm basis for the accountability of senior management to the Board and of the Board to the Company's stakeholders.

Our growth to date has been strongly predicated on home-grown, entrepreneurial talent, which we continue to back via the Group's long established tracker share model ('Minority Interest' or 'MI'), whilst also

seeking to encourage employee share ownership more generally. Accordingly, a resolution for the tracker share arrangements is again being put to shareholders at the forthcoming AGM in April 2018.

At the last AGM, shareholders voted overwhelmingly in favour of all resolutions. This followed extensive consultation on a new remuneration policy and we continue to evolve our investor communications processes, hosting a Capital Markets Day (CMD) in November 2017, scheduling investor roadshows, as well as continuing to offer governance lunches. All of these combined, lead us to hope that investors will continue to engage proactively with the Company throughout any given year.

### Board and Committees' Evaluation

Our last fully external Board evaluation was completed in March 2015. Following further recent changes to the Board in Q4 2017, we again decided to conduct an internal evaluation for FY 2017, as we did in FY 2016. Similar to last year, this consisted of one on one meetings between myself and the

## Chairman's Governance Overview

Directors to discuss what is working well and what is not, as well as following up on the agreed actions and changes from the FY 2016 review, which were reported last year. Key learnings will be factored into our Board and Committee arrangements during FY 2018, as we prepare for an external evaluation. In addition, following the recent Board changes, we are already reviewing the content and administrative arrangements for our Board and Committee meetings, to make them even more efficient and business aligned.

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

### Management and Succession Planning

During the year, the opportunity was taken to review the Executive management team structure, with a view to more closely aligning roles to customers and markets globally, as well as to products and services. As part of this process, in Q4 2017, Justin Hughes returned to the UK, broadening his role as COO, whilst Steve Quinn stepped down as CEO, Americas, having been in that role since 2013. During his time in the US, Steve helped establish that business as one of STThree's fastest growing, building a strong management team and we thank him for his services. His responsibilities as CEO, Americas, have been assumed by colleagues.

We will now continue to embed this structure fully and further changes are planned during FY 2018, in order to allow Gary Elden to focus ever more closely on the Group's strategic priorities, including our innovation workstreams, as showcased at the CMD. In the meantime, work continues, directed by the Nomination Committee, to review the capabilities

of our entire senior management team for Executive or other key Group roles and to identify the next leadership cohort, with Non Executive Directors ('NEDs') continuing to act as mentors.

### Non Executive Directors

Following the departures of Nadhim Zahawi (after nine years tenure) and Fiona McLeod (as SID), James Bilefeld and Barrie Brien were appointed as NEDs in Q4 2017, being also appointed to each of the Audit, Remuneration and Nomination Committees. This followed an extensive interview process conducted via an external search consultant. James succeeded Fiona as SID and was also appointed as Chair designate, looking ahead to ensure appropriate Chair succession at the next AGM and work is already progressing to ensure further NED strengthening.

Whilst we were very sad to lose both Nadhim and Fiona and will miss their valuable contribution at Board and Committee meetings, both Barrie and James bring new and complimentary skills to the Board in terms of marketing, digital, as well as growing highly successful international businesses.

### Diversity and Values

Our initiatives in these areas remain critically important to instilling Group culture and reducing job churn over the long term, with continued steady progress being made towards our targets as part of the 'Identity' project, albeit churn remains higher than we would like in some of our regions. Specific targets for churn are disclosed in the Strategic Report.

Development initiatives are focused on ensuring that there is an appropriate management pipeline at all levels, with tailored courses developed internally, as well as via YSC Consulting, who were engaged during the year, plus mentoring by NEDs, all key parts of our development programme.

### Employees

In November we announced a strategic review of our Global shared services centre in the UK, commencing a collective consultation of a plan to relocate this from London to Glasgow during FY 2018. This has not been an easy time for our impacted employees at all levels and I would like to thank everyone for their continued professionalism, contribution and commitment, which are greatly valued. This move is expected to play a key part in driving efficiencies and service excellence, which will help the Group to continue to deliver against future market headwinds and macro uncertainties.

### Clay Brendish

Chairman

26 January 2018



## Board of Directors & Secretary

### Gary Elden

Chief Executive Officer

**Appointed:** May 2008

**Experience:** Gary Elden OBE, 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.

### Alex Smith

Chief Financial Officer

**Appointed:** May 2008

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

### Justin Hughes

Chief Operating Officer

**Appointed:** June 2012

**Experience:** Justin Hughes joined SThree in 1994, as a trainee recruitment consultant at Progressive. Making dynamic progress to Sales Director and ultimately to Managing Director of Progressive. In 2007, he was the strategic driving force behind Progressive's international and global growth, as well as overseeing the business' diversification into new market sectors, notably Pharmaceuticals, Oil and Gas. An SThree Main Board appointee since June 2012, Justin is currently Chief Operating Officer, charged with driving the sustainable growth of the business through effective Operations and customer service. He holds an Honours Degree in Economics and is a graduate of the

Senior Executive Program at Columbia University, New York.

### Clay Brendish

Chairman

**Appointed:** May 2010

**Experience:** Clay Brendish, CBE joined the SThree Board in May 2010 as Non Executive Chairman. In September 2017 he was appointed Lead Independent Director of Richemont. Clay is currently Director of the Test and Itchen Association Limited. In December 2012, Clay was appointed a Trustee of the Wessex Chalk Stream and Rivers Trust.

From 2005 until 2015 Clay was Non Executive Chairman of Anite plc and served on the Remuneration and Nominations Committees. From 2001 until 2011 he was a Non Executive Director of BT plc and served on the Remuneration and Audit Committees.

### Denise Collis

Non Executive Director

**Appointed:** July 2016

**Experience:** Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee on 1 July 2016, and became Chair of the Remuneration Committee on 1 September 2016. Denise is also a Non-Executive Director and Chair of the Remuneration Committee at Connect Group plc. In addition, she is Chair of the Remuneration Committee and a member of the Advisory Council at the British Heart Foundation, and sits on two University Business School Advisory Boards. Previously, Denise was Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles in 3iGroup plc, EY, Standard Chartered plc and HSBC.

### Anne Fahy

Non Executive Director

**Appointed:** October 2015

**Experience:** Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015. Anne is also Non Executive Director and Chair of the Audit Committee at Interserve, the international support services and



Gary Elden  
Chief Executive Officer



Alex Smith  
Chief Financial Officer



Justin Hughes  
Chief Operating Officer



Clay Brendish  
SThree Chairman



Denise Collis  
Non Executive Director



Anne Fahy  
Non Executive Director

## Board of Directors & Secretary

construction company, Nyrstar, a global multi-metals business, with a market leading position in zinc and lead and from the 1st March 2018 Coats plc, a global industrial thread and consumer textile crafts business. Prior to joining SThree, Anne was Chief Financial Officer of BP's Aviation Fuels business. During her 27 years at BP, Anne has gained extensive experience of global business, developing markets, risk management, internal control, compliance and strategy development in BP's aviation, petrochemicals, trading and retail sectors. Anne is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.

### Steve Hornbuckle

Group Company Secretary & Legal Director

**Appointed:** October 2006

**Experience:** Steve Hornbuckle joined the Group as Company Secretary in October 2006, taking charge of Investor Relations matters in 2011 and was appointed Legal Director in 2013. Steve has over 25 years of company secretarial experience, having held senior positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the Institute of Chartered Secretaries ('ICSA'), sits on the ICSA Company Secretaries' Forum and Investor Relations Society Policy Committee and was voted Company Secretary of the Year in 2011.

### James Bilefield

Non Executive Director, Chair Designate & Senior Independent Director (SID)

**Appointed:** October 2017

**Experience:** James Bilefield was appointed to the SThree Board, and to the Remuneration, Audit and Nomination Committees, on 1st October 2017. James joined the Board of Stagecoach Group plc on 1 February 2016, where he currently serves on the Remuneration and Nomination Committees and chairs the Digital and Technology Committee. Other appointments include Cruise.co (Chairman), McKinsey & Company (Senior Advisor), Advent International (Industry Advisor) and

Teach First (Trustee). James has an international track record of successfully growing digital businesses. He managed the digital transformation of media group, Condé Nast, across 27 countries, scaled Skype's global operations as part of its founding management team and held senior management roles at Yahoo! during its major growth phase. Formerly CEO of global advertising technology company, OpenX, he also co-founded the UK local information business, UpMyStreet, following a successful investment banking career at JP Morgan Chase.

### Barrie Brien

Non Executive Director

**Appointed:** September 2017

**Experience:** Barrie Brien was appointed to the SThree Board, Audit, Nomination and Remuneration Committee on 11th September 2017. Barrie is the former Group Chief Executive of Creston plc (a media and marketing communications group) stepping down in April 2017 following its sale and de-listing. Barrie was also Chief Operating and Financial Officer of Creston plc from 2004 to 2014 and was extensively involved in the growth of the group with its buy and build strategy. Barrie currently sits on the Professional Business Services (PBS) Council, which advises government on key issues facing the professions. Prior to Creston plc, Barrie was previously Chief Operating and Financial Officer for EMEA at Lowe and Draft Worldwide, having joined Lowe & Partners in 1998 as Chief Financial Officer for Lowe UK; and spent six years at Saatchi & Saatchi, where he held senior positions across Europe and North America. In addition to the extensive public company experience, including M&A, fundraisings and investor relations, Barrie has spent thirty years working in global creative, digital, marketing and media companies advising clients across multiple industries on their marketing and communication.



Steve Hornbuckle  
Company Secretary  
Legal Director



James Bilefield  
Non Executive Director,  
Chair Designate & Senior  
Independent Director (SID)



Barrie Brien  
Non Executive Director

## Directors' Report

The Directors present their Annual Report on the activities of the Company and the Group, together with the financial statements for the year ended 30 November 2017. The Board confirms that these, taken as a whole, are fair, balanced and understandable and that the narrative sections of the report are consistent with the financial statements and accurately reflect the Group's performance and financial position.



Steve Hornbuckle  
Group Company Secretary

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

including branches outside the UK, are disclosed in the notes to the financial statements.

The purpose of this Annual Report is to provide information to the members of the Company, as a body. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated.

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

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

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

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

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

officers' sections of this Annual Report. A going concern and viability statement is included within the Corporate Governance Report.

No significant events have occurred since the year end.

## Directors' Report

### Directors and their Interests

The Directors of the Company, including their biographies, are shown within the Board of Directors section of this Annual Report, with further details of Board Committee membership being set out in the Corporate Governance Report.

All Directors served throughout the financial year, except as disclosed, and in accordance with the UK

Corporate Governance Code, will retire at the 2018 AGM and submit themselves for election or re-election, as necessary. Further information is also contained in the Notice of Meeting.

Other than employment contracts and tracker share LTIP/JOP loans, none of the Directors had a material interest in any contract with the Company or its subsidiary

undertakings. Key terms of the Directors' service contracts, interests in shares and options and tracker share loans are disclosed in the Directors' Remuneration Report.

Any related party interests applicable to the Directors is shown in note 23 to the financial statements.

### Essential Contractors and Implications Following a Change of Control or Takeover

The Group has business relationships with a number of contractors but is not reliant on any single one. There are no significant agreements, which the Company is party to that take effect, alter or terminate upon a change of control of the Company

following a takeover offer, with the exception of the Citibank and HSBC revolving credit facility agreements.

The Company does not have agreements with any Director or employee that would provide

compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's share plans and tracker share arrangements may cause options, awards or tracker shares to vest on a takeover.

### Tracker Share Arrangements ('Minority Interests or MI Model')

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

Entrepreneurial employees within the Group often create ideas for new business opportunities, which the Group may elect to pursue and develop. Historically, the Group has engaged with such individuals in setting up new businesses for the purpose of pursuing these new ideas, which have typically evolved organically out of one of the existing SThree businesses, with the relevant managers then given the opportunity to manage and develop that new business.

Typically, those managers of the new SThree business will be able to invest, at the Company's discretion, in the new venture and share in its success as well as the risk of failure.

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

The minimum term for each new tracker share stake is set at the outset and will normally be 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 generally be on similar terms to that used previously. It is therefore deemed 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 tracker shares are normally issued, are outlined within each notice of AGM.

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

### Share Capital and Share Rights

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

The rights and obligations attached to the Company's ordinary shares are contained in the Articles.

Ordinary shares allow holders to

receive dividends and to vote at general meetings of the Company. They also have the right to a return of capital on a winding up.

## Directors' Report

### Share Capital and Share Rights (continued)

There are no restrictions on the size of holding or the transfer of shares, which are both governed by the general provisions of the Company's Articles and legislation. Under the Articles, Directors have the power to suspend voting rights and the right to receive dividends in respect of

ordinary shares, as well as to refuse to register a transfer in circumstances where the holder of those shares fails to comply with a notice issued under Section 793 of the Companies Act 2006. The Directors also have the power to refuse to register any transfer of certificated shares that

does not satisfy the conditions set out in the Articles.

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

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

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

The Company's policy is to comply with investor guidelines on dilution limits for its share plans by using a mixture of market purchased and new issue shares.

Some 1,478,788 shares were purchased in the market during the year, to be held as treasury shares. Shares are also held in the Employee Benefit Trust (EBT). The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

#### Director's Indemnities, Director's and Officers' Insurance and Conflicts of Interest

Section 236 of the Companies Act 2006 allows companies the power to extend indemnities to Directors against liability to third parties (excluding criminal and regulatory penalties) and also to pay Directors' legal costs in advance, provided that these are reimbursed to the Company should the individual Director be convicted or, in an action brought by the Company, where judgment is given against the Director. The Group currently has in place and has maintained such a policy throughout

| Listing Rules ('LR') Requirement   | Confirmation                                 |
|--|--|
| A statement of interest capitalised by the Group during the period and an indication of the amount and treatment of any related tax relief.  | Not applicable                               |
| Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in Class 1 circular or prospectus or a profit forecast and estimate.   | Not applicable                               |
| Details of any long term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a Director.  | See Directors' Remuneration Report (page 67) |
| Details of the waiver of emoluments by a Director, both current and future.  | Not applicable                               |
| Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary. | Not applicable                               |
| Where the Company is a listed subsidiary, details of any participation by its parent in any share placing during the period.   | Not applicable                               |
| Details of any contract of significance between the Company or one of its subsidiaries and a Director or a controlling shareholder.  | Not applicable                               |
| Details of contracts for the provision of services to the Company or one of its subsidiaries by a controlling shareholder during the period under review.  | Not applicable                               |
| Details of any arrangements under which shareholders have waived or agreed to waive dividends.   | Not applicable                               |
| A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.   | Not applicable                               |

## Directors' Report

### Director's Indemnities, Director's and Officers' Insurance and Conflicts of Interest (continued)

|   |  |  |
|---|--|--|
| the year, which will reimburse the Company for payments made to Directors (including legal fees), | for all admissible claims. The Board also confirms that there are appropriate procedures in place to ensure that its | powers to authorise Directors' conflicts of interest are operated effectively. |
|---|--|--|

### Related Party Transactions ('RPT')

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

### Financial Instruments and Research and Development

|   |  |   |
|---|--|---|
| Information and policy in respect of financial instruments is set out in the notes to the financial statements, together with information on price, credit and liquidity risks. | The only expenditure incurred in the area of research and development relates to software and system | development, which is shown in the notes to the financial statements. |
|---|--|---|

### Substantial Shareholdings

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

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

The Board pays due regard to environmental, health and safety and employment responsibilities and devotes appropriate resources to monitoring compliance with and improving standards. The Chief Executive Officer has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources. Further information on diversity, human rights and environmental

matters, including carbon dioxide emissions data, is contained in the CSR Report, whilst information on employee share plans and share ownership is contained in the Directors' Remuneration Report and the notes to the financial statements.

### Health, Safety and Equal Opportunities

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

| Name of Shareholder                           | Number of Shares | Percentage shareholding |
|---|------------------|-------------------------|
| Franklin Templeton Institutional, LLC         | 13,956,150       | 10.74%                  |
| J O Hambro Capital Management Limited         | 12,995,328       | 9.99%                   |
| William Frederick Bottrill                    | 7,238,245        | 5.98%                   |
| HBOS plc                                      | 6,983,314        | 5.21%                   |
| Harris Associates L.P.                        | 6,575,593        | 5.17%                   |
| AXA   | 6,291,253        | 5.12%                   |
| JP Morgan Chase                               | 7,021,061        | 5.07%                   |
| Legal & General Investment Management Limited | 7,030,279        | Below 5%                |
| BlackRock, Inc.                               | 6,137,031        | 4.99%                   |
| FMR LLC                                       | 6,266,905        | 4.99%                   |
| FIL Limited (Fidelity)                        | 6,028,475        | 4.95%                   |
| F & C Management                              | 6,104,400        | 4.82%                   |
| Standard Life Investments Limited             | 5,845,830        | 4.78%                   |
| Allianz Global Investors GmbH                 | 5,853,598        | 4.51%                   |

## Directors' Report

### CSR, including Diversity, Human Rights & Environmental matters (continued)

all current and potential employees, every effort is made to ensure that country health, and safety legislation, regulations or similar codes of practice are complied with.

The Group is also committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to gender, sexual orientation, marital status, race, religion or belief, age or disability and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

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

#### Employee Involvement

The Group systematically provides employees with information on matters of concern to them, consulting where appropriate by surveys or other means, so that views can be taken into account when making decisions likely to affect their interests. Employee involvement is encouraged, as is achieving a common awareness, on the part of all employees of the financial, economic or other factors affecting the Group. This plays a major role in ensuring shared success. The Group encourages

this involvement predominantly by communicating via the Group's intranet articles or email updates, training and by participation in the Group's employee share plans to align interests.

#### Community

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

Annual General Meeting ('AGM')  
The AGM of the Company will be held on 26 April 2018, at 8th Floor, City Place, 55 Basinghall Street, London EC2V 5DX. A separate notice details all business to be transacted.

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

##### Organisation's structure

As an international specialist staffing company, we are committed to improving our practices to combat slavery and human trafficking. Management does not consider there to be a risk of slavery or human trafficking taking place within its supplier base. The Group makes appropriate supplier checks around governance and financial standing, and considers these adequate to protect against slavery and human trafficking within the Group's supply chain. This helps to ensure, as far as possible, that no element of the supply chain contrives human rights issues. As such, there are no such issues impacting the Group's business.

#### Our Supply Chains

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

#### Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We are committed to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

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

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

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

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for FY 2017. The Company's Modern Slavery Act statement can be found on our website, [www.sthree.com](http://www.sthree.com).

### Independent Auditors

A formal audit tender was completed in early FY 2017 and a resolution will be put to the forthcoming AGM

proposing that PricewaterhouseCoopers LLP be re-appointed as auditors for the

ensuing year, having indicated their willingness to continue in office.

## Directors' Report

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Consolidated Group and Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Consolidated Group and the Company and of the profit or loss of the Consolidated Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Consolidated Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Consolidated Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Consolidated Group and Company 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 Consolidated Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- the 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
- the Directors' Report, together with the Strategic Report, Chairman's and other officers' sections of this Annual Report, include a fair review of the development and performance of the business and the position of the Consolidated Group and Company, together with a description of the principal risks and uncertainties that are faced.

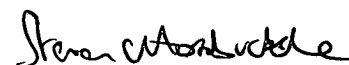
In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Consolidated Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Consolidated Group and Company's auditors are aware of that information.

BY ORDER OF THE BOARD

**Steve Hornbuckle**  
Group Company Secretary  
26 January 2018

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



## Directors' Remuneration Report

Dear Shareholder,

On behalf of the Board I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year ended 30 November 2017.

### Summary of Remuneration Policy

SThree's current remuneration policy was approved by shareholders at the 2017 AGM and is intended to apply for three years from that date. The policy was presented for approval, following a comprehensive review of remuneration and extensive consultation with investors. As a Board, we are keenly aware of the sensitivities of the topic of executive pay for companies, employees and shareholders and our approach is to ensure that our pay policy reflects the business strategy, with remuneration payments that are strongly linked to performance.

The Committee considers that the current Executive Director remuneration policy remains appropriate and no changes are proposed this year.

The fixed elements of the remuneration packages are set so that they reflect the calibre and experience of the individuals and the complexity of their roles. The annual bonus measures are based on specific areas that require immediate focus, whereas the LTIP looks to drive sustainable improvements at a more macro level over the longer term. Culturally, the setting of both financial and broader non-financial measures serves to focus scheme participants on a more holistic view of business success and hence serves to drive performance on a broad, sustainable front.

### Remuneration Payable for Performance in FY 2017

In relation to the annual bonus the Group delivered an encouraging

result for the year, with a strong finish in the final quarter and overall performance slightly ahead of market expectations. This was driven by strong growth in the USA, robust growth in Continental Europe, with a continued recovery in Energy and solid growth in Life Sciences.

Reflecting this performance, in relation to short term incentive payments for the year under review, the annual bonus paid was just over 76% of maximum for the CEO and CFO, with the COO at circa 65%, being reduced by a nil payout for the regional performance element of his bonus.

In relation to the LTIP this was based on our performance over the three years to FY 2017. For the half of the award based on the EPS performance condition, the requirement was for EPS growth to be between RPI +6% and RPI +19% per annum. Actual EPS performance for FY 2017 was 25.7p, equating to growth of RPI +14.4% over the performance period and resulting in 81.5% vesting of the adjusted EPS part of the award. For the remaining half of the award based on our Total Shareholder Return ('TSR') performance, our TSR was required to be between median and upper quartile performance against a peer group. Whilst our TSR was +19.1%, this placed us below median, at 29th out of 35 in the comparator group, resulting in zero payout of this part of the award. The Committee remains comfortable that, overall, the annual bonus and LTIP payments continue to represent a robust link between reward and performance.



Denise Collis  
Remuneration Committee Chair

## Directors' Remuneration Report

Full details of the annual bonus and LTIP measures, performance against them and resultant payments are set out in the Annual Report on Remuneration.

During the year Steve Quinn, our US CEO, stepped down from the Board. His remuneration payable on cessation of employment comprises a bonus for FY 2017 (as he was in active employment for the full year) and outstanding LTIP awards have been scaled back pro rata, as a 'good leaver'. Other payments are in line with his contractual provisions.

### Policy Implementation for FY 2018

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

The annual bonus opportunity will remain capped at 120% of base salary, with deferral in shares for any bonus earned above 100% of salary. The mix of measures will remain unchanged, with 65% financial, 25% shared strategic and 10% based on personal objectives. Relevant and objective measures have been set for the shared strategic and personal elements, with commensurate stretching targets.

There will be full retrospective disclosure of target ranges and performance for the bonus in the following Annual Report on Remuneration.

The LTIP will continue to be based on SThree's performance over three years and subject to a two-year holding period post-vesting. For FY 2018, the grant level will be unchanged at 150% of base salary.

The Committee has reviewed the performance measures for the LTIP and has decided to rebalance these, as summarised in the table above. There will be a higher weighting on the three-year EPS targets and a reduced weighting on the strategic element.

This particular change, in favour of a greater focus on the financial metrics, will also allow for more simplicity and is aligned with feedback received from shareholders.

| LTIP measures | EPS | TSR | Strategic |
|---------------|-----|-----|-----------|
| FY 2017       | 1/3 | 1/3 | 1/3       |
| FY 2018       | 50% | 30% | 20%       |

Details of the LTIP performance conditions are set out in the Annual Report on Remuneration.

The benefits package for Justin Hughes has been re-aligned to our standard UK suite of benefits for this level, now that he has returned from Hong Kong to take up his role as Group COO.

### Changes to Committee composition

During the year, Fiona MacLeod and Nadhim Zahawi stepped down from the Board and this Committee. I thank them for their valuable contribution and, in their place, I would like to welcome James Bilefield, who joined the Group as Chairman-Designate, and Barrie Brien, both of whom also serve on the Audit and Nomination Committees.

### Shareholder and broader stakeholder engagement

The remuneration policy was the subject of extensive shareholder engagement prior to the April 2017 AGM. The Committee values the opinions of its shareholders and other stakeholders and took their views into account in designing the remuneration policy and also in its application for FY18. We will also factor in shareholder views as we further evolve our thinking on policy as well as broader stakeholder input such as the UK Government and corporate governance reforms being proposed by the Financial Reporting Council.

The Committee appreciates the support received from shareholders

to date on our executive remuneration and looks forward to maintaining a constructive on-going dialogue.

### Denise Collis

Chair of the Remuneration Committee

26 January 2018

## Directors' Remuneration Report

### Remuneration at a Glance

#### Bonus - maximum potential 120% of base salary

| Metric                               | Threshold | Maximum | Actual | Achievement % |
|--------------------------------------|-----------|---------|--------|---------------|
| PBT                                  | £36.9m    | £45.1m  | £44.5m | 94.1%         |
| Operating Conversion Ratio           | 13.8%     | 16.8%   | 15.6%  | 68.0%         |
| Cash Conversion Ratio                | 68.0%     | 84.0%   | 78.6%  | 72.5%         |
| Average Shared Strategic Achievement |           |         | 67.5%  | 67.5%         |
| Average Personal Achievement         |           |         | 56.3%  | 56.3%         |
| Average Total Achievement            |           |         |        | 73.1%         |

#### 2015 LTIP Award - grant 150% of base salary

| Metric | Threshold | Maximum        | Actual                     | Achievement % |
|--------|-----------|----------------|----------------------------|---------------|
| EPS    | 20.5p     | 28.9p          | 25.7p                      | 81.5%         |
| TSR    | Median    | Upper quartile | 29 <sup>th</sup> out of 35 | 0%            |

#### Summary of Total Reward

| 2017 | Reward Component         | CEO      | CFO    | COO    |
|------|--------------------------|----------|--------|--------|
|      | Base Pay £'000           | £442.0   | £333.3 | £330.0 |
|      | Total Remuneration £'000 | £1,228.8 | £940.1 | £864.5 |
| 2016 | Base Pay £'000           | £431.0   | £325.0 | £323.7 |
|      | Total Remuneration £'000 | £1,058.5 | £808.4 | £794.6 |

#### Remuneration Policy Summary - no changes proposed for FY 2018

| Key Reward Component                 | Key features  |
|--------------------------------------|---|
| <b>Base Salary and Core benefits</b> | Salaries increased by 2.5% in line with employees   |
| <b>Annual Bonus</b>                  | Maximum of 120% of salary, with any achievement above 100% of salary paid in shares vesting in equal tranches over 2 years      |
| - 65% Group Financial Target         |   |
| - 25% Strategic Target               |   |
| - 10% Personal Target                |   |
| <b>LTIP Award</b>                    | Maximum award of shares worth 150% of salary pa, performance tested, vesting after 3 years with a further 2 year holding period |
| - 50% EPS                            |   |
| - 30% TSR                            |   |
| - 20% Strategic Targets              |   |
| <b>Shareholding Requirements</b>     | Requirement to hold shares equivalent to 200% of salary   |

## Directors' Remuneration Report

### Policy Report

The Group's remuneration policy set out below was approved by shareholders at the AGM held on 20 April 2017 and applies for three years

from that date. The remuneration policy is designed to support the strategic business objectives of the Group in order to attract, retain

and motivate Directors and senior managers of a high calibre, to deliver sustainable increases in long term shareholder value.

### Current and Future Policy Table

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

## Directors' Remuneration Report

### Current and Future Policy Table (continued)

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

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

## Directors' Remuneration Report

### Operation of Incentive Plans

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

ensure that incentive plans provide a reward for rounded performance, while maintaining the alignment of Executive and shareholder interests.

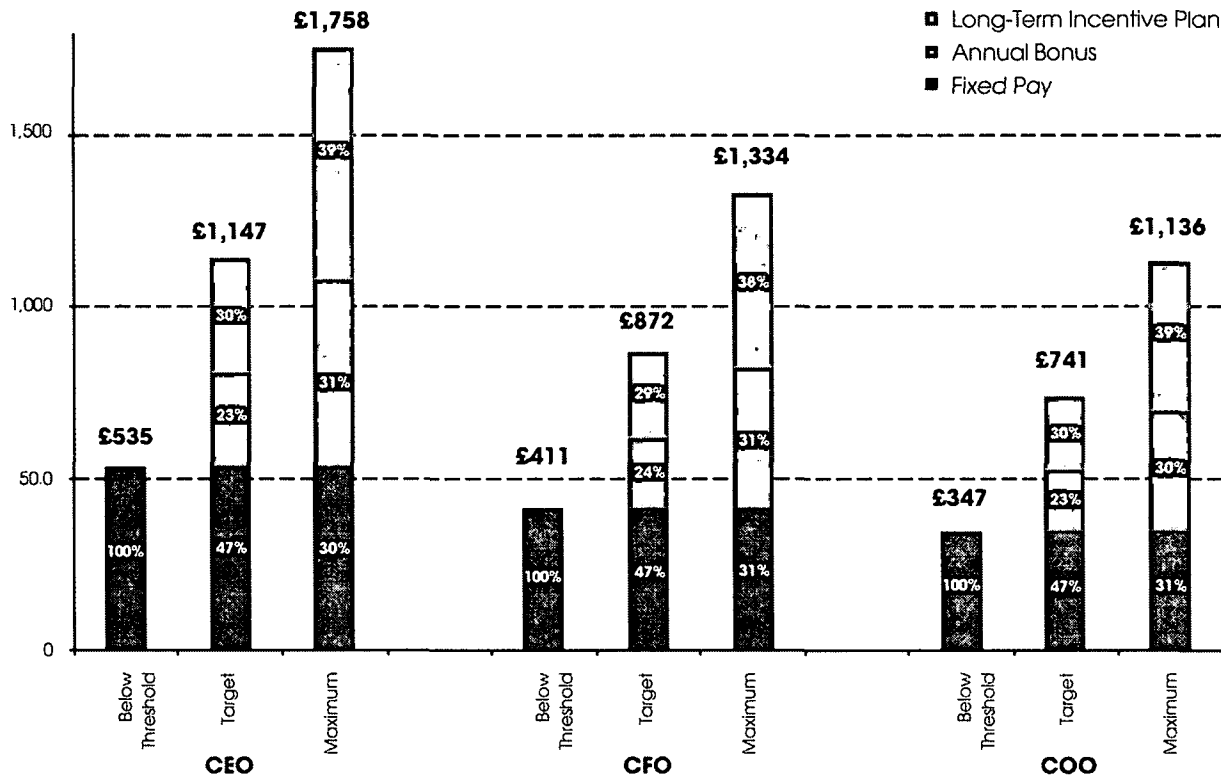
The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. The Committee may also exercise broader discretion

in relation to the terms of all incentive plans, for instance (but not limited to) adjustments required for corporate restructuring and change of control.

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

### Illustration of Potential FY 2018 Executive Directors' Remuneration

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



**Note:** Assumptions for the charts above: Fixed pay comprises base salary as at 1 December 2017, pension contribution of 15% of salary and the value of benefits received in FY 2017 (excluding housing and relocation

allowance for Justin Hughes') The on-target level of bonus is 50% of the maximum opportunity. The on-target level of the LTIP is taken to be 50% of the value of a single year's award. The maximum level of bonus and

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

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

The Committee is made aware of pay structures across the wider group when setting policy for Executive Directors, in particular in relation to any base salary review.

Overall the remuneration policy for Executive Directors is weighted more to performance based pay and, in particular, long term share-based incentives. This is to ensure that the relatively higher pay levels are

justifiable internally and externally to shareholders as a clear link between the value created for shareholders and the remuneration received by Executives.

## Directors' Remuneration Report

### Consideration of Employment Conditions Elsewhere in the Group

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

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

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

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

The Committee actively consults with shareholders on executive remuneration policy changes. Feedback is taken on board and any proposals are adjusted, as

appropriate, given the objective of ensuring that shareholders are supportive of the policy and its implementation. In addition, the Company follows shareholder sen-

timent on reward and gives it due consideration in considering the application of policy in the years between the development of a new policy.

### Remuneration Policy for Recruitment and Promotion

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

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

would be flexibility to make payments to cover relocation related expenses.

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

For internal promotions, outstanding incentive payments may vest on their original terms. For external recruits there may be a need to buy out

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

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

The Executive Directors have rolling service contracts subject to a maximum of 12 months' notice by the Company or Executive. At the Company's discretion, on termination a payment may be made in lieu of notice equivalent to 12 months' salary, which may be paid in monthly instalments and offset against future earnings. For new hires the policy is to provide a 12 month notice period.

Depending on the circumstances the Committee may consider payments in respect of statutory entitlements, outplacement support and legal fees. Mitigation would be applied to reduce any payments associated with loss of office.

'Good' leavers (e.g. redundancy or retirement) may generally retain any earned bonus or share based

awards, on a pro rata basis, subject to still achieving any relevant performance criteria.

'Bad' leavers such as a resignation would lose any entitlement to participate in the bonus scheme and any outstanding deferred bonus or LTIP awards would normally lapse on cessation of employment.

### External Appointments

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

with their existing role. This helps to broaden experience and capability, which can benefit the Company.

Currently, no external appointments are held by any Executive Directors.

## Directors' Remuneration Report

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

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

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

The appointment may be terminated by either the Company or the NED, by giving appropriate notice.

Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment. The policy for the remuneration of NEDs is summarised below:

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

### Sourcing Shares for Share Plans

Shares used to settle vested share awards may include new issue shares, treasury or Employee Benefit Trust 'EBT' shares or market purchased

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

by dilution limits which comply with investor guidelines.

### Annual Report on Remuneration

#### Section 1 - Total Reward for FY 2017

- 1.1 Directors' Remuneration for FY 2017
- 1.2 Annual Bonus Payable for FY 2017 Performance

- 1.3 Shared Strategic Objectives Performance
- 1.4 Personal Objectives Performance

- 1.5 LTIP awards vested by reference to performance over the three years to FY 2017

## Directors' Remuneration Report - Annual Report on Remuneration

### 1.1 Directors' Remuneration for FY 2017 and Basis for Payments Under Incentive Plans (Audited)

The following tables show Directors' emoluments for the current and prior year.

| <b>FY 2017</b>                                    | <b>Salary &amp; Fees</b> | <b>Benefits <sup>(i)</sup></b> | <b>Annual Bonus</b> | <b>Long Term Incentive</b>        | <b>Pension <sup>(iv)</sup></b> | <b>Total</b>   |
|---|--------------------------|--------------------------------|---------------------|-----------------------------------|--------------------------------|----------------|
| <b>Director</b>                                   | <b>£'000</b>             | <b>£'000</b>                   | <b>£'000</b>        | <b>Plan <sup>(ii)</sup> £'000</b> | <b>£'000</b>                   | <b>£'000</b>   |
| Gary Elden  | 442.0                    | 13.9                           | 404.2               | 302.4                             | 66.3                           | 1,228.8        |
| Alex Smith  | 333.3                    | 18.5                           | 305.7               | 232.6                             | 50.0                           | 940.1          |
| Steve Quinn <sup>(iii) **</sup> (left 30/09/2017) | 358.1                    | 298.2                          | 319.9               | 130.3                             | 53.7                           | 1,160.2        |
| Justin Hughes <sup>(iii) **</sup>                 | 330.0                    | 71.6                           | 222.9               | 130.3                             | 109.7                          | 864.5          |
| Clay Brendish                                     | 140.0                    | -                              | -                   | -                                 | -                              | 140.0          |
| Anne Fahy   | 47.0                     | -                              | -                   | -                                 | -                              | 47.0           |
| Fiona MacLeod* (left 31/10/2017)                  | 43.5                     | -                              | -                   | -                                 | -                              | 43.5           |
| Nadhim Zahawi* (left 31/10/2017)                  | 37.1                     | -                              | -                   | -                                 | -                              | 37.1           |
| Denise Collis                                     | 47.0                     | -                              | -                   | -                                 | -                              | 47.0           |
| James Bilefield* (joined 01/10/2017)              | 8.1                      | -                              | -                   | -                                 | -                              | 8.1            |
| Barrie Brien* (joined 11/09/2017)                 | 9.9                      | -                              | -                   | -                                 | -                              | 9.9            |
| <b>Aggregate Emoluments</b>                       | <b>1,796.0</b>           | <b>402.2</b>                   | <b>1,252.7</b>      | <b>795.6</b>                      | <b>279.7</b>                   | <b>4,526.2</b> |

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

\* Pro rated due to appointment or retirement in year

\*\* Includes payments in local currency of US\$ or HK\$ hence actual Sterling amounts can differ YoY.

#### NOTES

- (i) Benefits comprise car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other related costs when transferred overseas. Housing or other related costs were £276,073 (2016: £268,315) for Steve Quinn and £69,324 (2016: £99,774) for Justin Hughes.
- (ii) FY 2017 LTIP awards relate to those granted in early FY 2015 and vesting in early FY 2018, based on performance assessed over FY 2015-2017, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 343.50p, being the share price on 30 November 2017, the last dealing day of the year.

- (iii) FY 2016 LTIP awards relate to those granted in early FY 2014, vested in early FY 2017, based on performance assessed over FY 2014-2016, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 276.5p, being the share price on 30 November 2016, the last dealing day of the year.
- (iv) Steve Quinn's FY 2016 and Justin Hughes' FY 2017 pension figures include amounts to rectify underpayment of this supplement to them from prior years. For Justin Hughes, the majority of this catch up occurred between FY 2011 and FY 2013, shortly following him moving to Hong Kong, as he transitioned to local contribution arrangements. However,

the table above, includes pre payments of £33.7k in respect of FY 2018.

- (v) Justin Hughes (previously based in Hong Kong) and Steve Quinn (based in the USA), were paid in local currency. Salaries have been converted into pounds Sterling at average exchange rates for FY 2017 of 9.99 (Hong Kong Dollar) and 1.28 (US Dollar).
- (vi) After stepping down from the Board on 30 September 2017, Steve Quinn will continue to receive his salary, pension, housing allowance and other contractual benefits until 30 September 2018, unless he finds alternative employment. For FY 2018, this will comprise £710k. Whilst this has been accrued in the financial statements, this is not shown in the above table.

## Directors' Remuneration Report - Annual Report on Remuneration

## 1.2 Annual Bonus Payable for FY 2017 Performance (maximum 120% of salary)

The table below shows the awards as a percentage of the maximum bonus opportunity (100%), against the measures/weighting and result for FY 2017.

**Gary Elden****Actual performance against target**

| Measures                           |                            | Weighting     | Below | Threshold | Target | Max | Threshold | Target | Max    | Actual performance | Achievement % | Pay-out<br>£'000 |
|------------------------------------|----------------------------|---------------|-------|-----------|--------|-----|-----------|--------|--------|--------------------|---------------|------------------|
| <b>Group Financial Target</b>      | PBT                        | 29.25%        | ●     | ●         | ● ●    |     | £36.9m    | £40.0m | £45.1m | £44.5m             | 94.1%         | £146.1           |
|                                    | Operating Conversion Ratio | 19.50%        | ●     | ● ●       | ●      |     | 13.8%     | 14.9%  | 16.8%  | 15.6%              | 68.0%         | £70.3            |
|                                    | Cash Conversion Ratio      | 16.25%        | ●     | ● ●       | ●      |     | 68.0%     | 74.0%  | 84.0%  | 78.6%              | 72.5%         | £62.5            |
| <b>Regional Financial Target</b>   | N/A                        |               |       |           |        |     |           |        |        |                    |               |                  |
| <b>Shared Strategic Objectives</b> | See Section 1.3            | 25.0%         | ●     | ● ●       | ●      |     |           |        |        | 16.9%              | 67.5%         | £89.5            |
| <b>Personal Objectives</b>         | See Section 1.4            | 10.0%         | ●     | ● ●       | ●      |     |           |        |        | 6.8%               | 67.5%         | £35.8            |
|                                    |                            | <b>100.0%</b> | ●     | ● ●       | ●      |     |           |        |        |                    | <b>76.2%</b>  | <b>£404.2</b>    |

**Alex Smith****Actual performance against target**

| Measures                           |                            | Weighting     | Below | Threshold | Target | Max | Threshold | Target | Max    | Actual performance | Achievement % | Pay-out<br>£'000 |
|------------------------------------|----------------------------|---------------|-------|-----------|--------|-----|-----------|--------|--------|--------------------|---------------|------------------|
| <b>Group Financial Target</b>      | PBT                        | 29.25%        | ●     | ●         | ● ●    |     | £36.9m    | £40.0m | £45.1m | £44.5m             | 94.1%         | £110.1           |
|                                    | Operating Conversion Ratio | 19.50%        | ●     | ● ●       | ●      |     | 13.8%     | 14.9%  | 16.8%  | 15.6%              | 68.0%         | £53.0            |
|                                    | Cash Conversion Ratio      | 16.25%        | ●     | ● ●       | ●      |     | 68.0%     | 74.0%  | 84.0%  | 78.6%              | 72.5%         | £47.1            |
| <b>Regional Financial Target</b>   | N/A                        |               |       |           |        |     |           |        |        |                    |               |                  |
| <b>Shared Strategic Objectives</b> | See Section 1.3            | 25.0%         | ●     | ● ●       | ●      |     |           |        |        | 16.9%              | 67.5%         | £67.5            |
| <b>Personal Objectives</b>         | See Section 1.4            | 10.0%         | ●     | ● ●       | ●      |     |           |        |        | 7.0%               | 70.0%         | £28.0            |
|                                    |                            | <b>100.0%</b> | ●     | ● ●       | ●      |     |           |        |        |                    | <b>76.5%</b>  | <b>£305.7</b>    |

**Key:**

● Actual achievement against scale

## Notes to the bonus table

- Targets are normally measured on an adjusted basis.
- Justin Hughes was paid in pounds sterling from September 2017 when he returned to the UK. Steve Quinn (based in the USA) was paid in local currency and his bonus amount has been converted into pounds sterling at an average exchange rate for FY 2017 of 1.28 (US Dollars).

## Directors' Remuneration Report - Annual Report on Remuneration

### 1.2 Annual Bonus Payable for FY 2017 Performance (maximum 120% of salary)

The table below shows the awards as a percentage of the maximum bonus opportunity (100%), against the measures/weighting and result for FY 2017.

#### Justin Hughes

|                                    |                            | Actual performance against target |       |           |        |     |           |           | Actual  | Achievement | Pay-out      |               |
|------------------------------------|----------------------------|-----------------------------------|-------|-----------|--------|-----|-----------|-----------|---------|-------------|--------------|---------------|
| Measures                           |                            | Weighting                         | Below | Threshold | Target | Max | Threshold | Target    | Max     | performance | %            | £'000         |
| <b>Group Financial Target</b>      | PBT                        | 23.40%                            | ●     | ●         | ● ●    |     | £36.9m    | £40.0m    | £45.1m  | £44.5m      | 94.1%        | £75.3         |
|                                    | Operating Conversion Ratio | 15.60%                            | ●     | ● ●       | ●      |     | 13.8%     | 14.9%     | 16.8%   | 15.6%       | 68.0%        | £36.4         |
|                                    | Cash Conversion Ratio      | 13.00%                            | ●     | ● ●       | ●      |     | 68.0%     | 74.0%     | 84.0%   | 78.6%       | 72.5%        | £32.2         |
| <b>Regional Financial Target</b>   | See note 2                 | 13.00%                            | ● ●   | ●         | ●      |     | (£0.5m)   | Breakeven | (£0.9m) |             | 0.0%         | £0.0          |
| <b>Shared Strategic Objectives</b> | See Section 1.3            | 25.00%                            | ●     | ● ●       | ●      |     |           |           |         | 16.9%       | 67.5%        | £57.7         |
| <b>Personal Objectives</b>         | See Section 1.4            | 10.00%                            | ●     | ● ●       | ●      |     |           |           |         | 6.3%        | 62.5%        | £21.3         |
|                                    |                            | <b>100.0%</b>                     | ●     | ● ●       | ●      |     |           |           |         |             | <b>65.2%</b> | <b>£222.9</b> |

#### Steve Quinn

|                                    |                            | Actual performance against target |       |           |        |     |           |        | Actual | Achievement | Pay-out      |               |
|------------------------------------|----------------------------|-----------------------------------|-------|-----------|--------|-----|-----------|--------|--------|-------------|--------------|---------------|
| Measures                           |                            | Weighting                         | Below | Threshold | Target | Max | Threshold | Target | Max    | performance | %            | £'000         |
| <b>Group Financial Target</b>      | PBT                        | 23.40%                            | ●     | ●         | ● ●    |     | £36.9m    | £40.0m | £45.1m | £44.5m      | 94.1%        | £94.7         |
|                                    | Operating Conversion Ratio | 15.60%                            | ●     | ● ●       | ●      |     | 13.8%     | 14.9%  | 16.8%  | 15.6%       | 68.0%        | £45.6         |
|                                    | Cash Conversion Ratio      | 13.00%                            | ●     | ● ●       | ●      |     | 68.0%     | 74.0%  | 84.0%  | 78.6%       | 72.5%        | £40.5         |
| <b>Regional Financial Target</b>   | See note 2                 | 13.00%                            | ●     | ●         | ●      |     | £13.6m    |        | £16.0m | £20.7m      | 100.0%       | £55.9         |
| <b>Shared Strategic Objectives</b> | See Section 1.3            | 25.00%                            | ●     | ● ●       | ●      |     |           |        |        | 16.9%       | 67.5%        | £72.5         |
| <b>Personal Objectives</b>         | See Section 1.4            | 10.00%                            | ● ●   | ●         | ●      |     |           |        |        | 2.5%        | 25.0%        | £10.7         |
|                                    |                            | <b>100.0%</b>                     | ●     | ● ●       | ●      |     |           |        |        |             | <b>74.4%</b> | <b>£319.9</b> |

**Key:**

● Actual achievement against scale

**Notes to the bonus table**

- Targets are normally measured on an adjusted basis.
- Justin Hughes was paid in pounds sterling from September 2017 when he returned to the UK. Steve Quinn (based in the USA) was paid in local currency and his bonus amount has been converted into pounds sterling at an average exchange rate for FY 2017 of 1.28 (US Dollars).

## Directors' Remuneration Report - Annual Report on Remuneration

### 1.3 Shared Strategic Objectives Performance

Shared objectives are assessed based on delivery of agreed medium term strategic targets, which are outlined as follows:

| Strategic Measure  | Assessment of performance by the Committee   | Overall result in judgement of the Committee (as % of Maximum opportunity) |
|--|--|--|
| <b>Customer &amp; People engagement</b>  |  |  |
| Development and launch of Female Leadership development programme.   | Programme successfully launched and gaining traction.  | 100%   |
| Improvement in Candidate Net Promoter Score (NPS) from FY 2016 base of 37 to a threshold, target and max of 37, 39.5 and 42. | NPS score of 44.   |  |
| Staff retention of the 12-24 months' sales cohort from FY 2016 base of 50% to 47%-45%.                                       | Staff churn decreased from 51% to 45.0%.   |  |
| <b>End to end Customer Experience</b>  |  |  |
| A targeted programme of work in FY 2017 to address inefficiencies in middle office and support functions.                    | Key milestones achieved include a Customer Timesheet Application ('CTA') application to add navigational functionality for contractors whilst also increasing the efficiency of the payment processes. The Employed Contractor Model ('ECM') was successfully launched in Germany. A number of programme elements were rolled forward into 2018 due to competing priorities. | 60%  |
| <b>Permanent strategy</b>  |  |  |
| Pilots launched in more established geographies to deliver a separately structured Permanent business from Contract.         | Key pilot transition milestones completed, with early sight of improvement in fee flow through (to be fully realised in 2018).   | 35%  |
| <b>Customer Delivery Org Design</b>  |  |  |
| Development of the most effective organisational design for Contingency, MSP and Key Account Customers.                      | Blueprint and toolkit created for delivery models and job roles, with accompanying tailored reward schemes. Rolled out across each geography.  | 75%  |
| <b>Total/Average pay out</b>   |  | <b>67.5%</b>   |

## Directors' Remuneration Report - Annual Report on Remuneration

### 1.4 Personal Objectives Performance

Personal targets - delivery against agreed objectives as follows:

| Director      | Personal Objective   | Assessment of performance by the Committee  | Overall result in judgement of the Committee (as % of Maximum opportunity) |
|---------------|--|---|--|
| Gary Elden    | <p>Identification of target M&amp;A opportunities.</p> <p>Progress on innovation.</p> <p>Executive team alignment and performance management to support succession plans.</p>  | <p>Horizon scanning of opportunities, conducted with effective engagement with the Board.</p> <p>Successful implementation of innovations identified in the prior year. A strong pipeline of new innovation opportunities identified, enabled by a newly formed team and supporting infrastructures.</p> <p>Development and implementation of a new matrix organisational structure to balance geographic focus with enterprise wide commercial and operational excellence. Reshaped executive leadership team.</p> | 67.5%  |
| Alex Smith    | <p>To provide a lower cost, scalable and high quality support infrastructure for the UK based Support Services.</p> <p>Further enhancement of the interface between the Finance function and the regional business units.</p>                                    | <p>Announcement in November 2017 of the proposed relocation of support functions away from London to Glasgow, delivering estimated annualised cost savings of circa £4m-£5m.</p> <p>Good progress against Plan.</p>   | 70%  |
| Justin Hughes | <p>Lead the transition process in the run up to the leadership handover of day to day running of the region in June 2017, and provide appropriate oversight thereafter.</p> <p>Effective transition of the Programme Management Office and delivery of Plan.</p> | <p>New leadership team installed and operating well. Regional projects delivered to Plan. Permanent average fee improved.</p> <p>Appointment as COO in September 2017. Early traction achieved, with effective contribution to the review of UK Support Services.</p>   | 62.5%  |
| Steve Quinn   | <p>Develop the interface between the US and other parts of the business.</p> <p>Develop leadership bench-strength and accelerate cultural change.</p>  | <p>Progress made, but not in full.</p> <p>Progress made, but not in full.</p>   | 25.0%  |

## Directors' Remuneration Report - Annual Report on Remuneration

### 1.5 LTIP awards vested by reference to performance over the three years to FY 2017 (Audited)

For the CEO and CFO awards were split equally between EPS and TSR. For the COO and the CEO, USA, the awards also included a regional element, split equally three ways.

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

| EPS - Compound annual growth over three years ending FY 2017* | Payout Range     | Actual performance | Vesting level |
|---|------------------|--------------------|---------------|
| RPI +6% - 14% - 19% pa  | 30% - 80% - 100% | RPI +14.4%         | 81.5%         |

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

| TSR - Rank of the Company compared to the peer group  | Payout Range | Actual performance | Vesting level |
|---|--------------|--------------------|---------------|
| TSR performance between the median and upper quartile | 30% - 100%   | 29th out of 35     | nil           |

#### Regional Targets

The LTIP regional element was based on achieving regional Operating Profit ('OP') as follows:

| Region    | OP Target Range              | Payout Range (% award of regional) | Actual Performance   | Vesting level |
|-----------|------------------------------|------------------------------------|----------------------|---------------|
| USA       | 23% - 36% CAGR               | 30% - 100%                         | 15.7% CAGR           | 0%            |
| APAC & ME | £4.3m - £6.2m OP improvement | 30% - 100%                         | £1.8m OP improvement | 0%            |

The LTIP awards will therefore vest as follows:

| Executive Director | Number of shares granted | Number of shares vested | Number of shares lapsed | Dividend equivalent on additional shares | Total £'000* |
|--------------------|--------------------------|-------------------------|-------------------------|--|--------------|
| Gary Elden         | 190,621                  | 77,707                  | 112,914                 | 10,336                                   | 302.4        |
| Alex Smith         | 146,631                  | 59,774                  | 86,857                  | 7,951                                    | 232.6        |
| Steve Quinn        | 123,170                  | 33,473                  | 89,697                  | 4,453                                    | 130.3        |
| Justin Hughes      | 123,170                  | 33,473                  | 89,697                  | 4,453                                    | 130.3        |

\* Based on a share price of 343.5p on 30 November 2017

#### Remuneration payable to Steve Quinn on cessation of employment

Steve Quinn stepped down from the Board on 30 September 2017 and, following a comprehensive handover, which completed in early FY 2018, ceased normal duties. He will continue to receive his salary, pension, housing allowance and other contractual benefits until 30 September 2018, unless he obtains a comparable position in which case the monthly payments from STthree will be reduced by the amount of that remuneration. In addition to this, a contribution of up to £15,000

was agreed towards legal fees and outplacement services in connection with his departure.

Steve Quinn received an annual bonus payment in respect of the financial year ending 30 November 2017, as he was in active service for the full financial year. The amount of any payment was subject to the satisfaction of the relevant performance conditions, as set at the start of the financial year. Outstanding deferred bonus awards will vest on their original terms.

LTIP awards will vest on the normal vesting date, following application of the original performance conditions, albeit awards will be reduced pro rata from the date of grant to 30 September 2018, as a proportion of the original three-year vesting period. There will be no requirement to hold shares for two years post vesting.

There are no other payments in connection with his cessation of employment.

## Directors' Remuneration Report - Annual Report on Remuneration

### Annual Report on Remuneration

#### Section 2 - Fixed and variable remuneration for FY 2018

|                          |                              |                                    |
|--------------------------|------------------------------|------------------------------------|
| 2.1 Base Salary          | 2.3 2018 Annual Bonus        | 2.5 Non-Executive Directors (NEDs) |
| 2.2 Benefits and Pension | 2.4 Long Term Incentive Plan |                                    |

#### 2.1 Base salary, including agreed increase

The table below illustrates the most recent base salary changes (effective for FY 2018). The average base salary changes awarded for employees generally was 2.5-3.0%.

| Executive Director | Base Salary<br>FY 2017<br>£'000 | Increase<br>(from 1 Dec<br>2017) | Base Salary<br>FY 2018<br>£'000 |
|--------------------|---------------------------------|----------------------------------|---------------------------------|
| Gary Elden, CEO    | 442.0                           |                                  | 453.1                           |
| Alex Smith, CFO    | 333.3                           | 2.5%                             | 341.6                           |
| Justin Hughes, COO | 285.0                           |                                  | 292.1                           |

**Note:** Justin Hughes was paid in Pounds Sterling from September 2017, when he returned to the UK

#### 2.2 Benefits and pension contribution

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

Justin Hughes has been re-aligned to our standard UK suite of benefits for this level, now that he has returned

from Hong Kong to take up his role as Group COO.

#### 2.3 2018 Annual bonus, including financial, strategic and personal measure

The maximum annual bonus will remain capped at 120% of base salary. Any bonus above 100% of salary will be deferred into shares vesting in equal tranches over the

next two years. The bonus metrics and weightings for the FY 2018 annual bonus are summarised in the table below. The target ranges for each metric are considered to be

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

| Metric                       | Weighting | Measure   | Sub-weighting | Link to strategy / notes  |
|------------------------------|-----------|---|---------------|---|
| Group<br>Financial<br>Target | 65%       | <b>Adjusted Profit Before Tax</b><br>Calculated as Gross Profit less administrative expenses, less interest before adjusting items.   | 29.25%        | These are considered by the Committee to be the three most relevant financial KPIs for bonus purposes.<br><br><b>Adjusted Profit before Tax</b> is the headline measure of our Group profitability, shown on an adjusted basis, to measure underlying financial performance delivered by management.<br><br><b>Operating Profit Conversion Ratio</b> and <b>Cash Conversion Ratio</b> indicate how efficient the business is in terms of controlling costs and improving consultant productivity, turning profit into cash or collecting cash. As such, they are key strategic measures and components of the Group's bonus arrangements. Focusing on these measures also helps protect the Group in less favourable economic conditions.<br><br>Sliding scales will be set for each metric, around a target level. |
|                              |           | <b>Operating Profit Conversion Ratio</b><br>Calculated by taking the Operating Profit before exceptional and other adjusting items, stated as a percentage of Gross profit.                                   | 19.50%        |   |
|                              |           | <b>Cash Conversion Ratio</b><br>Calculated as the cash generated from operations for the year after deducting capex, stated as a percentage of operating profit before exceptional and other adjusting items. | 16.25%        |   |

## Directors' Remuneration Report - Annual Report on Remuneration

### 2.3 2018 Annual bonus, including financial, strategic and personal measure (continued)

| Metric                      | Weighting   | Measure                    | Sub-weighting | Link to strategy / notes   |
|-----------------------------|-------------|----------------------------|---------------|--|
| Shared Strategic Objectives | 25%         | <b>Operations</b>          | 6.25%         | Deliver financial benefits associated with the new CoE, establishing it, whilst minimising disruption to BAU activity.                 |
|                             |             | <b>Permanent Strategy</b>  | 6.25%         | Growth in profitability of core business above certain thresholds. Hybrid Perm model established in new locations and supporting this. |
|                             |             | <b>People Engagement</b>   | 6.25%         | Churn improvement % YoY.   |
|                             |             | <b>Customer Engagement</b> | 6.25%         | Growth in the % of total Group Gross Profit derived from top clients.  |
| Personal Objectives         | 10%         |                            | 10%           | Delivery versus agreed objectives to produce value or efficiency gains.  |
| <b>TOTAL</b>                | <b>100%</b> |                            | <b>100%</b>   |  |

### 2.4 Long Term Incentive Plan awards

The LTIP awards to be granted in early FY 2018, will be granted over shares worth 150% of salary. Awards will vest on the third anniversary of grant, with a further two year holding period on vested shares. Performance

conditions will be based on EPS, TSR and Strategic Metrics, each applied independently as shown in the table.

There will be a straightline sliding scale between points:

| LTIP Measures    | EPS | TSR | Strategic |
|------------------|-----|-----|-----------|
| <b>Weighting</b> | 50% | 30% | 20%       |

#### Earnings Per Share ('EPS') (50% of the award):

The Committee has increased the weighting from one third to 50% of the LTIP award. This is to provide a stronger focus on the achievement of the stretching range of EPS targets that have been set for this award (representing growth of 5.3% to 16.8% CAGR from the FY 2017 EPS result).

| Adjusted EPS in 2020 | Vesting of the award subject to EPS |
|----------------------|-------------------------------------|
| Less than 30p        | 0%                                  |
| 30p                  | 25%                                 |
| 41p                  | 100%                                |
| Between 30p and 41p  | Pro rata between 25% and 100%       |

#### Total Shareholder Return ('TSR') (30% of the award):

Measured over the three financial years to 30 November 2020

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

**Note:** The comparator group for FY 2018 LTIP awards will be: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Harvey Nash, Hays, Impellam, Kelly Services, Kforce, Korn Ferry, ManPower, Gattaca, Page Group, On Assignment, Randstad, Robert Half, Robert Walters and Staffline.

## Directors' Remuneration Report - Annual Report on Remuneration

### 2.4 Long Term Incentive Plan awards (continued)

#### Strategic (20% of the award):

Compared to last year, the Committee has simplified the strategic element of the LTIP award to provide two measures, as follows:

- (i) New product GP (Innovation/ SoW/AUG model, targeting growth by FY 2020; and

(ii) Operating Profit Conversion ratio. These are key focus areas of our long term business strategy, relayed at the Group's Capital Markets Day held in November 2017, which is why the Committee has decided to give them even greater prominence.

The Committee considers that these will be important measures of innovation and efficiency.

| Vesting of the award subject to Strategic element | GP from New Product Lines by FY 2020 (50%) of strategic element | Operating profit conversion ratio in FY 2020 (50%) |
|---|---|--|
| 0%  | Less than £11m  | Less than 17.3%                                    |
| 25%   | £11m  | 17.3%  |
| 100%  | £17m  | 21.1%  |
| Pro rata between 25% and 100%                     | Between £11m and £17m   | Between 17.3% and 21.1%                            |

#### Shareholding Requirement

The minimum shareholding requirement is 200% of base salary and to the extent that there is any

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

(after selling sufficient shares to pay tax).

### 2.5 Non Executive Directors ('NEDs')

NED fees for FY 2018 are set out as follows

| Non Executive Director | Date Appointed | Base Fee FY £'000 | Chair/SID Fee £'000 | Committee Chair/SID |
|------------------------|----------------|-------------------|---------------------|---------------------|
| Clay Brendish          | 01/05/2010     | 140.0             | -                   | Nomination          |
| Anne Fahy              | 01/10/2015     | 45.0              | 7.0                 | Audit               |
| Denise Collis          | 01/07/2016     | 45.0              | 7.0                 | Remuneration        |
| Barrie Brien           | 11/09/2017     | 45.0              | -                   |                     |
| James Bilefield        | 01/10/2017     | 45.0              | 7.0                 | SID                 |
| <b>Total</b>           |                | <b>320.0</b>      | <b>21.0</b>         |                     |

Following a detailed review of fee levels, NED base fees were increased from £40,000 to £45,000 and Committee Chair fees from £6,000 to £7,000 pa. from 1 October 2017. A fee of £7,000 was also introduced for the role of Senior Independent Director ('SID').

### Annual Report on Remuneration

#### Section 3 - Long Term Value Creation

3.1 Outstanding share awards  
3.2 Statement of Directors interest in Shares

3.3 Total Shareholder Return  
3.4 Historical Levels of and Percentage Change in CEO Remuneration

3.5 Relative Importance of Spend on Pay

#### 3.1 Outstanding share awards

#### Awards outstanding (including those granted in the year), comprising LTIP, SAYE and deferred share awards (Audited)

Executive Directors' awards outstanding under the LTIP are set out in the table below. Awards are currently structured as conditional

awards of shares (with no exercise price, save for a notional £1 sum payable on vesting for each total award), although some

earlier awards were granted as nil cost options, exercisable between three and ten years from grant.

## Directors' Remuneration Report - Annual Report on Remuneration

## 3.1 Outstanding share awards (continued)

| Director/<br>non LTIP | Date of LTIP<br>Grant /<br>Award | Market<br>Price at<br>Grant /<br>Award | Shares<br>Originally<br>Awarded | Face<br>Value*<br>£ | Shares Vested<br>or lapsed<br>(including<br>Dividend Shares)<br>Vested<br>(incl dividends)<br>Vested | Vesting<br>Date | Gain on<br>Exercise<br>£ | Remaining<br>Unexercised<br>or unvested<br>at 30 Nov<br>2017 (Incl<br>Dividend<br>Shares) |
|-----------------------|----------------------------------|--|---------------------------------|---------------------|--|-----------------|--------------------------|---|
| <b>Gary Elden</b>     | 04/02/2014                       | 364.00p                                | 165,535                         | 602,547             | 93,371   | 04/02/2017      | Unexercised              | 96,265  |
|                       | 17/02/2015                       | 324.00p                                | 190,621                         | 617,612             | -  | 17/02/2018      | -                        | 190,621   |
|                       | 27/01/2016                       | 297.00p                                | 217,677                         | 646,501             | -  | 27/01/2019      | -                        | 217,677   |
|                       | 26/01/2017                       | 312.00p                                | 212,500                         | 663,000             | -  | 26/01/2020      | -                        | 212,500   |
| Deferred bonus        | 24/02/2016                       | 295.00p                                | 15,770                          | 46,522              | 8,564  | 24/02/2018      | -                        | 8,123   |
| SAYE                  | 20/09/2016                       | 196.40p                                | 9,164                           | 23,116              | -  | 1/12/2019       | -                        | 9,164   |
| <b>Alex Smith</b>     | 11/02/2010                       | 299.40p                                | 117,935                         | 353,097             | 120,832  | 11/02/2013      | Unexercised              | 146,651   |
|                       | 01/02/2011                       | 371.30p                                | 104,511                         | 388,049             | 31,483   | 01/02/2014      | Unexercised              | 36,633  |
|                       | 04/02/2014                       | 364.00p                                | 127,335                         | 463,499             | 71,824   | 04/02/2017      | 231,273                  | -   |
|                       | 17/02/2015                       | 324.00p                                | 146,631                         | 475,084             | -  | 17/02/2018      | -                        | 146,631   |
|                       | 27/01/2016                       | 297.00p                                | 164,141                         | 487,499             | -  | 27/01/2019      | -                        | 164,141   |
|                       | 26/01/2017                       | 312.00p                                | 160,216                         | 499,874             | -  | 26/01/2020      | -                        | 160,216   |
| Deferred bonus        | 24/02/2016                       | 295.00p                                | 12,131                          | 35,786              | 6,588  | 24/02/2018      | -                        | 6,249   |
| SAYE                  | 20/09/2016                       | 196.40p                                | 9,164                           | 23,116              | -  | 01/12/2019      | -                        | 9,164   |
| <b>Steve Quinn</b>    | 01/02/2011                       | 371.30p                                | 45,005                          | 167,104             | 13,557   | 01/02/2014      | Unexercised              | 15,775  |
|                       | 01/02/2012                       | 272.00p                                | 52,516                          | 142,844             | 11,531   | 01/02/2015      | Unexercised              | 12,906  |
|                       | 18/07/2012                       | 261.00p                                | 68,966                          | 180,001             | 15,142   | 18/07/2015      | Unexercised              | 16,947  |
|                       | 04/02/2014                       | 364.00p                                | 106,961                         | 389,338             | 40,222   | 04/02/2017      | 127,504                  | -   |
|                       | 17/02/2015                       | 324.00p                                | 123,170                         | 399,071             | -  | 17/02/2018      | -                        | 123,170   |
|                       | 27/01/2016**                     | 297.00p                                | 140,404                         | 417,000             | 19,501   | 27/01/2019      | -                        | 120,903   |
|                       | 26/01/2017**                     | 312.00p                                | 159,519                         | 497,699             | 75,329   | 26/01/2020      | -                        | 84,190  |
| Deferred bonus        | 24/02/2016                       | 295.00p                                | 8,379                           | 24,718              | 4,550  | 24/02/2018      | -                        | 4,385   |
| <b>Justin Hughes</b>  | 01/02/2011                       | 371.30p                                | 45,005                          | 167,104             | 13,557   | 01/02/2014      | Unexercised              | 15,775  |
|                       | 08/02/2013                       | 331.50p                                | 114,027                         | 378,000             | 66,347   | 08/02/2016      | Unexercised              | 71,387  |
|                       | 04/02/2014                       | 364.00p                                | 106,961                         | 389,338             | 40,222   | 04/02/2017      | Unexercised              | 41,469  |
|                       | 17/02/2015                       | 324.00p                                | 123,170                         | 399,071             | -  | 17/02/2018      | -                        | 123,170   |
|                       | 27/01/2016                       | 297.00p                                | 140,404                         | 417,000             | -  | 27/01/2019      | -                        | 140,404   |
|                       | 26/01/2017                       | 312.00p                                | 159,519                         | 497,699             | -  | 26/01/2020      | -                        | 159,519   |
| SAYE                  | 20/09/2017                       | 256.60p                                | 7,014                           | 17,998              | -  | 01/12/2020      | -                        | 7,014   |

\* For the SAYE, options were valued at a share price of 196.4p and 256.6p. Under the SAYE scheme options are issued on similar terms to all employees, being at a 20% discount to the market price and not subject to performance conditions.

\*\*For Steve Quinn this represents the pro rated number of shares following cessation of employment.

## Directors' Remuneration Report - Annual Report on Remuneration

### 3.1 Outstanding share awards (continued)

#### LTIP targets for outstanding awards are as follows:

| LTIP FY 2017-19 | Measure    | EPS | TSR | Strategic | Regional |
|-----------------|------------|-----|-----|-----------|----------|
|                 | CEO & CFO  | 1/3 | 1/3 | 1/3       | -        |
|                 | <b>COO</b> | 1/4 | 1/4 | 1/4       | 1/4      |

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

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

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

Measured over the three financial years to 30 November 2019

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

#### Strategic targets apply to one third of the award, and are broken down as follows:

Where sliding scales operate there will be 25% vesting at the threshold for payment:

##### Customer (one third):

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

##### Employee (one third):

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

##### Relative gross profit (one third):

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

**Regional Targets:** apply to Directors with regional responsibility for this period, as follows:

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

## Directors' Remuneration Report - Annual Report on Remuneration

### 3.1 Outstanding share awards (continued)

#### LTIP FY 2016-18

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

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

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

| Rank of the Company's TSR compared to the peer group over three years ending FY 2018 | Vesting (% subject to TSR performance condition pro rata between each) |
|--|--|
| TSR performance below the median   | 0%   |
| Median   | 30%  |
| Upper quartile or above  | 100%   |

*Note: The comparator group comprises the following companies, being mid/large cap global listed recruiters or other business services/benchmark comparator companies, the vast majority of which have a high historical cyclicality correlation coefficient with SThree, being as follows: Adecco, Amadeus Fire, Bovis Homes Group, Brunel International, Carillion, Dice Holdings, Electrocomponents, Exova Group, Galliford Try, Grafton Group UTS, Groupe Crit, Harvey Nash Group, Hays, Hogg Robinson Group, Impellam Group, Inspecity, Kelly Services, Kforce, Korn Ferry International, Manpower Group, Matchtech Group, Page Group, Morgan Advanced Material, On Assignment, Premier Farnell, Ranstad Holding, Regus, Restaurant Group, Robert Half International, Robert Walters, Savills, Shaftesbury, Staffline Group, Sythomer, Telecity Group, Trueblue, USG People, Wetherspoon (JD).*

The LTIP regional element was based on growing regional Operating Profit (OP) as follows:

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

## Directors' Remuneration Report - Annual Report on Remuneration

### 3.2 Directors' Interests in Shares (Audited)

Under the remuneration policy Executive Directors must build and maintain a level of shares equivalent to at least 200% of base salary. Directors' interests in the ordinary

share capital of the Company as at the year end, are shown in the table, including any changes since the start of the current year. There have been no changes since then,

no Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any option during the year, other than as already disclosed.

| Director        | Ordinary Shares Held at 1 December 2016 | Ordinary Shares Acquired | Ordinary Shares Disposed | Ordinary Shares Held at 30 November 2017 (or date of leaving) | Other share awards outstanding | Shareholding Requirement (% Salary) | Shareholding Requirement (% of FY 2017 Salary) |
|-----------------|---|--------------------------|--------------------------|---|--------------------------------|-------------------------------------|--|
| Gary Elden      | 2,801,934                               | 1,494                    | 124,025                  | 2,679,403   | 725,186                        | 200%                                | 2082%  |
| Alex Smith      | 279,090                                 | 39,469                   | 3,097                    | 315,462   | 662,395                        | 200%                                | 325%   |
| Justin Hughes   | 555,199                                 | 141,025                  | 567,205                  | 129,019   | 551,724                        | 200%                                | 156%   |
| Clay Brendish   | 38,300                                  | -                        | -                        | 38,300  | -                              | -                                   | -  |
| Anne Fahy       | 4,000                                   | -                        | -                        | 4,000   | -                              | -                                   | -  |
| Denise Collis   | -                                       | 5,000                    | -                        | 5,000   | -                              | -                                   | -  |
| Barrie Brien    | -                                       | -                        | -                        | -   | -                              | -                                   | -  |
| James Bilefield | -                                       | -                        | -                        | -   | -                              | -                                   | -  |
| Steve Quinn     | 371,691                                 | 80,454                   | 132,395                  | 319,750   | -                              | -                                   | -  |
| Fiona MacLeod   | 5,000                                   | -                        | -                        | 5,000   | -                              | -                                   | -  |
| Nadhim Zahawi   | 43,228                                  | -                        | -                        | 43,228  | -                              | -                                   | -  |

**Note:** Other share awards outstanding, comprise aggregate interests in all share based plans, which are shown in the tables earlier in the report. These are not included in the shareholding percentage calculation. In accordance with shareholding policy, As part of his repatriation back to the UK,

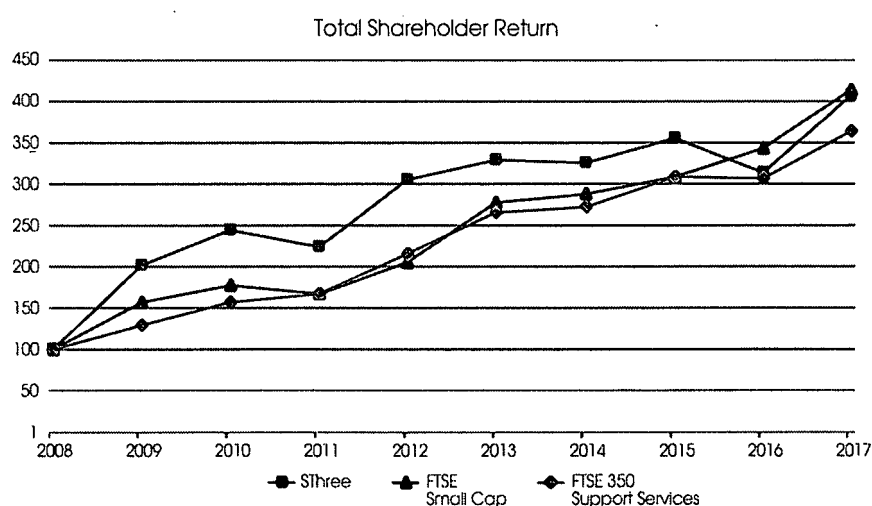
with the permission of the Board, Justin Hughes sold shares which temporarily reduced his holding below the 200% shareholding requirement and has undertaken to retain all of his vested 2015 LTIP award to restore his shareholding back to the required level. Ordinary shares acquired include shares received in return for tracker

shares purchased by the Group, with shares to the value of £120,200 (2016: £257,100) and £85,900 (2016: £105,100), being allotted to the COO during the year.

\* Based on share price as at 30 November 2017 of 343.50p.

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

The graph to the right shows the Total Shareholder Return ('TSR') of the Company, compared to the FTSE 350 Support Services and FTSE Small Cap indices. These are considered the most illustrative comparators for investors as the Company has been a constituent currently or in the past.



## Directors' Remuneration Report - Annual Report on Remuneration

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

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

| Year    | CEO              | CEO Total Remuneration<br>£'000 | Annual Bonus<br>(% of Maximum) | LTIP Awards Vesting (% of Maximum)* |
|---------|------------------|---------------------------------|--------------------------------|-------------------------------------|
| FY 2017 | Gary Elden       | 1,228.9                         | 76.2%                          | 41.0%                               |
| FY 2016 | Gary Elden       | 1,058.5                         | 56.4%                          | 50.0%                               |
| FY 2015 | Gary Elden       | 1,284.9                         | 92.8%                          | 50.0%                               |
| FY 2014 | Gary Elden       | 852.2                           | 54.6%                          | 18.5%                               |
| FY 2013 | Gary Elden       | 752.8                           | 44.3%                          | 25.5%                               |
| FY 2012 | Russell Clements | 1,295.0                         | 77.4%                          | 88.0%                               |
| FY 2011 | Russell Clements | 1,264.9                         | 56.0%                          | 100%                                |
| FY 2010 | Russell Clements | 1,284.2                         | 94.4%                          | 100%                                |
| FY 2009 | Russell Clements | 616.1                           | 41.7%                          | 44.0%                               |

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

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

| Remuneration Element | Percentage Change FY 2016 - FY 2017 |                           |
|----------------------|-------------------------------------|---------------------------|
|                      | CEO                                 | Average for All Employees |
| Salary & Fees        | 2.6%                                | 2.1%                      |
| Other Benefits*      | 3.2%                                | (7.3%)                    |
| Annual Bonus         | 38.6%                               | 37.8%                     |

\* Includes salary supplement in lieu of pension

### 3.5 Relative Importance of Spend on Pay

The table to the right sets out the change to the total employee wage costs compared with the change in dividends for FY 2017 compared to FY 2016. All figures are taken from the relevant sections of the Annual Report.

| Item  | FY 2017 | FY 2016 | % Change |
|---|---------|---------|----------|
| Dividends                                       | £18.0m  | £18.0m  | 0%       |
| Remuneration paid to Employees (incl Directors) | £187.4m | £169.0m | 10.9%    |

## Directors' Remuneration Report - Annual Report on Remuneration

### Annual Report on Remuneration

#### Section 4 - Governance

#### 4.1 The Committee and its Advisors

#### 4.1 The Committee and its Advisors

The Committee's Terms of Reference (available at [www.sthree.com](http://www.sthree.com)) are reviewed periodically to align as closely as possible with the UK Corporate Governance Code ('Code') and ICSA best practice guidelines. During the year the Committee comprised only independent NEDs, being Denise Collis, Chair, James Bilefield and Barrie Brien (both from Q4 2017), succeeding Nadhim Zahawi and Fiona McLeod. The Committee therefore meets Code requirements

#### 4.2 Statements of Voting at Last Year's AGM

to comprise at least three independent NEDs.

The Chief Executive Officer and the most senior HR representative attend meetings by invitation, except for matters related to their own remuneration. The Committee met four times during the year and no member of the Committee has any personal financial interest (other than as a shareholder) in the matters decided.

The Committee appointed Korn Ferry

#### 4.3 Approval

as its independent remuneration advisor in FY 2016, following a comprehensive review. Fees paid to Korn Ferry for advice in relation to remuneration matters during the year were £55,225, excluding VAT (FY 2016: £41,500 paid to Deloitte and £45,141 paid to Kepler, both excluding VAT). Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. The Committee are satisfied that their advice was and is objective and independent.

#### 4.2 Statements of Voting at Last Year's AGM

At the AGM held on 20 April 2017 the following votes were cast in relation to the binding vote for the approval of the Remuneration Policy and the advisory vote on the Annual Report on Remuneration.

| Resolution                     | For        | %      | Against   | %     | Withheld |
|--------------------------------|------------|--------|-----------|-------|----------|
| Directors' Remuneration Report | 92,981,242 | 99.66% | 321,578   | 0.34% | 106      |
| Directors' Remuneration Policy | 89,014,652 | 95.40% | 4,288,168 | 4.60% | 106      |

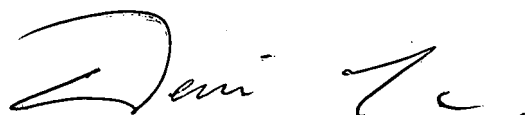
\*Votes withheld are not counted in the % shown above

#### 4.3 Approval

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

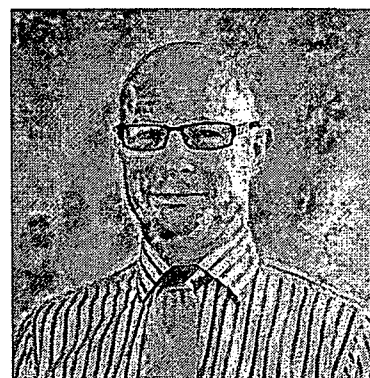
#### Denise Collis

Chair of the Remuneration Committee  
26 January 2018



## Corporate Governance Report

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



Steve Hornbuckle  
Group Company Secretary

### A. Leadership

#### A.1 The Role of the Board

The Board provides strategic and entrepreneurial leadership and overall control of the Group, setting a framework of prudent and effective controls to enable risks to be properly assessed and managed. Its primary role is to create value for stakeholders, to agree and approve the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices, whilst ensuring that the necessary financial and other resources are in place to enable those objectives to be met. In undertaking this, the Board also reviews management performance and sets the Company's values and standards, with all Directors acting in what they consider the best interests of the Company, consistent with their statutory duties. Certain powers are delegated to the Remuneration Committee, Audit Committee and Nomination Committee, with details of the roles and responsibilities of these Committees being set out under the relevant sections.

In addition, the Board has agreed Terms of Reference

for its other formal Committees in order to facilitate more efficient working practices and these include an Executive led Group Management Board ('GMB'), the Investment Committee, a Minority Interest 'Tracker Shares' Steering Committee, a Routine Business Committee, a Disclosure Committee and CSR Committee, all of which provide a clear framework of delegated authorities. All Terms of Reference (available at [www.sthree.com](http://www.sthree.com)) are reviewed periodically and all Board Committees are aligned with the UK Corporate Governance Code and take into account ICSA best practice guidelines.

- A.1.1** The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of senior management to be reviewed and monitored.

These are set out in a schedule of matters reserved to the Board, which is reviewed on a regular basis. The schedule outlines all matters requiring specific consent of the Board,

## Corporate Governance Report

### A.1 The Role of the Board (continued)

which include, inter-alia, the approval of Group strategy, operating plans and annual budget, the Annual Report, the Interim Report and trading updates, major divestments and capital expenditure, meaningful acquisitions and disposals, the recommendation of dividends and the approval of treasury, tax and risk management policies.

The schedule therefore facilitates structured delegation, subject to certain financial limits and provides a practical framework for executive management/reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved to the Board is available on the Company's website at [www.sthree.com](http://www.sthree.com).

**A.1.2** The Directors of the Company, including biographies, are set out in the Board of Directors section of this Annual Report, with further details of Board Committee membership being set out later in this report. The number of, and attendance at, Board and Committee meetings during the year, is also shown in a table later in this report. All meetings were well attended and, outside these, there was frequent contact between Directors on a range of matters.

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

### A.2 Division of Responsibilities

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

### A.3 The Chairman

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

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

**A.3.1** As stated below, on appointment, the Chairman met the independence criteria set out under the Code, in terms of having no previous connection with the Company.

### A.4 NEDs

**A.4.1** On 1 November 2017 James Bilefield succeeded Fiona Macleod as the Senior Independent NED ('SID') and was also appointed as Chair Designate. He is available to shareholders to discuss strategy or governance issues or should there be matters of concern that have not, or cannot, be addressed through normal channels.

**A.4.2** The Chairman normally meet with the NEDs without the Executive Directors being present, either before or after each Board meeting and this is formally noted, whilst the SID holds, at least annually, discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

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

## Corporate Governance Report

### B. Effectiveness

#### B.1 Composition of the Board

The Board comprises a balance of Executive and NEDs who bring a wide range of skills, experience and knowledge to its deliberations. The NEDs fulfil a vital role in corporate accountability and have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long term interests of shareholders, but to also take account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their mix of skills and business experience, they contribute significantly to the effective functioning of the Board and its Committees. This ensures that matters are fully debated and that no one individual or small group dominates the decision making process. Directors have a wide range of experience of various industry sectors relevant to the Group's business and each member brings independent judgement to bear in the interests of the Company on issues of strategy, performance, resources and standards of conduct. The Board is of sufficient size to match business needs and members have an appropriate and varied range of skills, vital to the success of the Group. The composition and performance of the Board and each Committee is periodically evaluated to ensure the appropriate balance of skills, expected time commitment, knowledge and experience and the Directors can thereby ensure

that the balance reflects the changing needs of the Group's business and is refreshed if necessary. Most importantly of all, Board members feel a strong cultural affinity with the Group, engaging fully as a committed team and in a wide variety of activities with our employees around the globe, whether it be an office visit, or presentation by management. The Nomination Committee report gives further information on activity in this regard, including recent changes in Board composition, succession planning and diversity.

- 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. At least half the Board, comprise of NEDs determined by the Board to be independent, as set out in the Code.

#### B.2 Appointment to the Board

Appointments to the Board are the responsibility of the full Board, upon the recommendation of the Nomination Committee and after appropriate external consultation, bearing in mind the Board's existing balance of skills and experience, the specific role needs identified, and with due regard for

diversity, including gender. Succession planning aspects are regularly reviewed by the Committee, in order to ensure an orderly progression/ refreshment of senior management/Board members and maintain an appropriate balance of skills, experience and diversity both within the Company and on the Board. The Chairman's Governance Overview and Strategy section (earlier in this Annual Report), contain further information on succession and diversity aspects.

- B.2.1/2** Under the direction of the Nomination Committee, each formal selection process is conducted, using external advisors, consisting of a series of interview stages, involving Directors and other Senior Executives, against the background of a specific role definition and objective criteria. Details of the composition, work and responsibilities of this Committee are set out under the relevant section later in this report.
- B.2.3** All Directors are subject to annual re-election, although NEDs are typically expected to serve for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/ re-election at each AGM, would be extended for a further three years. NEDs may be requested to serve for a third term (i.e. nine years in total) 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.

## Corporate Governance Report

### B. Effectiveness (continued)

#### B.3 Commitment

**B.3.1** For Board vacancies, the Nomination Committee approves a detailed job specification, which sets out the indicative time commitment expected. 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, which is typically two to three days a 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 may visit the Group's sales or other offices in order to join senior management from different geographic areas to discuss current initiatives. Directors are aware of their responsibilities and briefed on relevant regulatory, legal, governance or accounting matters periodically, as required. Directors also attend external seminars on areas of relevance to their role in order to facilitate their professional development. These measures help to ensure that the Board continues to develop its knowledge of the Group's business and get to

know senior management, as well as promoting awareness of responsibilities. Executive Directors are encouraged to accept external appointments in order to broaden their experience, although currently no such positions are held.

**B.4.1** Induction arrangements are tailored for new appointments to ensure that these are appropriate to each role, dependent on previous experience. Directors and other Senior Executives are invited to attend analysts' briefing and capital markets presentations and major shareholders may, upon appropriate request, meet new NEDs.

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

#### B.5 Information & Support

Board and Committee meeting papers are circulated well in advance of the relevant meeting and where a Director is unable to attend he/she is provided with a copy of the papers and has the opportunity to comment on the matters under discussion. Minutes of all Committee meetings are circulated to all the Directors, irrespective of Committee membership. The Group Company Secretary helps to ensure information flows between the Board/

Committees and senior individuals/NEDs and appropriately advises the Board, on governance matters.

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

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

#### B.6 Board Evaluation

**B.6.1/2** As recommended by the Code, a Board/Committee evaluation was undertaken during the period under review. This took the form of one on one meetings with the Chairman to elicit feedback on what was working well, or not, with suggestions of things for the Board to stop or start doing. The outputs of this exercise are being implemented, building upon the lessons gained in prior evaluations.

As part of this process, the Chairman also discusses the individual performance of Directors, in consultation with other Directors. The last external

## Corporate Governance Report

### B. Effectiveness (continued)

evaluation was completed in FY 2015. The evaluation process is considered to be both formal and rigorous and has led to the conclusion that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that Directors demonstrate full commitment in their respective roles.

See also the Chairman's Governance Overview section earlier in the Annual Report.

- B.6.3** The SID holds annual discussions with the other

NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

#### B.7 Re-election

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

- B.7.2** Reference to performance

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

### C. Accountability

#### C.1 Financial & Business Reporting

The Strategy section, Chairman's, CEO's and other officers' sections of this Annual Report, taken together, provide information relating to the Group's activities, its business and strategy and principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These, together with the Directors' Remuneration Report, Directors', Corporate Governance, CSR, Audit Committee and Nomination Committee Reports provide an overview of the Group, including environmental and employee matters and give an indication of future developments of the Group's

business. This provides a fair, balanced and understandable assessment of the Group's position and prospects, in accordance with the Code.

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

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

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

#### C.2 Risk Management, Internal Control & viability

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

#### C.3 Audit Committee & Auditors

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

### D. Remuneration

#### D.1 Level & Components

The Directors' Remuneration Report sets out in full, the policies and practices, which demonstrate the Company's

implementation of this Code principle and provisions.

#### D.2 Procedure

Details of the composition, work and responsibilities of

the Remuneration Committee are set out under the relevant section later in this report and in the Directors' Remuneration report.

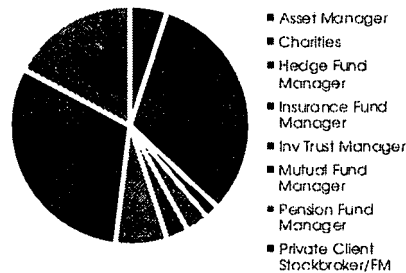
## Corporate Governance Report

### E. Relations with Shareholders

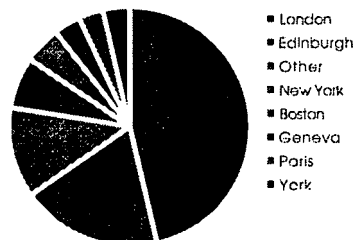
#### E.1 Dialogue with Shareholders

Communications with shareholders are given a high priority, as a part of a comprehensive investor relations programme. 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 and analysts, whilst ensuring that price sensitive information is released at the same time to all, in accordance with the requirements of the UK Listing Authority. Presentations are made after the Company has published its full and half yearly results and there was also dialogue on specific issues, which have included the LLP tracker share model, LTIP remuneration matters and recruitment of Chairman. In between trading updates, there is continued dialogue with the investor community by meeting key investor representatives, holding investor roadshows and participating in conferences. Feedback from meetings held between senior management and institutional shareholders is reported to the Board. Meetings with debt providers, principally the Company's banks, also take place periodically. The pie charts on the following page show a breakdown of meetings by institution type and location of fund manager during the year.

Buy Side Institutions



Location of FM



**E.1.1.** The Chairman, SID and other NEDS are available to discuss governance or strategy issues, should there be matters of concern that have not, or cannot, be addressed through the Executive Directors. During the year, both the Chairman and SID were available to converse with shareholders, with the Chairman hosting a governance lunch. Appropriate feedback was 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 are raised and discussed 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 an opportunity to communicate with private and institutional investors and welcomes participation, although typically very few shareholders attend. Alternative options, such as holding a virtual AGM may be considered in the future.

**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 any 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 shareholders attending the meeting. There is also full disclosure of the voting outcome via the London Stock Exchange and on the Company's website as soon as practicable after the AGM.

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

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

## Corporate Governance Report

### Board & Committee Composition & Attendance

(In accordance with A.1.2 of the Code)

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

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

Where Directors were unable to attend meetings due to other unavoidable commitments, full Board packs were distributed and separate discussions were held with the Chairman on all matters of relevance. Further details of each of the Board Committees are contained in the Remuneration, Audit and Nomination Committee sections of this Annual Report.

| Directors                    | Board (10 meetings) | Audit Committee (4 meetings) | Nomination Committee (4 meetings) | Remuneration Committee (4 meetings) Directors |
|------------------------------|---------------------|------------------------------|-----------------------------------|---|
| Clay Brendish                | 9                   | -                            | 4                                 | -   |
| Gary Elden                   | 10                  | 3                            | 3                                 | 4   |
| Alex Smith                   | 10                  | 4                            | -                                 | 2   |
| Steve Quinn <sup>1</sup>     | 7                   | -                            | -                                 | -   |
| Justin Hughes                | 10                  | -                            | -                                 | -   |
| Fiona Macleod <sup>4</sup>   | 8                   | 3                            | 3                                 | 2   |
| Denise Collis                | 10                  | -                            | 4                                 | 4   |
| Anne Fahy                    | 10                  | 4                            | 4                                 | -   |
| Nadhim Zahawi <sup>1</sup>   | 6                   | 1                            | 2                                 | 1   |
| James Bilefield <sup>3</sup> | 2                   | 1                            | 1                                 | 1   |
| Barrie Brien <sup>2</sup>    | 3                   | 1                            | 2                                 | 2   |

1 Steve Quinn retired from the Board on the 30 September 2017.

2 Barrie Brien joined the Board, Audit, Remuneration and Nomination Committees on 11 September 2017.

3 James Bilefield joined the Board, Audit, Remuneration and Nomination Committees on 1 October 2017, succeeding Fiona Macleod as SID from 1 November 2017.

4 Fiona Macleod and Nadhim Zahawi retired from the Board on the 31 October 2017.

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

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

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

The Board has overall responsibility for monitoring the effectiveness of the Group's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, to carry out a robust assessment of risks and the effectiveness of associated controls. This monitoring and review process includes assessing all material risks and controls, including financial, operational and compliance controls.

Executive Directors and senior management are responsible for the implementation and maintenance of the underlying control systems, subject to such review. The Audit Committee works closely with the Board in this area and, on behalf of the Board, has identified no significant failings or weaknesses from its review. The Group's Internal Audit function also assists to facilitate the review process.

Processes are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and accordingly provide reasonable, not absolute, assurance against material misstatement or loss. The Board considers, in assessing what constitutes

reasonable accuracy, the materiality of financial and non financial risks and the relationship between the cost or benefit, resulting from such systems. In order to manage the business effectively, the Board assesses actual results compared with budgeted and forecast performance, as well as against other KPIs, on an ongoing basis. The process includes risks and opportunities to enhance the value arising from ESG matters where relevant. The process is consistent with the FRC's latest guidance on Internal Control and has been in operation for the period under review and up to the date of approval of this Annual Report.

## Corporate Governance Report

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

#### ERM Framework

The Board, supported by the Audit Committee, has overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs and this forms the basis for the Group's ERM framework.

Under this framework, all Executive, Regional and Country Directors, key support functions and other relevant parties take ownership of their related risks, creating specific sub-Group risk registers, with risks being categorised according to probability and impact and measured according to strictly defined criteria, as set out under the Board approved risk management policy. More significant risks are distilled to form the Group's key risk register, which is regularly reviewed by the Board.

#### ERM Processes

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

- Senior Directors own localised risk registers, with regular presentations made to the Board which include progress on risk mitigation;
- Board or Audit Committee meetings may include presentations by MDs/Country Directors, etc., on their approach to business risk management and tracking of improvement areas;
- A Board approved risk management policy and procedures are in place, communicated Group-wide;
- Group risk appetite statements reviewed, with strategic and localised measures being agreed, monitored via appropriate KPIs, with bonus also being subject to

specific risk or compliance targets, where relevant;

- Job descriptions include reference to risk responsibilities.

In light of the increasing FRC focus on risk monitoring, reporting and viability and in order to enable the Board to satisfy itself on the robustness of the Group's internal control and risk evaluation/monitoring processes, the Board has previously engaged external risk specialists to review its processes, including risk appetite setting and reporting.

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

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

#### ERM Arrangements

The Group's ERM arrangements have been designed to meet, as closely as possible, the appropriate BSI standard (BS 31000) on risk management processes.

Consequently, the Group has continued to reap the benefits of its enhanced ERM framework through improved strategic and individual region/sector focus on key risk areas, with greater clarity on risk ownership, and the identification of opportunities as well as threats, whilst also facilitating better monitoring of progress, mitigation measures and ensuring appropriate forward looking assessment, including, where relevant, ESG matters (for example environmental impacts, social issues such as how the Group manages relationships with its employees, suppliers, customers and the communities in which it operates,

and governance issues such as the Company's leadership, executive pay, audits, internal controls and shareholder rights).

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

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

- As part of its ERM procedures, the Board takes into account any material ESG matters. Adherence to these procedures and disclosure of relevant issues is monitored by the Internal Audit function and also reviewed by external risk specialists, as part of the overall risk management framework.
- The Board has received adequate information to make this assessment by way of its ERM procedures and, where necessary, has taken account of ESG matters in training and bonus structures.
- The Board has ensured that the Company has in place effective systems for managing and mitigating principal risks. Where relevant, these incorporate performance management systems and appropriate remuneration incentives.
- There are no ESG-related risks or opportunities that may significantly affect the Company's short and long term value or the future of the business.

#### Going Concern Statement

The Group's business activities, together with the factors likely to affect its future development, performance, its financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic section of this Annual

## Corporate Governance Report

Report. In addition, the notes to the financial statements include details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks, including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance, risks and uncertainties and the Group's available banking facilities. Based on this review, and after making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

For this reason, the Directors continue to adopt a going concern basis in preparing this Annual Report.

### Viability Statement

The Board has assessed the viability of the Company and the Group over a five year period to 30 November 2022, taking account of the Group's current financial position and the potential impact of the principal risks and mitigation documented in the Strategic section of this Annual Report. The five year horizon is consistent with presentations to the investor community at the CMD and other investor events. Based on this assessment and the various other matters also considered and reviewed by the Board during the year, the Board has a reasonable expectation that the Company and the Group will be able to continue in operation and to meet liabilities as they fall due over the period to 30 November 2022.

In making this assessment, the Board has reviewed a five-year financial forecast, taking into account the Group's strategy, cash flows, dividend cover, debt facilities and other key financial metrics over the period. The key assumptions in the forecast were flexed (individually and in

combination) to evaluate the potential impact on the Group's liquidity and debt requirements under various scenarios. These assumptions included sales headcount, gross profit yield per sales consultant, infrastructure and support costs.

In making this statement, it is recognised that not all future events or conditions can be predicted, and future assessments are subject to a level of uncertainty that increases with time. Future outcomes cannot, therefore, be guaranteed or predicted with certainty, particularly within the recruitment sector, where there is limited forward visibility.

This assessment was made taking into account the Company and Group's current position and prospects, its strategy, the agreed risk appetite and the principal risks and mitigation (as detailed in the Strategic section of this Annual Report), all of which could change and impact the future performance of the Company and the Group.

### Corporate and Environmental Responsibility

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

Further details are disclosed in the CSR Report.

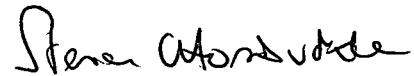
### Share Capital and Directors' Powers to Issue or Buy Back Shares

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

**Steve Hornbuckle**

Group Company Secretary

26 January 2018



## Audit Committee Report

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

FY 2017 was another busy year for the Committee. In the early part of the year, we completed an external audit tender, which resulted in a recommendation to re-appoint PricewaterhouseCoopers LLP ('PwC') as auditor to the Company. This followed a comprehensive tender process which began in October 2016 and concluded in February 2017, led by myself, as Audit Committee Chair. As part of this process, the Company originally invited six audit firms to tender, with a shortlist of two firms eventually giving final presentations to a panel consisting of the Audit Committee Chair, CFO, Group Company Secretary and selected members of the Company's finance management team. In the end, PwC were selected based on a combination of factors, including team continuity, track record of improving service and delivery, responsiveness and communication, energy and cultural fit, lack of transition disruption, as well as fee competitiveness.

We also welcomed two new members to the Committee, James Bilefield and Barrie Brien, both of whom bring significant financial and commercial experience. I would also like to thank Fiona McLeod and Nadhim Zahawi for their significant contribution to the Committee during their tenure.

The Committee continues to support the Board in further embedding the Code provisions on risk, control and viability, whilst further strengthening the internal control environment by ensuring the independence, effectiveness and quality of both internal and external audit processes, as well as of the Committee itself.

Internal Audit ('IA') plays an integral role in the Group's governance and provides regular updates to the Committee, with tracking of remedial action in the case of any control failures. At the start of each year an annual IA plan is presented for the Committee to agree, after appropriate review and challenge.

The Committee was pleased to see and supported the implementation of a more robust action tracking system which not only freed valuable IA resource but also improved transparency, accountability, quality and timeliness of action close outs.

Significant focus is placed on key accounting judgements and estimates, which underpin the financial statements, namely:

- Measurement of restructuring costs and classification of exceptional items;
- Impairment of investment carrying value (Company only);
- Capitalisation of internal costs spent on system development;
- Accrued revenue cut off; and
- Tracker shares

All of these were considered in the light of the latest FRC guidance.

During the course of the year, the Committee also considered, amongst other matters, project implementation, technical accounting matters and their appropriate disclosure, treasury matters, as well as fraud and whistleblowing, whilst also supporting the Board in its discussions on key risks, tax planning and policy. As with last year, it also took the opportunity to review and update its terms of reference and evaluated its



Anne Fahy  
Audit Committee Chair

performance, which it does annually, in line with best practice. From this review, the Committee has concluded that it is functioning effectively, with only minor areas identified for enhancement.

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

Information on the Committee meetings held and attended by members is set out in the table in the Corporate Governance Report.

### Committee Composition

The Committee consists of Anne Fahy (Chair), Barrie Brien and James Bilefield. The Group CEO, CFO, Group Company Secretary, External Auditors, Internal Audit and Finance function heads also attend meetings by invitation.

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

Anne Fahy is a Chartered Accountant and has held senior financial positions, most recently at BP, whilst Barrie Brien is also a Chartered Accountant and both he and James Bilefield are

## Audit Committee Report

### Audit Committee

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

degree educated and have held senior management positions, which include financial responsibility; the Committee, taken as a whole,

is considered to have appropriate sector experience.

The Committee's Terms of Reference

were reviewed and updated during the year. Duties principally comprise as follows:

#### The Committee's Principal Responsibilities

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

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

- To monitor and review the effectiveness of the Group's IA function;
- To agree the external auditors engagement terms, scope, fees, non-audit services, to monitor and review the external auditor's effectiveness and associated independence and recommend re-appointment to the Board and shareholders;

- Reviewing arrangements by which the Groups' employees may raise concerns about possible improprieties in financial reporting or other such matters and ensuring appropriate follow up;
- Assessing procedures for detecting fraud or preventing bribery; and
- Where requested by the Board, advising on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects.

The Committee carries out an annual assessment of its effectiveness, in order to consider whether any improvements are needed.

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

The Committee supports the Board in its overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs, as part of the Group's ERM framework.

Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

This activity includes monitoring of the effectiveness of the Group's risk

management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, carrying out a robust assessment of risks and the effectiveness of associated controls on behalf of the Board.

No significant failings or weaknesses were identified by the Committee from this review.

The Committee works closely with the CFO, Group Company Secretary, IA team and external auditors to ensure that any potential material

misstatement risks are identified and targeted in terms of the overall audit strategy and that audit resources and the efforts of the engagement team are correctly allocated. This helps to ensure the effective planning and performance of the external and internal audit teams, focused on risk, and has resulted in a continued improvement in processes and controls over recent years.

A key focus area for the Committee, again, this year was reviewing the viability statement, to enable Board sign off.

## Audit Committee Report

### External Auditors

#### Responsibilities in Relation to External Auditors

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

- In accordance with EU Audit Regulation guidance on audit tendering, the Committee completed a formal audit tender, including a recommendation for the appointment of PwC as external auditors, with subsequent approval of their remuneration and terms of engagement by shareholders;
- Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Updated the policy on the engagement of the external auditors and supply of non-audit services in light of regulatory changes. This new policy sets out prohibited and permitted services, a non-audit services fee cap and certain pre approval thresholds.

#### Appointment, Objectivity and Independence

Following the conclusion of the formal audit tender in early FY 2017, both the Committee and the external auditors have safeguards in place to ensure that objectivity and

independence is maintained. The Committee also considers independence taking into consideration relevant UK professional and regulatory requirements.

The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner was appointed in 2014.

#### Performance and Tendering

During the year, the Committee reviewed performance and fees and met with the external auditors, PwC regularly, without management present. Prior to the recent tender, PwC originally replaced BDO as auditor in 2000 and became auditors of the public company in 2005. The Committee considered that factors such as regular audit partner rotation, adoption of enhanced audit

techniques, as well as competitive fee structure have all contributed to PwC's satisfactory performance and independence. The Committee therefore considers that the existing relationship has worked well and remains satisfied with PwC's effectiveness.

Whilst there are no contractual obligations restricting the Group's

choice of external auditors, per se, EU rules now prevent certain 'prohibited' services from being carried out in addition to auditing activities. Any such activities must first cease, before a firm can be considered for audit tender. Accordingly, the external auditor ceased such services in FY 2016 in order to be considered for the tender completed in early FY 2017.

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

The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit engagement partner, planning and scope of the audit, including a dedicated audit planning afternoon, with identification of particular areas of audit risk, the planned approach and execution of the audit, management of an effective audit

process, communications by the auditor with the Committee, how the auditors support the work of the Committee, how the audit contributes insights and adds value, a review of independence and objectivity of the audit firm and the quality of the formal audit report to shareholders.

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

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements, management's approach to the support of independent audit and the booking of any audit adjustments arising as well as the timely provision of documents for review by the auditors and the Committee.

## Audit Committee Report

### External Auditors

#### Policy on Non-Audit Work

The Committee sets clear guidelines on non-audit work, which is only permitted where it does not impair independence or objectivity and where the Committee believes that it is in the Group's best interests to make use of built up knowledge or experience. Such work has included services required due to legislation and assurance work or other specialist services. The Committee continuously monitors the quality and volume of this work, fees incurred, as well as

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

Following the introduction of EU Ethical Standards for Auditors in 2016, the Committee reviewed its policy on non-audit work and has updated it. As such, the policy aligns with regulations to prohibit a number of non-audit services, whilst also

meeting APB Ethical Standards and FRC guidance, to clearly set out:

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

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

Audit fees for the year decreased by 3% YoY. The Committee reviews all non-audit work against policy to ensure it is appropriate and the

fees justified. Non-audit fees have decreased compared to prior years, with this year's fees primarily related to the half year agreed upon

procedures and India subsidiary liquidation. The fees are set out in the notes to the financial statements.

#### Significant Accounting Judgements and Estimates in the Financial Statements and Matters Considered in Relation Thereto

Significant areas considered by the Committee in relation to the FY 2017 Annual Report and financial statements and how these were addressed, include the following:

**Measurement of restructuring costs and classification as exceptional items** – certain costs were incurred during the year, which were separately presented as exceptional items and excluded from the Group's alternative earnings measure on the face of the Income Statement.

The exceptional items recognised in the year related to restructuring costs, as following a review of its UK-based global support structure, the Group made a decision to relocate support functions away from its London headquarters to a new facility located in Glasgow. The principal restructuring costs classified as exceptional were redundancy costs and professional advisor fees for external consultants engaged to support the planning and execution of central support service restructure.

As the classification of these restructuring costs is judgemental and the valuation of the provision requires estimation, these matters were discussed with senior members of the finance team. Ahead of the year end, the Committee reviewed a draft paper proposed by management. The Committee challenged the criteria and timing of these costs to ensure such classification and presentation was balanced and consistent with internal policy and external guidance. A final paper incorporating agreed changes and other refinements was subsequently reviewed and approved by the Audit Committee. Management's paper set out the size, incidence and nature of each specific type of restructuring costs incurred and considered that an appropriate disclosure as exceptional items provides a better understanding of the Group's underlying results and is in accordance with the Group's accounting policy set out in Note 1 of the Financial Statements.

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

**Impairment of investment carrying values (Company only)** – the parent company holds investments in UK and overseas subsidiaries, which had a total carrying value of £206.8m at year end. Annually, a review is performed to assess whether there is an indication that these investments are impaired. If any such indication exists, the recoverable amount of the investment is estimated, being the higher of an entity's 'fair value, less costs of disposal' and its 'value in use'.

Ahead of the year end, the Committee reviewed a draft paper

## Audit Committee Report

### External Auditors

#### Significant Accounting Judgements and Estimates in the Financial Statements and Matters Considered in Relation Thereto (continued)

proposed by management and recommended a review of key judgements on the future performance of the investments and key estimates, including the discount rates, all of which drive the valuation of the recoverable amount. A final paper incorporating further refined trading assumptions and amended growth and discount rates was subsequently reviewed and approved by the Audit Committee.

Management's paper set out the investments that were deemed to be impaired and the key estimates driving the valuation models, with the resulting impairment test giving an £88.1m impairment of the parent company's investment in subsidiaries. The majority of this impairment charge was due to a decrease in the value of the UK business and was primarily determined using a discounted cash flow ('value in use') model.

Given the downturn in the trading performance of the UK business, as highlighted in the CEO Report, an impairment charge was anticipated by the Committee. Estimates applied in the valuation of the investments and judgements made in applying a provision are considered to be appropriate by the Committee and in line with IFRS requirements. The external audit teams and senior members of the finance team have performed detailed verification procedures on the valuations of the investments and the external auditors have also reported their findings to the Committee.

**Capitalisation of internal costs spent on system development** – where the criteria in IAS 38 Intangible Assets is met, the Group capitalises eligible system project development costs in Intangible assets. These include the cost of directly attributable internal time spent by certain employees.

Determining whether the project development costs satisfy the IAS 38 recognition criteria is judgemental. Business cases, including an assessment of the project against recognition criteria, are required for all significant projects and approved by the Group's Strategic Development Committee. A key judgement relates to defining and quantifying the benefits of a project. The Audit Committee monitors the benefits of completed projects compared to those set out in the original business cases via an annual review which is performed by Internal Audit. This provides an indicator not only of the rigour of the benefits defined/quantified in original business cases but also the areas for further improvement or consideration in open projects' business cases. The external auditors have reported to the Committee on the results of their testing in this area. The judgements and estimates which have been applied are also discussed with management and considered to be appropriate by the Committee and continue to be in line with IFRS requirements.

**Revenue Recognition** – contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end.

Revenue is therefore accrued for contractors where no timesheet has been received, but the individual is 'live' on the Group's systems, or where a customer has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained. The amount of contractor revenue that is accrued rather than billed at each period end

is significant.

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

However, the revenue is adjusted to reflect actual data from contractor timesheets received two-three weeks after the year-end and where timesheets are not submitted.

Any difference compared to the actual time worked by the contractor would result in the amount payable to the contractor and accrued revenue receivable from the client being adjusted in the next financial year.

Each year management quantifies the difference between actual amounts billed and accrued revenue and costs. This covers the month after year end when a large proportion of timesheets are submitted. An adjustment is made for this. Any residual differences following this are quantified and are not material. External and internal auditors have verified procedures around revenue recognition and reported their findings.

The estimation method applied, and the assumptions underlying these are considered appropriate by the Committee and continue to be in line with IFRS requirements.

**Tracker Shares** – the tracker share arrangements are complex in nature and therefore challenging to disclose in a way that is understandable to the reader whilst continuing to highlight the judgements involved.

In light of this, each year, the Committee re-examines the key areas of judgement in order to be

## Audit Committee Report

### External Auditors

#### Significant Accounting Judgements and Estimates in the Financial Statements and Matters Considered in Relation Thereto (continued)

satisfied that these are clearly disclosed. There are significant accounting differences (generally with respect to measurement) when comparing the treatment of an equity settled and a cash settled share based payment scheme. The tracker share scheme gives the Group the choice to settle in either SThree plc shares or cash and therefore the treatment of this scheme in the financial statements as equity settled is judgemental. Given the material quantum of amounts involved, the Committee focused on this significant judgement. In order to satisfy itself that treatment of the scheme as equity settled is appropriate, the Committee verified the practice to date has been to settle tracker shares using SThree plc

shares, and sought reconfirmation from the Board that it is the ongoing intention to settle the scheme in this way. This policy is disclosed within the financial statements.

When tracker shares are settled using treasury shares the accounting requires judgement. The Companies Act is not explicit on how the reissue of treasury shares should be accounted for in this scenario. The Committee had previously reviewed legal advice obtained by management in this area which confirms the appropriateness of the treatment adopted within the financial statements, as disclosed further in the notes to the financial statements. There have been no changes to suggest this legal advice is superseded in any way. The Audit

Committee also reviewed the disclosure of this judgement in Note 1 and considered it to be appropriate.

#### **Material Misstatements –**

management confirmed to the Committee that they were not aware of any material misstatements, management override or fraud and the external auditors confirmed that they had found no evidence of such during the course of their work.

After reviewing reports from management and following its discussions with the external auditors, the Committee is satisfied that the financial statements appropriately address critical judgements and key estimates, both in respect of the amounts reported and the disclosures.

#### Internal Audit ('IA')

IA plays an integral role in the Group's governance and risk management processes and provides independent assurance to the Committee on compliance with its policies and procedures. The function carries out a wide variety of audits including operational as well as ad hoc and project based reviews and fraud investigation.

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

The Head of IA has direct access to the Committee, and meets regularly with both the Committee and its Chair without management present to consider the IA work programme,

which is approved in advance by the Committee.

For FY 2017, the programme was focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their close out monitored. No significant weaknesses were identified from the risk management or internal control reviews undertaken by IA during the reporting period and throughout the financial year. The IA team has continued to enhance the risk management framework and work with managers across the globe to further develop and embed the risk framework and methodology at a local level, whilst also ensuring that the IA plan is closely aligned to risk. Senior management regularly

present to the Committee to report back on progress against agreed IA actions and other risks in their area of responsibility. During the year the Committee received presentations from and held discussions with the CIO on cyber security and GDPR (General Data Protection Regulation) readiness, the US Operations Director on the broad compliance agenda for that region, focusing particularly on ECM (Employment Contractor Model) and the Energy sector, as well as with the Commercial Head on procurement opportunities.

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

## External Auditors

### Fraud

The Committee reviews the procedures for the prevention and detection of fraud in the Group.

Suspected cases of fraud must be reported to senior management and are investigated by IA, with the outcome of any investigation reported to the Committee. During the year in question, IA investigated two frauds, with appropriate disciplinary action taken.

### Anti-Bribery and Corruption and Business Ethics

The Group maintains a zero tolerance approach against corruption. It has an established anti-bribery and corruption policy, which includes guidance on the giving and receiving of gifts and hospitality. This policy applies throughout the Group. A Gifts and Hospitality Register is maintained to ensure transparency.

The Group also has a Code of Conduct which sets out the standards of behaviour by which all employees are bound. This is based on the Group's commitment to acting professionally, fairly and with integrity.

### Whistleblowing Hotline

The Group has in place a dedicated independent whistleblowing hotline, as part of the arrangements set up and is monitored by the Committee, so that employees are able to report any matters of concern, where this does not conflict with local laws or customs (see the Company Information and Corporate Advisors section for details). During the year, the opportunity was taken to refresh communication of the whistleblowing procedures and related policy. All issues raised via the hotline during the year, were fully investigated by IA and appropriate action taken.

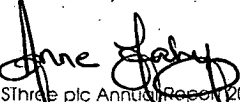
### Committee Evaluation

Consistent with the decision to defer our external Board evaluation, the Committee conducted an internal evaluation process which included feedback from management, external auditors, IA, as well as Committee members. Overall, the evaluation endorsed continuing to have key managers' deep dive on particular topics and some other minor improvements.

### Anne Fahy

Audit Committee Chair

26 January 2018

  
STH plc Annual Report 2017



## Nomination Committee Report

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

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



Clay Brendish  
Nomination Committee Chair.

### Committee Composition

The Committee consists of Clay Brendish (Chairman), James Bilefield, Barrie Brien, Denise Collis and Anne Fahy and thus complies with the requirement to have a majority of independent Non Executive Directors (NEDs).

### Summary of Terms of Reference

The Committee's terms of reference are, broadly, to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the

Board, make recommendations with regard to any changes and to review and prepare relevant job descriptions for new appointees, as well as ensuring the continuing

development of and adequate pipeline into the Executive team for succession and bench strength purposes.

### Use of External Search Consultants

The Committee engages external search consultants with respect to both Executive and Non Executive appointments and considers applicants from all backgrounds,

as was the case for the most recent external appointments. James Bilefield and Barrie Brien, who were appointed as NEDs in Q4 2017, being also appointed to each of the Audit,

Remuneration and Nomination Committees. James was also appointed as Chair designate/SID, in line with our succession plans.

### Succession Planning & Diversity

Succession planning and development initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels. YSC Consulting were engaged during the year to assist with this.

During FY 2017, the Committee's work was focused on ensuring the continuing development of and adequate pipeline into the Executive team, including the impact of Steve Quinn's departure, as well as refreshing the Non Executive team, following the planned departure of Nadhim Zahawi (after nine years tenure) and Fiona McLeod (as SID), whilst also looking

ahead to ensure appropriate Chair succession at the next AGM.

In this regard, the Committee first conducted an evaluation of the balance of skills, knowledge and experience on the Board and, in the light of this, prepared a description of the roles and capabilities required for each particular appointment. Following an extensive interview process, the successful appointees were selected from candidates proposed only by the external search consultants and chosen entirely on merit.

The Committee also considers future

succession planning for Board or other Senior Executive roles, reviewing leadership, experience and skills needs and bearing in mind the existing balance of skills, knowledge, experience and diversity already on the Board, to ensure appropriateness. In terms of gender and ethnic diversity, we consider that the Board is well balanced. See also the Chairman's Governance Overview section in this Annual Report.

Clay Brendish  
Nomination Committee Chair

26 January 2018

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

#### Opinion

In our opinion, SThree plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 November 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial

statements, as applied in accordance with the provisions of the Companies Act 2006; and

- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at

30 November 2017; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flow, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Audit Committee's Report, we have provided no non-audit services to the Group or the Company in the period from 1 December 2016 to 30 November 2017.

#### Our audit approach

##### Overview

|                          |   |  |
|--------------------------|---|--|
| <b>Materiality</b>       | <ul style="list-style-type: none"> <li>• Overall Group materiality: £2.2 million (2016: £1.9 million), based on 5% of profit before tax and exceptional items (2016: profit before tax).</li> </ul>                         | <ul style="list-style-type: none"> <li>• Overall Company materiality: £2.0 million (2016: £1.9 million), based on 1% of net assets, capped at the level of Group materiality.</li> </ul>                   |
| <b>Audit Scope</b>       | <ul style="list-style-type: none"> <li>• The Group has its centralised support functions in the UK which include the Group's accounting function.</li> </ul>  | <ul style="list-style-type: none"> <li>• The whole Group was audited by the UK audit team at the centralised support function</li> </ul>   |
| <b>Key Audit Matters</b> | <ul style="list-style-type: none"> <li>• Capitalisation of internal costs spent on system development (Group);</li> <li>• Accrued income cut off (Group);</li> <li>• Tracker share accounting judgement (Group);</li> </ul> | <ul style="list-style-type: none"> <li>• Measurement of restructuring costs and classification as exceptional items (Group); and</li> <li>• Impairment of investment carrying values (Company).</li> </ul> |

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for

example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

#### The scope of our audit (continued)

applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit

procedures that focused on the risk of non-compliance related to global employment laws and interpretations, and indirect taxes. Our tests included inspecting correspondence with regulators, discussions with legal counsel (internal and external), involving employment tax specialists and testing particular classes of transactions. We did not identify any key audit matters relating to

irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the

auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the

context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

#### Key audit matter

#### How we addressed the key audit matter

##### Capitalisation of internal costs spent on system development

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

Refer to Intangible assets (Note 11 of the financial statements), Significant accounting judgements and estimates (Note 1 of the financial statements) and the Audit Committee Report.

#### Group

Internal costs capitalised during the year were £2.4m (2016: £1.9m). For costs being capitalised on system development projects we tested a sample of projects to verify that these satisfied the recognition criteria in IAS 38 Intangible assets. For the samples selected, we:

- Obtained approved business cases setting out the budgeted costs and anticipated benefits.
- Met with the project managers and obtained satisfactory explanations for the assumptions made, supporting the judgement that benefits would exceed the expected cost.
- To verify the reliability of estimated benefits we also examined internal analyses of the outcome of historical projects. We considered whether the planned benefits were estimated reliably compared to what was now being realised.

We concluded that costs were being capitalised in accordance with IAS 38.

In addition to the above procedures, we also tested a sample of internal costs to supporting payroll records and verified the allocation of employee costs to the correct projects. Where projects were completed, we tested their functionality to evaluate whether they were fit for purpose and operating as intended in the original business case.

We noted that there were a number of smaller projects being capitalised as intangible assets which collectively amounted to £1.1m (2016: £0.9m) of capitalised costs during the year. In the case of these projects we verified for a sample that these are functionality changes or enhancements to existing systems rather than updates or maintenance. We had no exceptions in respect of these tests.

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

| Key audit matter  | How we addressed the key audit matter  |
|---|--|
| <p>Accrued income cut off</p> <p>The Group's accounting process means that there is a material amount of accrued income rather than billed Contractor revenue at each period end ('Accrued income'). At year end the accrued income was £65.0m (2016: £51.7m). This estimate is a system-computed amount calculated by using standard Contractor rates and estimated hours for placed Contractors. The amount is reviewed by management and adjusted for post year end data when Contractor timesheets are received. Contractor revenues represented 71% of the Group's gross profit during the year.</p> <p>We focused on this area due to the material quantum of accrued income and the potential for variances to arise when compared to actual post year end data.</p> <p>Refer to Trade and other receivables (Note 14 of the financial statements), Significant accounting judgements and estimates (Note 1 of the financial statements) and the Audit Committee Report.</p> <p><b>Group</b></p> | <p>For contract revenue, including accrued income, we:</p> <ul style="list-style-type: none"> <li>• Tested the automated controls in the system to see that it calculated accrued income correctly based on contracted hours and billing rates.</li> <li>• Tested the automated and manual controls supporting the accuracy of rates and hours inputs into the system.</li> <li>• Compared a sample of the timesheets submitted and/or billings raised subsequent to the year end to the revenue that had been accrued in relation to them and found them to be consistent.</li> <li>• We examined the historical accuracy of making this estimate by checking the prior year's accrual and that the post year end variances were not material.</li> <li>• We verified that accrued revenue was not older than three months in age in accordance with Group policy, and examined the ageing profile of the balance in general, concluding that management were following their policies in this area.</li> </ul> <p>From these procedures we concluded that the estimate was materially appropriate.</p> |
| <p>Tracker share accounting judgement</p> <p>Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company's discretion. The Company's policy is to settle these using SThree plc shares. Therefore this share based payment scheme continues to be accounted for as equity settled. There are significant accounting differences between an equity settled and a cash settled scheme. Therefore, with regard to the material quantum of amounts involved, we focused on this significant judgement.</p> <p>Details of the tracker share scheme are set out in the Chief Financial Officer's report and in the Accounting policies (Note 1 of the financial statements). Refer also to Share Capital (Note 20(b) of the financial statements), Significant accounting judgements and estimates (Note 1 of the financial statements) and the Audit Committee Report.</p> <p><b>Group</b></p>   | <p>We verified that SThree's current policy for repurchasing tracker shares continues to be through the issue of new SThree plc shares or use of treasury shares. We tested repurchases of tracker shares during the year and verified that these were settled with SThree plc shares in accordance with this policy.</p> <p>We confirmed with management and the Board that it remains their intention to settle in equity, and that this policy is disclosed within the financial statements.</p>  |

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

| Key audit matter   | How we addressed the key audit matter   |
|--|---|
| <p>Measurement of restructuring costs and classification as exceptional items</p> <p>On 1 November 2017 the Group announced the restructuring of its support function. Management has recognised £6.7m of costs related to this restructuring and classified these as exceptional items in the Income Statement in accordance with the Group's accounting policy in Note 1 of the financial statements.</p> <p>Refer to Administrative expenses – Exceptional items (Note 3 of the financial statements), Significant accounting judgements and estimates (Note 1 of the financial statements), the Chief Financial Officer's report and the Audit Committee Report.</p> <p>The key elements of the exceptional costs for 2017 include:</p> <ul style="list-style-type: none"> <li>• Redundancy costs of £5.7m; and</li> <li>• Professional advisor fees of £1.0m.</li> </ul> <p>Determining whether costs should be classified as exceptional items requires judgement. We therefore focused on this area. Judgement is also required to determine which costs should be included as exceptional and provided for at the year end and the estimation of these amounts.</p> <p>We also focused on this area to ensure that disclosures made in the Annual Report in respect of an Alternative Performance Measure (Profit before tax and exceptional items) are clearly explained, reconciled to statutory measures, and are not given undue prominence.</p> | <p>We considered whether the exceptional items recorded were non-recurring in nature and recognised and presented in accordance with the Group's disclosed accounting policy. We agreed that due to the material quantum of the costs and their strategic and non-recurring nature it was appropriate to classify the costs directly associated with the restructuring programme as exceptional items.</p> <p>In relation to the specific types of cost incurred:</p> <ul style="list-style-type: none"> <li>• We assessed the different types of costs incurred and the point an obligation was established to ensure these were recognised in the correct accounting period.</li> <li>• For redundancy costs, we selected a sample of impacted employees and verified that management's computation of the amount payable to them reflected the communication of the methodology announced during the employee consultation and agreed details such as start dates and notice periods to supporting audit evidence including employment contracts or employee consultation meeting minutes.</li> <li>• For professional advisory fees we agreed these to relevant agreements and invoices, making sure the services provided are incurred and restructuring-related.</li> </ul> <p>We found no exceptions from our testing.</p> <p>In our review of the Annual Report we focused on disclosures of Exceptional costs in Note 3 and Alternative Performance Measures and that these were explained and presented alongside statutory measures. We also considered the outcome of the Audit Committee's own review which concluded the Annual Report is fair, balanced, and understandable.</p> |

#### Group

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

#### Key audit matter

#### How we addressed the key audit matter

#### Impairment of investment carrying values

The Company holds investments in a number of UK and overseas subsidiaries with a total carrying amount of £206.8m at 30 November 2017. The UK has experienced continued challenging economic conditions over the past two years indicating an increased impairment risk.

We focused on this area due to the material quantum of the investment balance in the UK and because management estimates are required in performing an impairment test.

Management's impairment test resulted in an £88.1m impairment of the Company's investment in subsidiaries. The majority of the impairment was determined using a discount cash flow ('value in use') model.

Sensitivity disclosures have been included within the financial statements.

Refer to Other investments (Note 13 of the financial statements), Significant accounting judgements and estimates (Note 1 of the financial statements), the Chief Financial Officer's report and the Audit Committee Report.

#### Company

We obtained management's impairment test results with supporting computations and:

- Verified that inputs to the model were accurate including estimates of future profitability and that these were in line with the approved budget or adjustments made were appropriate.
- Checked the mathematical accuracy of the model.

From these procedures we concluded the model inputs and calculation methodology were accurate.

The inputs which required management judgement and our procedures are set out below:

- Growth assumptions – we considered the Group's own budgets and forecasts and the history of achieving these. We also sought independent market evidence such as views on the outlook published by the Group's peers or other economic data. We concluded that the growth assumptions were reasonable.
- Discount rate and long term growth rate– the pre-tax discount rate of 11.6% and long term growth rate of 2% are within the range that we independently estimated based on market data and analysis of comparable companies.

We also considered alternative analyses of potential impairment prepared by management including a fair value less cost to sell model and that the higher of the two models was taken into account when determining the impairment charge.

We reviewed management's disclosed sensitivities and performed our own sensitivity analyses. We also considered that the disclosure made in the financial statements regarding the assumptions and the sensitivities drew appropriate attention to the more significant areas of estimation.

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

#### How we tailored the audit scope

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

The Group has a centralised support function in the UK which is responsible

for processing the transactions of the whole Group. Our audit was therefore conducted from the UK at centralised support function and addressed the whole of the Group's profit.

#### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit

and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

|  | Group financial statements   | Company financial statements  |
|--|--|---|
| <b>Overall materiality</b>             | £2.2 million (2016: £1.9 million).   | £2.0 million (2016: £1.9 million)   |
| <b>How we determined it</b>            | 5% of profit before tax and exceptional items (2016: 5% of profit before tax).   | 1% of net assets, capped at the level of Group materiality.   |
| <b>Rationale for benchmark applied</b> | We believe that profit before tax, adjusted for exceptional items, provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring disproportionate impact of these items. In 2016 there were no exceptional items and therefore profit before tax was used. | We believe that net assets is the primary measure used by the shareholders in assessing the position of the non-trading holding Company, and is an accepted auditing benchmark. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2016: £0.2 million) and £0.2

million (Company audit) (2016: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

#### Going concern

In accordance with ISAs (UK) we report as follows:

#### Reporting obligation

We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

#### Outcome

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We have nothing to report.

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon.

The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2017 is consistent with the financial

statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and

Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

#### Corporate Governance Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Report about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been

prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

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

Corporate Governance Report with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

## Independent auditors' report to the members of SThree plc

### Report on the audit of the financial statements

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 61 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 98 of the Annual Report as to how they have assessed the prospects

of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal

risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (*Listing Rules*)

#### **Other Code Provisions**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 66, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and

strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.

- The section of the Annual Report on page 99 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

#### **Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Independent auditors' report to the members of SThree plc

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 66, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either

intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

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

of users taken on the basis of these financial statements.

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

#### Use of this report

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.

### Other required reporting

#### Companies Act 2006 exception reporting

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

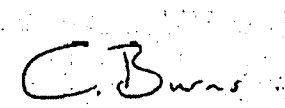
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

#### Appointment

We were appointed by the directors to audit the financial statements for the year ended 30 November 2005 and subsequent financial periods. This is the year SThree plc became a public company. The period of total uninterrupted engagement is 13 years, covering the years ended 30 November 2005 to 30 November 2017.



**Christopher Burns**  
(Senior Statutory Auditor)

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

26 January 2018





## Financial Statements

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## Consolidated Income Statement

For the year ended 30 November 2017

|  | Note     | 2017                     |                   |                | 2016           |
|--|----------|--------------------------|-------------------|----------------|----------------|
|  |          | Before exceptional items | Exceptional items | Total          |                |
|  |          |                          |                   | £'000          | £'000          |
| <b>Continuing operations</b>                                     |          |                          |                   |                |                |
| Revenue  | 2        | 1,114,530                | -                 | 1,114,530      | 959,861        |
| Cost of sales  |          | (826,858)                | -                 | (826,858)      | (701,180)      |
| <b>Gross profit</b>  | <b>2</b> | <b>287,672</b>           | <b>-</b>          | <b>287,672</b> | <b>258,681</b> |
| Administrative expenses  | 3        | (242,752)                | (6,741)           | (249,493)      | (220,913)      |
| <b>Operating profit</b>  | <b>4</b> | <b>44,920</b>            | <b>(6,741)</b>    | <b>38,179</b>  | <b>37,768</b>  |
| Finance income   | 6        | 124                      | -                 | 124            | 79             |
| Finance costs  | 6        | (439)                    | -                 | (439)          | (549)          |
| Share of results of associate                                    | 12       | (147)                    | -                 | (147)          | -              |
| <b>Profit before taxation</b>                                    |          | <b>44,458</b>            | <b>(6,741)</b>    | <b>37,717</b>  | <b>37,298</b>  |
| Taxation   | 7        | (11,392)                 | 1,303             | (10,089)       | (10,056)       |
| <b>Profit for the year attributable to owners of the Company</b> |          | <b>33,066</b>            | <b>(5,438)</b>    | <b>27,628</b>  | <b>27,242</b>  |
| <b>Earnings per share</b>  | <b>9</b> | <b>pence</b>             | <b>pence</b>      | <b>pence</b>   | <b>pence</b>   |
| Basic  |          | 25.7                     | (4.2)             | 21.5           | 21.2           |
| Diluted  |          | 24.9                     | (4.1)             | 20.8           | 20.6           |

The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 30 November 2017

|  | 2017          | 2016          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Profit for the year</b>   | <b>27,628</b> | <b>27,242</b> |
| <b>Other comprehensive (loss)/income:</b>  |               |               |
| <i>Items that may be subsequently reclassified to profit or loss:</i>                |               |               |
| Exchange differences on retranslation of foreign operations                          | (1,083)       | 10,774        |
| Total other comprehensive (loss)/income for the year (net of tax)                    | (1,083)       | 10,774        |
| <b>Total comprehensive income for the year attributable to owners of the Company</b> | <b>26,545</b> | <b>38,016</b> |

The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

SThree plc ('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.

## Statements of Financial Position

As at 30 November 2017

|   | Note | Consolidated                 |                              | Company                      |                              |
|---|------|------------------------------|------------------------------|------------------------------|------------------------------|
|   |      | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| <b>Assets</b>                                       |      |                              |                              |                              |                              |
| <b>Non-current assets</b>                           |      |                              |                              |                              |                              |
| Property, plant and equipment                       | 10   | 6,746                        | 7,100                        | -                            | -                            |
| Intangible assets                                   | 11   | 11,386                       | 11,597                       | -                            | -                            |
| Investment in associate                             | 12   | 655                          | -                            | -                            | -                            |
| Other Investments                                   | 13   | 1,110                        | 727                          | 206,831                      | 290,233                      |
| Deferred tax assets                                 | 19   | 4,199                        | 2,501                        | 298                          | 229                          |
|   |      | 24,096                       | 21,925                       | 207,129                      | 290,462                      |
| <b>Current assets</b>                               |      |                              |                              |                              |                              |
| Trade and other receivables                         | 14   | 226,558                      | 189,169                      | 5,188                        | 1,507                        |
| Current tax assets                                  |      | 1,534                        | 4,650                        | 14,207                       | 10,423                       |
| Cash and cash equivalents                           | 15   | 21,338                       | 15,707                       | 6,985                        | 394                          |
|   |      | 249,430                      | 209,526                      | 26,380                       | 12,324                       |
| <b>Total assets</b>                                 |      | <b>273,526</b>               | <b>231,451</b>               | <b>233,509</b>               | <b>302,786</b>               |
| <b>Equity and Liabilities</b>                       |      |                              |                              |                              |                              |
| <b>Equity attributable to owners of the Company</b> |      |                              |                              |                              |                              |
| Share capital                                       | 20   | 1,317                        | 1,312                        | 1,317                        | 1,312                        |
| Share premium                                       |      | 28,806                       | 27,406                       | 28,806                       | 27,406                       |
| Other reserves                                      |      | (8,556)                      | (5,381)                      | (7,489)                      | (5,397)                      |
| Retained earnings                                   |      | 59,138                       | 52,333                       | 179,906                      | 267,294                      |
| <b>Total equity</b>                                 |      | <b>80,705</b>                | <b>75,670</b>                | <b>202,540</b>               | <b>290,615</b>               |
| <b>Non-current liabilities</b>                      |      |                              |                              |                              |                              |
| Provisions for liabilities and charges              | 18   | 2,172                        | 907                          | -                            | -                            |
| <b>Current liabilities</b>                          |      |                              |                              |                              |                              |
| Borrowings  | 17   | 12,000                       | -                            | 12,000                       | -                            |
| Bank overdraft                                      | 15   | 3,717                        | 5,685                        | -                            | -                            |
| Provisions for liabilities and charges              | 18   | 12,352                       | 4,953                        | -                            | -                            |
| Trade and other payables                            | 16   | 159,556                      | 138,859                      | 18,969                       | 12,171                       |
| Current tax liabilities                             |      | 3,024                        | 5,377                        | -                            | -                            |
|   |      | 190,649                      | 154,874                      | 30,969                       | 12,171                       |
| <b>Total liabilities</b>                            |      | <b>192,821</b>               | <b>155,781</b>               | <b>30,969</b>                | <b>12,171</b>                |
| <b>Total equity and liabilities</b>                 |      | <b>273,526</b>               | <b>231,451</b>               | <b>233,509</b>               | <b>302,786</b>               |

The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 29 January 2018.  
They were signed on its behalf by:

**Alex Smith**

Chief Financial Officer



Company registered number: 03805979

### Consolidated Statement of Changes in Equity

For the year ended 30 November 2017

|  | Note  | Share capital<br>£'000 | Share Premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve<br>£'000 | Treasury reserve<br>£'000 | Currency translation reserve<br>£'000 | Retained earnings<br>£'000 | Total equity attributable to owners of the Company<br>£'000 |
|--|-------|------------------------|------------------------|-------------------------------------|--------------------------|---------------------------|---------------------------------------|----------------------------|---|
| <b>Balance at 30 November 2015</b>                           |       | <b>1,295</b>           | <b>23,140</b>          | <b>168</b>                          | <b>878</b>               | <b>(1,318)</b>            | <b>(10,758)</b>                       | <b>46,001</b>              | <b>59,406</b>   |
| Profit for the year  |       | -                      | -                      | -                                   | -                        | -                         | -                                     | 27,242                     | 27,242  |
| Other comprehensive income for the year                      |       | -                      | -                      | -                                   | -                        | -                         | 10,774                                | -                          | 10,774  |
| Total comprehensive income for the year                      |       | -                      | -                      | -                                   | -                        | -                         | <b>10,774</b>                         | <b>27,242</b>              | <b>38,016</b>   |
| Dividends paid to equity holders                             | 8     | -                      | -                      | -                                   | -                        | -                         | -                                     | (17,972)                   | (17,972)  |
| Distributions to tracker shareholders                        |       | -                      | -                      | -                                   | -                        | -                         | -                                     | (149)                      | (149)   |
| Settlement of vested tracker shares                          | 20(a) | 14                     | 3,706                  | -                                   | -                        | -                         | -                                     | (3,929)                    | (209)   |
| Settlement of share-based payments                           |       | 3                      | 560                    | -                                   | -                        | 1,720                     | -                                     | (1,671)                    | 612   |
| Purchase of own shares                                       | 20(a) | -                      | -                      | -                                   | -                        | (6,845)                   | -                                     | -                          | (6,845)   |
| Credit to equity for equity-settled share-based payments     | 20(b) | -                      | -                      | -                                   | -                        | -                         | -                                     | 2,823                      | 2,823   |
| Current and deferred tax on share-based payment transactions | 7     | -                      | -                      | -                                   | -                        | -                         | -                                     | (12)                       | (12)  |
| <b>Total movements in equity</b>                             |       | <b>17</b>              | <b>4,266</b>           | <b>-</b>                            | <b>-</b>                 | <b>(5,125)</b>            | <b>10,774</b>                         | <b>6,332</b>               | <b>16,264</b>   |
| <b>Balance at 30 November 2016</b>                           |       | <b>1,312</b>           | <b>27,406</b>          | <b>168</b>                          | <b>878</b>               | <b>(6,443)</b>            | <b>16</b>                             | <b>52,333</b>              | <b>75,670</b>   |
| Profit for the year  |       | -                      | -                      | -                                   | -                        | -                         | -                                     | 27,628                     | 27,628  |
| Other comprehensive loss for the year                        |       | -                      | -                      | -                                   | -                        | -                         | (1,083)                               | -                          | (1,083)   |
| Total comprehensive (loss)/income for the year               |       | -                      | -                      | -                                   | -                        | -                         | <b>(1,083)</b>                        | <b>27,628</b>              | <b>26,545</b>   |
| Dividends paid to equity holders                             | 8     | -                      | -                      | -                                   | -                        | -                         | -                                     | (17,994)                   | (17,994)  |
| Distributions to tracker shareholders                        |       | -                      | -                      | -                                   | -                        | -                         | -                                     | (115)                      | (115)   |
| Settlement of vested tracker shares                          | 20(a) | 4                      | 1,185                  | -                                   | -                        | 2,746                     | -                                     | (3,060)                    | 875   |
| Settlement of share-based payments                           |       | 1                      | 215                    | -                                   | -                        | 2,959                     | -                                     | (2,972)                    | 203   |
| Purchase of own shares                                       | 20(a) | -                      | -                      | -                                   | -                        | (4,618)                   | -                                     | -                          | (4,618)   |
| Purchase of own shares by Employee Benefit Trust             | 20(a) | -                      | -                      | -                                   | -                        | (3,179)                   | -                                     | -                          | (3,179)   |
| Credit to equity for equity-settled share-based payments     | 20(b) | -                      | -                      | -                                   | -                        | -                         | -                                     | 3,256                      | 3,256   |
| Current and deferred tax on share-based payment transactions | 7     | -                      | -                      | -                                   | -                        | -                         | -                                     | 62                         | 62  |
| <b>Total movements in equity</b>                             |       | <b>5</b>               | <b>1,400</b>           | <b>-</b>                            | <b>-</b>                 | <b>(2,092)</b>            | <b>(1,083)</b>                        | <b>6,805</b>               | <b>5,035</b>  |
| <b>Balance at 30 November 2017</b>                           |       | <b>1,317</b>           | <b>28,806</b>          | <b>168</b>                          | <b>878</b>               | <b>(8,535)</b>            | <b>(1,067)</b>                        | <b>59,138</b>              | <b>80,705</b>   |

The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

### Company Statement of Changes in Equity

For the year ended 30 November 2017

|  | Note  | Share capital<br>£'000 | Share Premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve<br>£'000 | Treasury reserve<br>£'000 | Retained earnings<br>£'000 | Total equity attributable to owners of the Company<br>£'000 |
|--|-------|------------------------|------------------------|-------------------------------------|--------------------------|---------------------------|----------------------------|---|
| <b>Balance at 30 November 2015</b>                           |       | <b>1,295</b>           | <b>23,140</b>          | <b>168</b>                          | <b>878</b>               | <b>(1,318)</b>            | <b>302,227</b>             | <b>326,390</b>  |
| Total comprehensive loss for the year                        | 1,13  | -                      | -                      | -                                   | -                        | -                         | (18,002)                   | (18,002)  |
| Dividends paid to equity holders                             | 8     | -                      | -                      | -                                   | -                        | -                         | (17,972)                   | (17,972)  |
| Settlement of vested tracker shares                          | 20(a) | 14                     | 3,706                  | -                                   | -                        | -                         | -                          | 3,720   |
| Settlement of share-based payments                           |       | 3                      | 560                    | -                                   | -                        | 1,720                     | (1,671)                    | 612   |
| Purchase of own shares                                       | 20(a) | -                      | -                      | -                                   | -                        | (6,845)                   | -                          | (6,845)   |
| Credit to equity for equity-settled share-based payments     |       | -                      | -                      | -                                   | -                        | -                         | 2,723                      | 2,723   |
| Current and deferred tax on share-based payment transactions |       | -                      | -                      | -                                   | -                        | -                         | (11)                       | (11)  |
| <b>Total movements in equity</b>                             |       | <b>17</b>              | <b>4,266</b>           | <b>-</b>                            | <b>-</b>                 | <b>(5,125)</b>            | <b>(34,933)</b>            | <b>(35,775)</b>   |
| <b>Balance at 30 November 2016</b>                           |       | <b>1,312</b>           | <b>27,406</b>          | <b>168</b>                          | <b>878</b>               | <b>(6,443)</b>            | <b>267,294</b>             | <b>290,615</b>  |
| Total comprehensive loss for the year                        | 1,13  | -                      | -                      | -                                   | -                        | -                         | (69,743)                   | (69,743)  |
| Dividends paid to equity holders                             | 8     | -                      | -                      | -                                   | -                        | -                         | (17,994)                   | (17,994)  |
| Settlement of vested tracker shares                          | 20(a) | 4                      | 1,185                  | -                                   | -                        | 2,746                     | 52                         | 3,987   |
| Settlement of share-based payments                           |       | 1                      | 215                    | -                                   | -                        | 2,959                     | (2,972)                    | 203   |
| Purchase of own shares                                       | 20(a) | -                      | -                      | -                                   | -                        | (4,618)                   | -                          | (4,618)   |
| Purchase of own shares by Employee Benefit Trust             | 20(a) | -                      | -                      | -                                   | -                        | (3,179)                   | -                          | (3,179)   |
| Credit to equity for equity-settled share-based payments     |       | -                      | -                      | -                                   | -                        | -                         | 3,256                      | 3,256   |
| Current and deferred tax on share-based payment transactions |       | -                      | -                      | -                                   | -                        | -                         | 13                         | 13  |
| <b>Total movements in equity</b>                             |       | <b>5</b>               | <b>1,400</b>           | <b>-</b>                            | <b>-</b>                 | <b>(2,092)</b>            | <b>(87,388)</b>            | <b>(88,075)</b>   |
| <b>Balance at 30 November 2017</b>                           |       | <b>1,317</b>           | <b>28,806</b>          | <b>168</b>                          | <b>878</b>               | <b>(8,535)</b>            | <b>179,906</b>             | <b>202,540</b>  |

Of the above reserves, retained earnings of £179,906,000 (2016: £267,294,000) are assessed by the directors as being distributable. The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

## Statements of Cash Flow

For the year ended 30 November 2017

|  | Notes     | Consolidated  |               | Company       |               |
|--|-----------|---------------|---------------|---------------|---------------|
|  |           | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| <b>Cash flows from operating activities</b>                                  |           |               |               |               |               |
| Profit/(loss) before taxation after exceptional items                        |           | 37,717        | 37,298        | (70,397)      | (18,896)      |
| <b>Adjustments for:</b>  |           |               |               |               |               |
| Depreciation and amortisation charge   | 10.11     | 5,744         | 5,716         | -             | -             |
| Accelerated amortisation and impairment of intangible assets                 | 11        | 309           | -             | -             | -             |
| Finance income   | 6         | (124)         | (79)          | (14)          | (76)          |
| Finance costs  | 6         | 439           | 549           | 601           | 543           |
| Loss on disposal of property, plant and equipment                            | 4         | 110           | 194           | -             | -             |
| Share of results of associate  | 12        | 147           | -             | -             | -             |
| Loss on disposal of subsidiaries   | 4         | 144           | -             | 1,142         | -             |
| Impairment of investments  | 13        | -             | -             | 88,048        | 40,077        |
| Non-cash charge for share-based payments                                     | 20(b)     | 3,256         | 2,823         | 667           | 811           |
| <b>Operating cash flows before changes in working capital and provisions</b> |           | <b>47,742</b> | <b>46,501</b> | <b>20,047</b> | <b>22,459</b> |
| (Increase)/decrease in receivables   |           | (35,712)      | (9,404)       | (6,860)       | 172           |
| Increase in payables   |           | 19,291        | 5,731         | 7,694         | 903           |
| Increase/(decrease) in provisions  |           | 8,758         | (632)         | -             | -             |
| Cash generated from operations   |           | 40,079        | 42,196        | 20,881        | 23,534        |
| Interest received  | 6         | 124           | 79            | 14            | 76            |
| Income tax paid - net  |           | (10,921)      | (8,477)       | (3,306)       | 656           |
| Net cash generated from operating activities                                 |           | 29,282        | 33,798        | 17,589        | 24,266        |
| Cash generated from operating activities before exceptional items            |           | 30,273        | 34,658        | 17,589        | 24,469        |
| Cash outflow from previously recognised exceptional items                    |           | (991)         | (860)         | -             | (203)         |
| Net cash generated from operating activities                                 |           | 29,282        | 33,798        | 17,589        | 24,266        |
| <b>Cash flows from investing activities</b>                                  |           |               |               |               |               |
| Purchase of property, plant and equipment                                    | 10        | (2,374)       | (3,220)       | -             | -             |
| Purchase of intangible assets  | 11        | (3,392)       | (3,973)       | -             | -             |
| Investments designated as available for sale                                 | 13        | (383)         | (727)         | -             | -             |
| Investment in associate  | 12        | (802)         | -             | -             | -             |
| Net cash used in investing activities  |           | (6,951)       | (7,920)       | -             | -             |
| <b>Cash flows from financing activities</b>                                  |           |               |               |               |               |
| Proceeds from borrowings   | 17        | 12,000        | -             | 12,000        | -             |
| Interest paid  |           | (431)         | (549)         | (601)         | (543)         |
| Employee subscriptions for tracker shares                                    |           | 98            | 192           | -             | -             |
| Proceeds from exercise of share options                                      |           | 215           | 612           | 215           | 612           |
| Purchase of own shares   |           | (7,797)       | (6,845)       | (4,618)       | (6,845)       |
| Dividends paid to equity holders   | 8         | (17,994)      | (17,972)      | (17,994)      | (17,972)      |
| Distributions to tracker shareholders  |           | (115)         | (130)         | -             | -             |
| Net cash used in financing activities  |           | (14,024)      | (24,692)      | (10,998)      | (24,748)      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                  |           | <b>8,307</b>  | <b>1,186</b>  | <b>6,591</b>  | <b>(482)</b>  |
| Cash and cash equivalents at beginning of the year                           |           | 10,022        | 6,159         | 394           | 876           |
| Exchange (losses)/gains relating to cash and cash equivalents                |           | (708)         | 2,677         | -             | -             |
| <b>Net cash and cash equivalents at end of the year</b>                      | <b>15</b> | <b>17,621</b> | <b>10,022</b> | <b>6,985</b>  | <b>394</b>    |

The accompanying notes on pages 122 to 161 are an integral part of these financial statements.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies

SThree plc ('the Company') and its subsidiaries (together 'the Group') operate predominantly in the United Kingdom & Ireland, Continental Europe, the USA and Asia Pacific & Middle East. The Group consists of different brands and provides both Permanent and Contract specialist staffing services, primarily in the Information & Communication Technology, Banking & Finance, Energy, Engineering and Life Sciences sectors. The Group's activities and business are set out further in the Strategic section and Directors' Report of this Annual Report.

The Company is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom and registered in England and Wales. Its registered office is 8th Floor, City Place, 55 Basinghall Street, London, EC2V 5DX.

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

#### Basis of preparation

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

The consolidated and Company only financial statements have been prepared under the historical cost convention with the exception of certain financial instruments classified

as available for sale. 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. The loss after tax for the parent Company for the year was £69.7 million (2016: loss of £18.0 million).

#### Adoption of new and revised standards

There are no new or amended IFRSs or IFRS IC interpretations adopted during the year that have a significant impact on these financial statements.

As at the date of authorisation of these financial statements, the following key standards and amendments were in issue but not yet effective. The Group has not applied these standards and interpretations in the preparation of these financial statements.

IAS 7 (amendments) 'Statement on Cash flows on Disclosure Initiative'

IAS 12 (amendments) 'Income Taxes'

IFRS 2 (amendments) 'Share Based Payments'

IFRS 9 'Financial Instruments'

IFRS 15 'Revenue from Contracts with Customers'

IFRS 16 'Leases'

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

IFRIC 23 'Uncertainty over Income Tax Treatments'

#### IFRS 9 Financial Instruments

The standard is effective for annual periods beginning on or after 1 January 2018. It introduces new classification and impairment models for financial assets. IFRS 9 also requires all investments in equity instruments to be measured at fair value, regardless of whether

they are quoted or unquoted. The Directors are currently performing an assessment of the most appropriate valuation technique that could be used to fair value investments in unlisted companies from the date of initial application. The new valuation technique can potentially have a material impact on the Group's financial statements once IFRS 9 becomes effective.

The Group will start reporting under the new standard during the financial year ending on 30 November 2019. The Directors expect to be able to provide an indication of the impact on the Group's results in the 31 May 2018 Interim Results.

#### IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. It introduces the concept of distinct performance obligations; revenue is recognised once performance obligations are satisfied and a client starts benefiting from the transferred goods or service.

During 2017, an initial impact assessment of IFRS 15 was performed. The preliminary results indicate that the adoption of IFRS 15 will not have a significant impact on the basis of revenue recognition for the Group.

Under IFRS 15, revenue from permanent placements will continue to be recognised on the day a recruited employee commences their placement and will be based on a fixed percentage of the candidate's remuneration package. Contract revenue, which represents amounts billed or accrued for the services of temporary staff, will continue to be recognised when the service has been provided.

The Group also earns revenue from retained assignments. The amount of retainer revenue recognised to

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

date depicts the amount of retained search service performed to date by STthree plc on behalf of the client, towards complete satisfaction of the bundled retained search service.

Based on the preliminary impact assessment, it is expected that revenue recognition for retained assignments under IFRS 15 will remain consistent with the current Group practice.

The Group will start reporting under the new standard during the financial year ending on 30 November 2019.

#### **IFRS 16 Leases**

The new leasing standard is effective for the annual periods beginning on or after 1 January 2019.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. For every lease brought onto the balance sheet, lessees will recognise a right-of-use asset and a lease liability.

Within the income statement, operating lease rental payment will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

The Group will start reporting under the new standard during the financial year ending on 30 November 2020. At present there is no plan for the Group to adopt this standard early. The Directors expect to be able to provide an indication of the impact on the Group's results in the 31 May 2019 Interim Results.

The Directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

#### **Going concern**

The Group's business activities, together with the factors likely to

affect its future development, performance, its financial position, cash flows, liquidity position and borrowing facilities are described in the Strategic section of the Annual Report. In addition, note 24 to these financial statements includes details of the Group's treasury activities, funding arrangements and objectives, policies and procedures for managing various risks including liquidity, capital management and credit risks.

The Directors have considered the Group's forecasts, including taking account of reasonably possible changes in trading performance, and the Group's available banking facilities. Based on this review, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing these financial statements.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company, all its subsidiaries and the Group's share of its interests in associate.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which that control ceases. Uniform accounting policies are adopted across the Group. All intra-group balances and transactions, including unrealised profits and losses arising from intra-group transactions, are eliminated on consolidation.

When the Group disposes of a

subsidiary, the gain or loss on disposal represents (i) the aggregate of the fair value of the consideration received or receivable, (ii) the carrying amount of the subsidiary's net assets (including goodwill) at the date of disposal and (iii) any directly attributable disposal costs. Amounts previously recognised in other comprehensive income in relation to the subsidiary are removed from equity and recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

#### **Revenue and revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services provided in the ordinary course of the Group's activities. Revenue is shown net of value added tax and other sales-related taxes, returns, rebates and discounts and after elimination of sales within the Group. Contract revenue for the supply of professional services, which is mainly based on the number of hours worked by a contractor, is recognised when the service has been provided. Revenue earned but not invoiced at year end is accrued and included in 'Accrued income'.

Revenue from Permanent placements is typically based on a fixed 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 revenue obligations, which is offset within trade and other receivables on the face of the Consolidated Statement of Financial Position and offset against revenue in the Consolidated Income Statement.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### Cost of sales

Cost of sales consists of the contractors' (including employed contractors) cost of supplying services and any costs directly attributable to them.

#### Gross profit

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

#### Exceptional items

Exceptional items, as disclosed on the face of the Consolidated Income Statement, are items which due to their size and non-recurring nature are classified separately in order to draw them to the attention of the reader of the financial statements and to provide an alternative performance measure ('APM') of the underlying profits of the Group.

These APMs, adjusted operating profit, adjusted earnings per share and adjusted profit before tax, provide the reader with a clear and consistent view of the business performance of the Group. When applicable, these items include the costs of any fundamental restructuring where they represent a strategic change in the operations of the Group, and are not expected to recur.

#### Leases

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

#### Finance interest

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

statement in the period in which they are incurred.

#### Taxation

The tax expense comprises both current and deferred tax.

#### Current tax

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

#### Deferred tax

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

Deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Where an entity has been loss-making, deferred tax assets are only recognised if there is convincing evidence supporting its future utilisation.

#### Foreign currencies

##### Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and associates are measured using the currency of the

primary economic environment in which that subsidiary or associate operates (its 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency for the consolidated financial statements.

##### Transactions and balances

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

##### Consolidation

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

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

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

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 foreign operations. On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity and are included in the Group's currency translation reserve ('CTR'). When a foreign operation is sold, such exchange differences are reclassified from CTR to the Consolidated Income Statement to form part of the gain or loss on disposal.

#### Property, plant and equipment

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

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the income statement over their useful economic lives after they have been brought into use at the following rates: Assets' residual values and useful lives are reviewed at the end of the reporting period and, if appropriate, changes are accounted for prospectively.

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

|                        |                                      |
|------------------------|--------------------------------------|
| Computer equipment     | three years                          |
| Leasehold improvements | lower of five years and lease period |
| Fixtures and fittings  | five years                           |

economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

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

#### Intangible assets

##### Goodwill

Goodwill arising on consolidation represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries has an indefinite useful life and is included in intangible assets. Goodwill arising on the acquisition of associates is included within the carrying value of the investment. If the goodwill balance is material, it 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. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### Acquired computer software

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

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

##### Assets under construction

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

##### Software and system development costs

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

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

##### Trademarks

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

##### Impairment of assets

Assets that are not subject to amortisation are tested annually for impairment. Any impairment loss is recognised in the income statement

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their respective carrying amounts may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount, by analysing individual assets or classes of assets that naturally belong together. The recoverable amount represents the higher of an asset's fair value less costs of disposal and its value in use. Value in use is measured based on the expected future discounted cash flows 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

##### *Subsidiaries*

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

An investment is deemed to be impaired when it has been determined that its carrying value will not be recovered either through actual cash flows or operating profit generation or selling it. If circumstances arise that indicate that investments might be impaired, the recoverable amount of the investment is estimated. The recoverable amount is the higher of the entity's 'fair value less costs of disposal' or its 'value in use'. To the extent that the carrying value exceeds the recoverable amount, the investment is impaired to its recoverable amount.

The investments in shares in the undertakings outside of the Group, in particular where the Group does not have significant influence or control, are considered to be available for sale financial assets. Since they are investments in unlisted entities where fair value cannot be readily determined, they are initially recognised at cost with subsequent measurement at cost less provision for impairment.

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

##### *Associate*

The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting.

Under the equity method, the investment in associate is carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of the investment.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

##### **Financial instruments**

Financial assets and liabilities are

recognised in the Consolidated 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 'loans and receivables' or 'available for sale'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### **Available for sale financial assets**

Available for sale financial assets are measured at fair value, with gains or losses recognised within other comprehensive income, except for impairment losses, and for available for sale debt instruments, foreign exchange gains or losses. When relevant, interest on available for sale financial assets is recognised using the effective interest method. Any changes in fair value arising from revised estimates of future cash flows are recognised in the income statement. If the investment is made in shares or debt instruments issued by an unlisted entity, and where fair value cannot be readily determined, the investment is initially recognised at cost, and on subsequent measurement dates at cost less provision for impairment.

##### **Loans and receivables**

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

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### **Trade and other receivables**

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

#### **Cash and cash equivalents**

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

#### **Financial liabilities and overdrafts**

All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

#### **Trade and other payables**

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

#### **Other financial liabilities**

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

#### **Provisions**

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

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

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

#### **Share capital**

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

The Group's holdings in its own equity instruments are classified as 'treasury shares'. The consideration paid, including any directly attributable incremental costs is deducted from the equity attributable to the owners of the Company until the shares are

cancelled or reissued. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

#### **Employee Benefit Trust**

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

The shares in the EBT are held to satisfy awards and grants under certain employee share schemes. For accounting purposes, shares held in the EBT are treated in the same manner as treasury shares and are, therefore, included in the consolidated financial statements as treasury shares. Consideration, if any, received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares held by the EBT.

In the separate financial statements of the Company, the EBT is treated as an agent acting on behalf of the Company. Funding provided by the Company to the EBT is accounted for as the issue of treasury shares.

#### **Dividends**

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

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

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### Employee benefits

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

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

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

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

#### Share-based payments

The Group operates a number of equity-settled share-based arrangements, under which it receives services from employees in return for equity instruments of the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which equity instruments are

granted and is recognised as an expense over the vesting period, which ends on the date on which the 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 conditions linked to the price of the share of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest. For the awards with non-vesting conditions (awards that do not have an explicit or implicit service requirement), the full cost of the award is recognised on the grant date, i.e. they are treated as fully vested irrespective of whether or not the market condition is 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, it is treated as vesting as described above. The movement in cumulative expense since the previous year-end is recognised in the income statement, with a corresponding credit recognised in equity.

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

#### Tracker share arrangements

The Group invites selected senior individuals to invest in the businesses they manage, sharing in both the risk and reward. These individuals are offered equity ('tracker shares') in those businesses in return for making an investment. The amount of equity offered varies in different circumstances but is never over 25% of the overall equity of the business in question. The equity stake tracks the performance of the underlying business and the individuals receive dividends (if declared) by the 'tracked' business.

If an individual remains a holder of the tracker shares for a pre-agreed period, typically three to five years depending on the vesting period applied to the tracker shares, they may then offer their vested tracker shares for sale to the Group, but there is no obligation on the Group to settle the arrangement. STthree will undertake a formal due diligence process to establish whether there is a sound business case for settling a tracker share and make an arm's length judgement. Should the Group decide to settle the tracker shares, it will do so at a price, which is determined using a formula stipulated in the tracker share Articles of Association ('Articles'). STthree plc may settle in cash or in its shares, as it chooses. The Group policy is to settle in STthree plc shares. Consequently, the arrangements are deemed to be an equity-settled share-based payment scheme under IFRS 2.

Individuals must pay the fair value for the tracker shares at the time of the initial subscription, as determined by an independent third party valuer in accordance with IFRS 2 'Share-based payments' and taking into account the particular rights attached to the shares as described in the relevant businesses' Articles. The initial valuation takes into consideration factors such as the size and trading record of

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### **Tracker share arrangements**

(continued)

the underlying business, expected dividends, future projections, as well as the external market, sector and country characteristics. The external valuer is supplied with detailed financial information, including gross profit and EBITDA of the relevant businesses. Using this information an independent calculation of the initial Equity Value (EV) is prepared. This EV is then discounted to arrive at a valuation to take into account the relevant characteristics of the shareholding in the tracked business, for example the absence of voting rights. The methodology for calculating the EV is applied consistently, although the data used varies depending on the size and history of the business.

If an individual leaves the Group before the pre-agreed period, they are entitled to receive the lower of the initial subscription amount they contributed or the tracker share fair value on the date of departure as set out under the Articles. To reflect this, a provision in relation to tracker shares is recognised at cost on initial subscription and held at cost and reflects the consideration for tracker shares received from individuals (note 18).

Up until 2014 certain individuals received loans from the Group to pay part of the initial subscription for their tracker shares, on which interest is charged at or above the HMRC beneficial loan rate. These loans are repayable by the individuals either at the time of settlement of their tracker shares, or via tracker share dividend or when they leave the Group. These loans are included within other receivables (note 14).

When tracker shares are granted, no share-based payment charge is recognised in the income statement on the basis that the initial subscription by the individual at the grant date

equates to the fair value at that date. Dividends declared by the tracked businesses, which are factored into the grant date fair value determination of the tracker shares, are recorded in equity as 'distributions to tracker shareholders'.

When the Company issues new shares to settle the tracker share arrangements, the nominal value of the shares is credited to share capital and the difference between the fair value of the tracker shares and the nominal value is credited to share premium. If the Company uses treasury shares to settle the arrangements, the difference between the fair value of the tracker shares and the weighted average value of the treasury shares is accounted for in the retained earnings.

#### **Significant accounting judgements and estimates**

The preparation of financial statements in conformity with IFRSs requires the use of judgements and estimates 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 significant accounting judgements and estimates made by the Directors in these financial statements are set out below.

(i) Contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end. Revenue is therefore accrued for contractors where no timesheet has been

received, but the individual is 'live' on the Group's systems, or where a client has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained. The amount of contractor revenue that is accrued rather than billed at each period end is significant. The value of unsubmitted timesheets for each individual contractor is system generated and estimation is applied principally to the number of hours worked. The number of hours worked is system generated based on the contractual hours and working days for each contractor and adjusted for expected holidays or other events that could reduce the revenue.

However, the revenue is adjusted to reflect actual data from contractor timesheets received two to three weeks after the year end and where timesheets are not submitted. The key judgement is the time period of three months between accrual of a timesheet and the write off of this revenue if a timesheet is not received and approved. Any difference compared to the actual time worked by the contractor would result in the amount payable to the contractor and accrued revenue receivable from the client being adjusted in the next financial year. The assumptions underlying this estimate are considered appropriate and continue to be in line with IFRS requirements.

(ii) The fair value of the TSR tranche of equity-settled share-based payments is partly derived from estimates of factors such as the future volatility of the Company's share price, expected dividend yields and risk-free interest rates. The EPS tranche is valued each

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### Significant accounting judgements and estimates (continued)

period end based on growth of EPS to date versus the performance metrics of each scheme. The judgement applied is that performance to date is an appropriate measure for future performance.

- (iii) The tracker share arrangements give the Group the choice to settle tracker shares in either cash or SThree plc shares. There is therefore a judgement required as to whether this is a cash or equity settled share-based payment scheme. Based on the Directors' judgement, the tracker share arrangements are accounted for as an equity-settled share-based payment scheme under IFRS 2 as the Group's policy is to settle its obligations under the arrangements in SThree plc shares. As described in the accounting policy, the Company settles tracker shares through either treasury shares or the issue of new shares in SThree plc. The Companies Act 2006 does not specify whether the issue of treasury shares to settle share-based payments should be accounted for in share premium or elsewhere. The Company has taken legal advice which confirms this is judgemental and therefore the approach taken by the Company is to include differences between the fair value of the tracker shares settled and the weighted average cost of treasury shares in retained earnings. Tracker shares can be repurchased from holders with either cash or SThree plc shares at the Company's discretion. The Company's policy and intention is to settle tracker shares using SThree plc shares. Therefore the judgement of the Directors is that this share based payment

scheme is treated as equity settled. There are significant accounting differences between an equity settled and cash settled scheme.

There are also certain estimates involved in determining the fair value of tracker shares at the time of initial subscription. The grant date fair valuation, which is performed by an independent third party valuer, is based on information provided by management and their own analysis. The judgements pertain to the forecast growth of the businesses, the operational and geographical risks relevant to those businesses and other similar areas. Most other aspects of the tracker share arrangements follow a rule based approach, e.g. vesting period or settlement formula.

- (iv) Judgement is required in the determination of the software and system development project costs that satisfy the IAS 38 criteria for capitalisation as intangible assets. Judgement is also required for the estimation of future economic benefits and that these will exceed the estimated development costs and for the assessment of their recoverability to evaluate if there are any indicators of impairment.
- (v) The Company assesses its investments in subsidiaries and other companies for impairment whenever events or changes in circumstances indicate that the recoverable amount of the investment could be less than the carrying value of the investment. If this is the case, the investment is considered to be impaired and is written down to its recoverable amount. Judgement is required in the determination of the recoverable amount as the

Company evaluates various factors related to the operational and financial position of the relevant investee business, appropriate discounting and long term growth rates.

- (vi) Exceptional items are disclosed separately on the face of the Consolidated Income Statement. This involves management judgement as to which costs qualify as exceptional.
- (vii) Provisions are held in respect of a range of obligations such as restructuring, dilapidation and litigation provisions. These provisions involve significant management judgement about the likely outcome of various events and estimated future cash flows. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation.
- Specifically, the timing and valuation of a restructuring provision requires additional judgement in assessing whether provisions only include the direct expenditures arising from the restructuring, which are those that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. The Directors' assessment is that costs related to the transition, design and set up of a new support function or for which there is no legal or constructive obligation at year end should not be included within the 2017 restructuring provision. However, as these costs directly relate to the restructuring they will be recognised as exceptional items at the point such obligation arises.
- (viii) The Group recognised a deferred Tax asset of £0.9 million (2016: £0.9 million) in respect of trading losses of £2.9 million (2016: £2.9 million)

## Notes to the Financial Statements

For the year ended 30 November 2017

### 1. Accounting Policies (continued)

#### Significant accounting judgements and estimates (continued)

that are to be carried forward and relieved against profits arising from relevant subsidiary undertakings in future periods. No deferred tax asset was

recognised in respect of the remaining £25.9 million (2016: £26.4 million) losses. The judgement to recognise the deferred tax asset is dependent upon the Group's expectations regarding future profitability based upon

the relevant subsidiaries' historical performance and profitability forecast for future years, which contain a degree of inherent uncertainty.

### 2. Segmental Analysis

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

Management has determined the chief operating decision maker to be the Group Management Board

('GMB') made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief People Officer and the Chief Sales Officer, with other senior management attending via invitation. Operating segments have been identified based on reports reviewed by the GMB, which consider the business primarily from a geographical perspective. The Group segments the

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

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

#### Revenue and Gross Profit by reportable segment

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as 'Gross Profit'

in the management reporting and controlling systems. Gross profit is the measure of segment profit comprising revenue less cost of sales.

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

|                    | Revenue                      |                              | Gross Profit                 |                              |
|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                    | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| UK&I               | 269,777                      | 290,285                      | 55,687                       | 64,032                       |
| Continental Europe | 576,018                      | 448,606                      | 150,636                      | 127,543                      |
| USA                | 212,737                      | 171,313                      | 64,369                       | 50,682                       |
| APAC & ME          | 55,998                       | 49,657                       | 16,980                       | 16,424                       |
|                    | <b>1,114,530</b>             | <b>959,861</b>               | <b>287,672</b>               | <b>258,681</b>               |

Continental Europe primarily includes Austria, Belgium, France, Germany, Luxembourg, Netherlands, Spain and Switzerland. APAC & ME mainly includes Australia, Dubai, Hong Kong, Japan, Malaysia and Singapore.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 2. Segmental Analysis (continued)

#### Other information

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

|             | Revenue          |                | Gross Profit   |                |
|-------------|------------------|----------------|----------------|----------------|
|             | 30 November      | 30 November    | 30 November    | 30 November    |
|             | 2017             | 2016           | 2017           | 2016           |
|             | £'000            | £'000          | £'000          | £'000          |
| UK          | 259,028          | 275,839        | 51,922         | 58,828         |
| Germany     | 256,825          | 206,130        | 78,021         | 67,739         |
| USA         | 212,737          | 171,313        | 64,369         | 50,682         |
| Netherlands | 180,602          | 131,174        | 38,039         | 29,201         |
| Other       | 205,338          | 175,405        | 55,321         | 52,231         |
|             | <b>1,114,530</b> | <b>959,861</b> | <b>287,672</b> | <b>258,681</b> |

|             | Non-Current Assets |               |
|-------------|--------------------|---------------|
|             | 30 November        | 30 November   |
|             | 2017               | 2016          |
|             | £'000              | £'000         |
| UK          | 15,702             | 15,044        |
| USA         | 1,608              | 2,481         |
| Germany     | 1,132              | 589           |
| Netherlands | 431                | 165           |
| Other       | 1,024              | 1,145         |
|             | <b>19,897</b>      | <b>19,424</b> |

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

|                     | Revenue          |                | Gross Profit   |                |
|---------------------|------------------|----------------|----------------|----------------|
|                     | 30 November      | 30 November    | 30 November    | 30 November    |
|                     | 2017             | 2016           | 2017           | 2016           |
|                     | £'000            | £'000          | £'000          | £'000          |
| <b>Brands</b>       |                  |                |                |                |
| Progressive         | 344,537          | 275,729        | 77,105         | 65,859         |
| Computer Futures    | 311,134          | 265,751        | 83,700         | 75,231         |
| Real Staffing Group | 230,330          | 225,123        | 70,684         | 67,915         |
| Huxley Associates   | 228,529          | 193,258        | 56,183         | 49,676         |
|                     | <b>1,114,530</b> | <b>959,861</b> | <b>287,672</b> | <b>258,681</b> |

Other brands including Global Enterprise Partners, Hyden, JP Gray, Madison Black, Newington International and Orgtel are rolled into the above brands.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 2. Segmental Analysis (continued)

| <b>Recruitment classification</b>      |                  |                |                |                |
|--|------------------|----------------|----------------|----------------|
| Contract                               | 1,030,359        | 874,440        | 203,501        | 173,260        |
| Permanent                              | 84,171           | 85,421         | 84,171         | 85,421         |
|  | <b>1,114,530</b> | <b>959,861</b> | <b>287,672</b> | <b>258,681</b> |
| <b>Sectors</b>                         |                  |                |                |                |
| Information & Communication Technology | 502,299          | 447,560        | 124,746        | 115,844        |
| Banking & Finance                      | 181,007          | 168,263        | 43,502         | 41,735         |
| Life Sciences                          | 176,870          | 147,056        | 62,351         | 54,262         |
| Energy                                 | 142,822          | 107,889        | 26,494         | 19,595         |
| Engineering                            | 97,469           | 79,016         | 25,851         | 23,253         |
| Other                                  | 14,063           | 10,077         | 4,728          | 3,992          |
|  | <b>1,114,530</b> | <b>959,861</b> | <b>287,672</b> | <b>258,681</b> |

Other includes Procurement & Supply Chain and Sales & Marketing.

### 3. Administrative expenses - Exceptional items

On 1 November 2017, the Group communicated to the market that it was commencing a consultation with employees on the proposed relocation of central support functions away from its London headquarters to a new facility located within Glasgow and a restructuring of the marketing department. The purpose of this strategic restructuring is to realise annualised cost savings of approximately £4.0 million per annum. The restructuring is expected to result in certain material one-off costs totalling approximately £14 million to £16 million, of which an estimated £15 million is operating expenses and approximately £0.5 million is property fit out costs (to be capitalised), less approximately £2 million of grant receivable from Scottish Enterprise. The costs are mainly related to people, property and professional advisor fees.

In 2017, restructuring costs of £6.7 million have been charged to the Consolidated Income Statement,

including £1.1 million of restructuring costs incurred or accrued, mainly for professional advisor fees, and £5.6 million as a provision for redundancy items. A restructuring provision can only include the direct expenditure arising from the announced strategic restructuring, which are costs that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Restructuring costs related to the transition, design and set up of the new support function or for which there is no constructive obligation at the year end have not been

included within the 2017 restructuring provision and will be recognised each year up to 2020.

Due to the material size and non-recurring nature of this strategic restructuring project, the associated costs have been separately disclosed as exceptional items in the Consolidated Income Statement. Disclosure of items as exceptional, highlights them and provides a clearer, comparable view of underlying earnings.

Items classified as exceptional were as follows:

|  | 30 November<br>2017 | 30 November<br>2016 |
|--|---------------------|---------------------|
|  | £'000               | £'000               |
| <b>Exceptional Items - charged to operating profit</b> |                     |                     |
| Personnel costs - redundancy                           | 5,709               | -                   |
| Professional advisor fees                              | 1,017               | -                   |
| Other  | 15                  | -                   |
| <b>Total exceptional costs</b>                         | <b>6,741</b>        | <b>-</b>            |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 4. Operating profit

Operating profit is stated after charging/(crediting):

|  | <b>30 November<br/>2017</b> | <b>30 November<br/>2016</b> |
|--|-----------------------------|-----------------------------|
|  | <b>£'000</b>                | <b>£'000</b>                |
| Depreciation (note 10)   | 2,516                       | 2,276                       |
| Amortisation (note 11)   | 3,228                       | 3,440                       |
| Accelerated amortisation and impairment of intangible assets (note 11) | 309                         | -                           |
| Foreign exchange gains   | (345)                       | (849)                       |
| Staff costs (note 5)   | 187,419                     | 168,971                     |
| Movement in bad debt provision and debts directly written off          | 496                         | 573                         |
| Loss on disposal of property, plant and equipment (note 10)            | 110                         | 194                         |
| Loss on disposal of intangible assets (note 11)                        | 66                          | 44                          |
| Exceptional restructuring costs (note 3)                               | 6,741                       | -                           |
| Loss on disposal of subsidiaries <sup>(1)</sup>                        | 144                         | -                           |
| Operating lease charges  |                             |                             |
| - Motor vehicles   | 1,790                       | 1,449                       |
| - Land and buildings   | 12,005                      | 11,279                      |

(1) The accumulated foreign exchange net loss reclassified from Currency Translation Reserve to the Consolidated Income Statement on liquidation of subsidiary companies.

#### Auditors' remuneration

During the year the Group (including its subsidiaries) obtained the following services from the Company's auditors and its associates:

|   | <b>30 November<br/>2017</b> | <b>30 November<br/>2016</b> |
|---|-----------------------------|-----------------------------|
|   | <b>£'000</b>                | <b>£'000</b>                |
| <b>Amounts payable to PricewaterhouseCoopers LLP and its associates:</b>                          |                             |                             |
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 72                          | 72                          |
| Fees payable to the Company's auditors and their associates for other services to the Group:      |                             |                             |
| - Audit of the Company's subsidiaries pursuant to legislation                                     | 293                         | 304                         |
| - Audit related assurance services  | 11                          | 12                          |
| - All other non-audit services  | 8                           | 82                          |
| <b>Fees charged to operating profit</b>   | <b>384</b>                  | <b>470</b>                  |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 5. Directors and employees

Aggregate remuneration of employees including Directors was:

|  | 30 November<br>2017 | 30 November<br>2016 |
|--|---------------------|---------------------|
|  | £'000               | £'000               |
| Wages and salaries (including bonuses) | 157,972             | 144,506             |
| Social security costs                  | 22,599              | 18,331              |
| Other pension costs                    | 1,810               | 1,877               |
| Temporary staff costs                  | 1,727               | 1,364               |
| Share-based payments                   | 3,311               | 2,893               |
|  | <b>187,419</b>      | <b>168,971</b>      |

The staff costs capitalised during the year on internally developed assets (note 11) and not included in the

above amounts were £2.2 million (2016: £2.2 million).

The average monthly number of employees (including Executive Directors) during the year was:

|           | 30 November 2017 |                    |            |            |              |
|-----------|------------------|--------------------|------------|------------|--------------|
|           | UK&I             | Continental Europe | USA        | APAC & ME  | Total        |
| Sales     | 535              | 1,183              | 336        | 166        | 2,220        |
| Non-sales | 366              | 167                | 75         | 28         | 636          |
|           | <b>901</b>       | <b>1,350</b>       | <b>411</b> | <b>194</b> | <b>2,856</b> |
|           | 30 November 2016 |                    |            |            |              |
|           | UK&I             | Continental Europe | USA        | APAC & ME  | Total        |
| Sales     | 578              | 1,097              | 366        | 194        | 2,235        |
| Non-sales | 378              | 129                | 66         | 29         | 602          |
|           | <b>956</b>       | <b>1,226</b>       | <b>432</b> | <b>223</b> | <b>2,837</b> |

Included in the headcount numbers above were 110 (2016: 102) temporary full time employees.

There were also on average 1,909 (2016: 1,163) contractors engaged during the year under the employed contractor model. They are not

included in the numbers above as they are not considered to be full time employees of the Group.

Details of the Directors' remuneration for the year including the highest paid director, which form part of these financial statements, are

provided in the audited information section of the Directors' Remuneration Report.

One Directors' compensation for loss of office is £0.6 million (2016: £nil).

### 6. Finance income and costs

|                           | 30 November<br>2017 | 30 November<br>2016 |
|---------------------------|---------------------|---------------------|
|                           | £'000               | £'000               |
| <b>Finance income</b>     |                     |                     |
| Bank interest receivable  | 101                 | 49                  |
| Other interest            | 23                  | 30                  |
|                           | <b>124</b>          | <b>79</b>           |
| <b>Finance costs</b>      |                     |                     |
| Bank loans and overdrafts | (439)               | (549)               |
| <b>Net finance costs</b>  | <b>(315)</b>        | <b>(470)</b>        |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 7. Taxation

#### (a) Analysis of tax charge for the year

|   | 30 November<br>2017            |                      | 30 November<br>2016 |               |
|---|--------------------------------|----------------------|---------------------|---------------|
|   | Before<br>exceptional<br>items | Exceptional<br>items | Total               |               |
|   | £'000                          | £'000                | £'000               | £'000         |
| <b>Current taxation</b>   |                                |                      |                     |               |
| Corporation tax charged on profits for the year                 | 13,520                         | (946)                | 12,574              | 9,349         |
| Adjustments in respect of prior periods                         | (758)                          | -                    | (758)               | 1,281         |
| <b>Total current tax charge/(credit)</b>                        | <b>12,762</b>                  | <b>(946)</b>         | <b>11,816</b>       | <b>10,630</b> |
| <b>Deferred taxation</b>  |                                |                      |                     |               |
| Origination and reversal of temporary differences               | (743)                          | (357)                | (1,100)             | (768)         |
| Adjustments in respect of prior periods (note 19)               | (627)                          | -                    | (627)               | 194           |
| Total deferred tax credit                                       | (1,370)                        | (357)                | (1,727)             | (574)         |
| <b>Total income tax charge/(credit) in the income statement</b> | <b>11,392</b>                  | <b>(1,303)</b>       | <b>10,089</b>       | <b>10,056</b> |

#### (b) Reconciliation of the effective tax rate

The Group's tax charge for the year exceeds (2016: exceeds) the UK statutory rate and can be reconciled as follows:

|  | 30 November<br>2017            |                      | 30 November<br>2016 |               |
|--|--------------------------------|----------------------|---------------------|---------------|
|  | Before<br>exceptional<br>items | Exceptional<br>items | Total               |               |
|  | £'000                          | £'000                | £'000               | £'000         |
| Profit before taxation   | 44,458                         | (6,741)              | 37,717              | 37,298        |
| Profit before taxation multiplied by the standard rate of corporation tax in the UK at 19.33% (2016: 20%)* | 8,594                          | (1,303)              | 7,291               | 7,460         |
| <b>Effects of:</b>   |                                |                      |                     |               |
| Disallowable items   | 847                            | -                    | 847                 | 442           |
| Differing tax rates on overseas earnings   | 2,725                          | -                    | 2,725               | 1,588         |
| Adjustments in respect of prior periods  | (1,385)                        | -                    | (1,385)             | 1,475         |
| Adjustment due to tax rate changes   | 33                             | -                    | 33                  | (41)          |
| Tax losses for which deferred tax asset was derecognised/<br>(recognised)                                  | 578                            | -                    | 578                 | (868)         |
| <b>Total tax charge/(credit) for the year</b>  | <b>11,392</b>                  | <b>(1,303)</b>       | <b>10,089</b>       | <b>10,056</b> |
| <b>Effective tax rate</b>  | <b>25.6%</b>                   | <b>19.3%</b>         | <b>26.7%</b>        | <b>27.0%</b>  |

\* The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 7. Taxation (continued)

| <b>(c) Current and deferred tax movement recognised directly in equity</b> | <b>30 November<br/>2017<br/>£'000</b> | <b>30 November<br/>2016<br/>£'000</b> |
|--|---------------------------------------|---------------------------------------|
| <b>Equity-settled share-based payments</b>                                 |                                       |                                       |
| Current tax  | -                                     | (26)                                  |
| Deferred tax   | (62)                                  | 38                                    |
| <b>Effective tax rate</b>  | <b>(62)</b>                           | <b>12</b>                             |

The Group expects to receive additional tax deductions in respect of share options currently unexercised. Under IFRS the Group is required to provide for deferred tax on all unexercised share options. Where the amount of the tax deduction

(or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the current

or deferred tax should be recognised in equity. At 30 November 2017, a deferred tax asset of £1.0 million (2016: £0.6 million) has been recognised in respect of these options (note 19).

### 8. Dividends

|  | <b>30 November<br/>2017<br/>£'000</b> | <b>30 November<br/>2016<br/>£'000</b> |
|--|---------------------------------------|---------------------------------------|
| <b>Amounts recognised as distributions to equity holders in the year</b> |                                       |                                       |
| Interim dividend of 4.7p (2016: 4.7p) per share <sup>(i)</sup>           | 6,052                                 | 6,049                                 |
| Final dividend of 9.3p (2016: 9.3p) per share <sup>(ii)</sup>            | 11,942                                | 11,923                                |
|  | <b>17,994</b>                         | <b>17,972</b>                         |
| <b>Amounts proposed as distributions to equity holders</b>               |                                       |                                       |
| Interim dividend of 4.7p (2016: 4.7p) per share <sup>(iii)</sup>         | 6,038                                 | 6,052                                 |
| Final dividend of 9.3p (2016: 9.3p) per share <sup>(iv)</sup>            | 12,086                                | 12,002                                |

(i) 2016 interim dividend of 4.7 pence (2015: 4.7 pence) per share was paid on 9 December 2016 to shareholders on record at 4 November 2016.

(ii) 2016 final dividend of 9.3 pence (2015: 9.3 pence) per share was paid on 9 June 2017 to shareholders on record at 5 May 2017.

(iii) 2017 interim dividend of 4.7 pence (2016: 4.7 pence) per share was paid on 8 December 2017 to shareholders on record at 3 November 2017.

(iv) The Board has proposed a 2017 final dividend of 9.3 pence (2016: 9.3 pence) per share, to be paid on 8 June 2018 to shareholders on record at 27 April 2018. This

proposed final dividend is subject to approval by shareholders at the Company's next Annual General Meeting on 26 April 2018, and therefore, has not been included as a liability in these financial statements.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 9. Earnings per share

The calculation of the basic and diluted earnings per share ('EPS') is set out below:

Basic EPS is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of shares in issue

during the year excluding shares held as treasury shares (note 20(a)) and those held in the EBT which are treated as cancelled.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of

dilutive potential shares. Potential dilution resulting from tracker share stakes into account profitability of the underlying tracker businesses and SThree plc's earnings per share. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.

|   | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
|---|------------------------------|------------------------------|
| <b>Earnings</b>   |                              |                              |
| Profit for the year after tax before exceptional items    | 33,066                       | 27,242                       |
| Exceptional items net of tax                              | (5,438)                      | -                            |
| Profit for the year attributable to owners of the Company | 27,628                       | 27,242                       |
|   | million                      | million                      |

|  |       |       |
|--|-------|-------|
| <b>Number of shares</b>  |       |       |
| Weighted average number of shares used for basic EPS           | 128.6 | 128.3 |
| Dilutive effect of share plans                                 | 4.0   | 3.8   |
| Diluted weighted average number of shares used for diluted EPS | 132.6 | 132.1 |

|                                      | 30 November<br>2017<br>pence | 30 November<br>2016<br>pence |
|--------------------------------------|------------------------------|------------------------------|
| <b>Basic</b>                         |                              |                              |
| Basic EPS before exceptional items   | 25.7                         | 21.2                         |
| Impact of exceptional items          | (4.2)                        | -                            |
| Basic EPS after exceptional items    | 21.5                         | 21.2                         |
| <b>Diluted</b>                       |                              |                              |
| Diluted EPS before exceptional items | 24.9                         | 20.6                         |
| Impact of exceptional items          | (4.1)                        | -                            |
| Diluted EPS after exceptional items  | 20.8                         | 20.6                         |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 10. Property, plant and equipment

|                                  | Computer<br>equipment | Leasehold<br>improvements | Fixtures<br>and fittings | Total         |
|----------------------------------|-----------------------|---------------------------|--------------------------|---------------|
|                                  | £'000                 | £'000                     | £'000                    | £'000         |
| <b>Cost</b>                      |                       |                           |                          |               |
| At 30 November 2015              | 12,167                | 6,585                     | 3,515                    | 22,267        |
| Additions                        | 615                   | 2,204                     | 401                      | 3,220         |
| Disposals                        | (2,992)               | (1,396)                   | (242)                    | (4,630)       |
| Exchange differences             | 738                   | 1,009                     | 492                      | 2,239         |
| At 30 November 2016              | 10,528                | 8,402                     | 4,166                    | 23,096        |
| Additions                        | 541                   | 1,236                     | 597                      | 2,374         |
| Disposals                        | (901)                 | (1,456)                   | (272)                    | (2,629)       |
| Exchange differences             | (45)                  | (145)                     | (27)                     | (217)         |
| <b>At 30 November 2017</b>       | <b>10,123</b>         | <b>8,037</b>              | <b>4,464</b>             | <b>22,624</b> |
| <b>Accumulated depreciation</b>  |                       |                           |                          |               |
| At 30 November 2015              | 10,336                | 3,864                     | 2,468                    | 16,668        |
| Depreciation charge for the year | 705                   | 1,153                     | 418                      | 2,276         |
| Disposals                        | (2,987)               | (1,211)                   | (238)                    | (4,436)       |
| Exchange differences             | 610                   | 563                       | 315                      | 1,488         |
| At 30 November 2016              | 8,664                 | 4,369                     | 2,963                    | 15,996        |
| Depreciation charge for the year | 793                   | 1,271                     | 452                      | 2,516         |
| Disposals                        | (901)                 | (1,352)                   | (266)                    | (2,519)       |
| Exchange differences             | (27)                  | (79)                      | (9)                      | (115)         |
| <b>At 30 November 2017</b>       | <b>8,529</b>          | <b>4,209</b>              | <b>3,140</b>             | <b>15,878</b> |
| <b>Net book value</b>            |                       |                           |                          |               |
| <b>At 30 November 2017</b>       | <b>1,594</b>          | <b>3,828</b>              | <b>1,324</b>             | <b>6,746</b>  |
| At 30 November 2016              | 1,864                 | 4,033                     | 1,203                    | 7,100         |

A depreciation charge of £2.5 million (2016: £2.3 million) is included in administrative expenses.

Disposals included assets with a net book value of £0.1 million (2016: £0.2 million) that were disposed of during the year for £nil.

The Group has not leased any assets under finance lease obligations.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 11. Intangible assets

|  | Internally generated |                   |                           |                                       |            | Total<br>£'000 |
|--|----------------------|-------------------|---------------------------|---------------------------------------|------------|----------------|
|  | Goodwill             | Computer software | Assets under construction | Software and system development costs | Trademarks |                |
|  | £'000                | £'000             | £'000                     | £'000                                 | £'000      |                |
| <b>Cost</b>                                    |                      |                   |                           |                                       |            |                |
| At 30 November 2015                            | 206,313              | 8,982             | 3,644                     | 28,858                                | 71         | 247,868        |
| Additions                                      | -                    | 176               | 3,797                     | -                                     | -          | 3,973          |
| Disposals                                      | -                    | (109)             | -                         | (82)                                  | -          | (191)          |
| Reclassification                               | -                    | -                 | (7,035)                   | 7,035                                 | -          | -              |
| At 30 November 2016                            | 206,313              | 9,049             | 406                       | 35,811                                | 71         | 251,650        |
| Additions                                      | -                    | 9                 | 3,383                     | -                                     | -          | 3,392          |
| Disposals                                      | -                    | -                 | -                         | (68)                                  | -          | (68)           |
| Reclassification                               | -                    | -                 | (1,477)                   | 1,477                                 | -          | -              |
| <b>At 30 November 2017</b>                     | <b>206,313</b>       | <b>9,058</b>      | <b>2,312</b>              | <b>37,220</b>                         | <b>71</b>  | <b>254,974</b> |
| <b>Accumulated amortisation and impairment</b> |                      |                   |                           |                                       |            |                |
| At 30 November 2015                            | 205,480              | 7,761             | -                         | 23,450                                | 69         | 236,760        |
| Amortisation charge for the year               | -                    | 438               | -                         | 3,001                                 | 1          | 3,440          |
| Disposals                                      | -                    | (109)             | -                         | (38)                                  | -          | (147)          |
| Reclassification                               | -                    | 334               | -                         | (334)                                 | -          | -              |
| At 30 November 2016                            | 205,480              | 8,424             | -                         | 26,079                                | 70         | 240,053        |
| Amortisation charge for the year               | -                    | 318               | -                         | 2,909                                 | 1          | 3,228          |
| Accelerated amortisation and impairment charge | -                    | -                 | -                         | 309                                   | -          | 309            |
| Disposals                                      | -                    | -                 | -                         | (2)                                   | -          | (2)            |
| <b>At 30 November 2017</b>                     | <b>205,480</b>       | <b>8,742</b>      | <b>-</b>                  | <b>29,295</b>                         | <b>71</b>  | <b>243,588</b> |
| <b>Net book value</b>                          |                      |                   |                           |                                       |            |                |
| <b>At 30 November 2017</b>                     | <b>833</b>           | <b>316</b>        | <b>2,312</b>              | <b>7,925</b>                          | <b>-</b>   | <b>11,386</b>  |
| At 30 November 2016                            | 833                  | 625               | 406                       | 9,732                                 | 1          | 11,597         |

Additions to internally generated assets included the development of key operational systems to improve the customer experience and the enhancement of existing assets. Only costs directly attributable to the development and enhancement of these systems were capitalised during the year in accordance with the strict criteria under IAS 38.

An amortisation charge of £3.2 million (2016: £3.4 million) is included in administrative expenses.

Management performed an annual impairment review of all internally generated assets currently in use or still under construction, and determined that the carrying value of certain assets is no longer

recoverable and impairment is required. The amount of impairment recognised in the current year totalled £0.3 million (2016: £nil).

Disclosures required under IAS 36 'Impairment of Assets' for goodwill impairment have not been included on the basis that the goodwill value is not considered material.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 12. Investment in associate

On 15 February 2017, the Group acquired a 30% interest in HRecTech Sandpit Limited ('HRecTech') for a total consideration of £0.8 million. HRecTech is involved in business-to-business HR and recruitment in the UK, and it is a private entity that is not listed on any public exchange. The investment in HRecTech is consistent with the Group's innovation strategy to unlock the potential of disruptive technologies, as outlined in the Strategic Report.

Gary Elden, Chief Executive Officer, and David Rees, Chief Sales Officer, are existing minority shareholders in Sandpit HR Ventures Limited (the parent company controlling HRecTech); they were each allotted shares on a pro-rata basis in HRecTech. Their investment in Sandpit HR Ventures Limited was undertaken on an arms' length basis and there is no conflict of interest. David Rees was appointed as a director of HRecTech on 22 June 2017.

The Group's interest in HRecTech is accounted for as an associate using the equity method in the consolidated financial statements, due to the size of the shareholding and significant influence over the business.

The investment in HRecTech is not material. The summarised financial information of the associate is presented below

|  | 30 November<br>2017 | 30 November<br>2016 |
|--|---------------------|---------------------|
|  | £'000               | £'000               |
| <b>Group's share of results of associate</b>             |                     |                     |
| Aggregate carrying value on acquisition                  | 802                 | -                   |
| Group's share of loss                                    | (147)               | -                   |
| Group's share of other comprehensive (loss)/income       | -                   | -                   |
| <b>Group's share of total comprehensive loss</b>         | <b>(147)</b>        | <b>-</b>            |
| <b>Aggregate carrying value of the Group's interests</b> | <b>655</b>          | <b>-</b>            |

The Group has no contingent liabilities or capital commitments relating to its interests in the associate at 30 November 2017.

There are no restrictions on the ability of HRecTech to transfer funds to the Group.

### 13. Other investments

#### Group

In the prior year, the Group invested \$1.0 million (£0.7 million) in Ryalto Limited ('Ryalto'), a company incorporated in the United Kingdom, which aims to be a provider of choice in healthcare staffing by incorporating technology into the healthcare market and transforming the way healthcare professionals run their working lives.

In October 2017, the Group made a further investment of \$0.5 million (£0.4 million) in Ryalto, by purchasing ten convertible notes, with a principal amount of \$50,000 each. The notes carry an interest rate of 10% per annum

and mature on 31 December 2019. The investment in convertible bonds did not increase the Group shareholding in Ryalto as SThree plc cannot exercise the conversion rights until the bonds mature or, if earlier, after Ryalto successfully completes the Qualifying Fund Raising of \$5 million. At 30 November 2017, the Group holds 18% of the issued share capital of Ryalto, with no ability to exercise power or significant influence.

In May 2017, the Group acquired a 19.7% interest in RoboRecruiter Inc. ('RoboRecruiter') (for \$17,000 (£14,000)), a company incorporated

in the United States. RoboRecruiter develops technology to automate the recruitment process, by connecting candidates with recruiters and employers.

The Group classifies its equity and debt investments in Ryalto and RoboRecruiter as available for sale financial assets and, since both companies are unlisted, the fair value of the investments cannot be readily determined. Accordingly, these financial assets are initially recognised at cost with subsequent measurement at cost less provision for impairment.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 13. Other investments (continued)

#### Company

| Cost   | £'000          |
|--|----------------|
| At 30 November 2015  | 330,406        |
| Additions  |                |
| - Settlement of vested tracker shares                          | 4,586          |
| - Relating to unvested tracker shares                          | 162            |
| Capital contribution relating to share-based payments (IFRS 2) | 2,011          |
| At 30 November 2016  | 337,165        |
| Additions  |                |
| - Settlement of vested tracker shares                          | 3,253          |
| Capital contribution relating to share-based payments (IFRS 2) | 2,589          |
| Disposal of investments  | (1,196)        |
| <b>At 30 November 2017</b>                                     | <b>341,811</b> |
| <b>Provision for impairment</b>                                |                |
| At 30 November 2015  | 6,855          |
| Provision made during the year                                 | 40,077         |
| At 30 November 2016  | 46,932         |
| Provision made during the year                                 | 88,048         |
| <b>At 30 November 2017</b>                                     | <b>134,980</b> |
| <b>Net carrying value</b>                                      |                |
| <b>At 30 November 2017</b>                                     | <b>206,831</b> |
| At 30 November 2016  | 290,233        |

During the year, the Company settled a number of vested tracker shares by awarding SThree plc shares (note 20(b)), resulting in an increase in the Company's investment in relevant subsidiary businesses.

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

The details of the Group accounting policy for tracker share arrangements are included in note 1.

IFRS 2 requires that any options or awards granted to employees of subsidiary undertakings without reimbursement of the subsidiary increase the carrying value of the

investment held in the subsidiaries. In 2017, the Company recognised an increase in investments in its subsidiaries of £2.6 million (2016: £2.0 million) relating to such share options and awards.

A number of Group entities were liquidated in 2017. As a result, the Company has written off £1.2 million of investments in its subsidiaries. The investments recognised in the Company's accounts related to share options and awards previously granted to employees of subsidiary undertakings.

#### Investment impairment

During the year, the Company performed an investment impairment

review and recognised an impairment charge of approximately £88 million in relation to its investment in SThree UK Holdings Limited. The impairment was mainly attributable to our UK trading business, SThree Partnership LLP, controlled by SThree UK Holdings Limited, as its trading performance continued to deteriorate (for more details refer to the Strategic Report, UK & Ireland, Performance in 2017). The impairment charge represented a difference between the recoverable amount and the carrying value of the investment as at the date of assessment. The recoverable amount was calculated as the higher of SThree Partnership LLP's 'fair value less costs of disposal' ('FVLCD') and its 'value in use' ('VIU'). The FVLCD

## Notes to the Financial Statements

For the year ended 30 November 2017

### 13. Other investments (continued)

valuation was based on an EBITDA multiple of 6.0.

The SThree Partnership LLP VIU valuation was determined from calculated pre-tax cash flows forecast to be generated by the UK entity in the next five years and in perpetuity. Cash flows were discounted to present value using a pre-tax weighted average cost of capital ('WACC') of 11.6% and a long term growth rate of 2.0%.

The impairment charge involves judgements and estimates and could change if key assumptions vary. The Group considered reasonably possible changes to assumptions:

- (i) apply a 5% reduction in forecast GP. This would result in further impairment of £23.3 million.
- (ii) apply a 5% reduction to forecast EBITDA. This would result in a further impairment of £4.4 million.

- (iii) increase a pre-tax WACC by 1.0%. This would result in a further impairment of £0.4 million.

For entities that were liquidated, the FVLCD was based on the net assets/liabilities value at the time of the assessment.

A full list of the Company's subsidiaries that existed at 30 November 2017 is provided in note 25(a).

### 14. Trade and other receivables

|                                | Group                        |                              | Company                      |                              |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| Trade receivables              | 154,308                      | 132,636                      | -                            | -                            |
| Provision for impairment       | (1,555)                      | (1,789)                      | -                            | -                            |
| <b>Trade receivables - net</b> | <b>152,753</b>               | <b>130,847</b>               | -                            | -                            |
| Other receivables              | 2,889                        | 2,225                        | 1,132                        | 1,237                        |
| Amounts due from subsidiaries  | -                            | -                            | 3,891                        | -                            |
| Prepayments                    | 5,935                        | 4,379                        | 165                          | 270                          |
| Accrued income                 | 64,981                       | 51,718                       | -                            | -                            |
|                                | <b>226,558</b>               | <b>189,169</b>               | <b>5,188</b>                 | <b>1,507</b>                 |

Other receivables include £0.8 million (2016: £0.9 million) for loans given to certain employees in previous years towards their subscription for tracker shares (note 24(d)). Tracker share loans are unsecured and charged interest at a rate of 3% (2016: 3%). No such new tracker share loans were given to employees during the current year.

Accrued income represents the Contract revenue earned but not invoiced at the year end. It is based on the value of the unbilled timesheets from the contractors for the services provided up to the year end. The corresponding costs are shown within trade payables (where the contractor has submitted an invoice) and within accruals (in respect of unsubmitted and

unapproved timesheets) (note 16).

Trade receivables and cash and cash equivalents are deemed to be current loans and receivables for disclosure under IFRS 7 'Financial Instruments - Disclosures' (note 24). No interest is charged on trade receivables.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 14. Trade and other receivables (continued)

|  | Group                        |                              |
|--|------------------------------|------------------------------|
|  | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| <b>Provision for impairment of trade receivables</b> |                              |                              |
| At the beginning of the year                         | 1,789                        | 1,632                        |
| Charge for the year                                  | 339                          | 712                          |
| Bad debts written off                                | (250)                        | (261)                        |
| Reversed as amounts recovered                        | (314)                        | (562)                        |
| Exchange differences                                 | (9)                          | 268                          |
| <b>At the end of the year</b>                        | <b>1,555</b>                 | <b>1,789</b>                 |

Other classes within trade and other receivables do not contain impaired assets. Management considers that the carrying value of trade and other receivables is approximately equal to their fair values and they are deemed to be current assets.

See note 24 for further information.

### 15. Cash and cash equivalents

|   | Group                        |                              | Company                      |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| Cash at bank  | 21,338                       | 15,707                       | 6,985                        | 394                          |
| Bank overdraft  | (3,717)                      | (5,685)                      | -                            | -                            |
| <b>Net cash and cash equivalents per the statements of cash flows</b> | <b>17,621</b>                | <b>10,022</b>                | <b>6,985</b>                 | <b>394</b>                   |

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

The Group has cash pooling arrangements with legally enforceable rights to set-off cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash pooling arrangements

are reported on a net basis in the statement of financial position. Other bank overdrafts are shown separately as above and in the statement of financial position.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 16. Trade and other payables

|                                       | Group                        |                              | Company                      |                              |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                       | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| Trade payables                        | 55,054                       | 49,157                       | -                            | -                            |
| Amounts due to subsidiaries (note 23) | -                            | -                            | 17,183                       | 10,139                       |
| Other taxes and social security       | 12,604                       | 9,726                        | 356                          | 311                          |
| Other payables                        | 3,439                        | 2,718                        | 299                          | 647                          |
| Accruals                              | 88,459                       | 77,258                       | 1,131                        | 1,074                        |
|                                       | <b>159,556</b>               | <b>138,859</b>               | <b>18,969</b>                | <b>12,171</b>                |

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

Trade and other payables are predominantly interest free.

Amounts due to subsidiaries are subject to annual interest at a rate of 1.3% (2016: 1.3%) above three month LIBOR of the respective currencies in which balances are denominated.

Accruals include amounts payable to contractors in respect of unsubmitted and unapproved timesheets (note 14).

### 17. Borrowings

The Group has a committed revolving credit facility ('RCF') of £50 million along with an uncommitted £20 million accordion feature in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility up to £70 million. The RCF expires in May 2019. The funds borrowed under the facility bear interest at an annual rate of 1.3% (2016: 1.3%) above three

month LIBOR. The average interest rate paid on the RCF during the year was 1.5% (2016: 1.8%). The Group also has an uncommitted £5 million overdraft facility with RBS.

At the year end the Group and the Company had drawn down £12 million (2016: £nil) on these facilities.

The RCF is subject to certain covenants requiring the Group to

maintain financial ratios over interest cover, leverage and guarantor cover (note 24(c)). The Group has been in compliance with these covenants throughout the year.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in note 24.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 18. Provisions for liabilities and charges

| Group                                      | Dilapidations | Restructuring | Tracker share liability | Legal        | Total         |
|--|---------------|---------------|-------------------------|--------------|---------------|
|  | £'000         | £'000         | £'000                   | £'000        | £'000         |
| At 30 November 2015                        | 1,823         | 941           | 3,614                   | 334          | 6,712         |
| Charged/(released) to the income statement | 254           | 23            | (115)                   | 459          | 621           |
| Utilised during the year                   | (293)         | (860)         | (662)                   | (13)         | (1,828)       |
| New tracker share consideration            | -             | -             | 355                     | -            | 355           |
| At 30 November 2016                        | 1,784         | 104           | 3,192                   | 780          | 5,860         |
| Reclassified from accruals                 | -             | -             | -                       | 794          | 794           |
| Charged/(released) to the income statement | 32            | 6,740         | (167)                   | 1,636        | 8,241         |
| Utilised during the year                   | (355)         | (78)          | (352)                   | (3)          | (788)         |
| New tracker share consideration            | -             | -             | 417                     | -            | 417           |
| <b>At 30 November 2017</b>                 | <b>1,461</b>  | <b>6,766</b>  | <b>3,090</b>            | <b>3,207</b> | <b>14,524</b> |

| Analysis of total provisions | 30 November 2017 | 30 November 2016 |
|------------------------------|------------------|------------------|
|                              | £'000            | £'000            |
| Current                      | 12,352           | 4,953            |
| Non-current                  | 2,172            | 907              |
|                              | <b>14,524</b>    | <b>5,860</b>     |

Provisions are not discounted as Management believes that the effect of the time value of money is immaterial. The provisions are measured at cost which approximates to the present value of the expenditure required to settle the obligation.

#### Dilapidations

The Group is obliged to pay for dilapidations at the end of its tenancy of various properties. Provision has been made based on independent

professional estimates of the likely costs on vacating properties based on the current conditions of the properties. The provision has been spread over the relevant lease term.

#### Restructuring

The provision relates to restructuring exercises undertaken by the Group, including the following:

- a) Relocation and restructuring of central support functions from London to Glasgow (see note 3);

£5.6 million (2016: £nil)

- b) Restructure of our Hong Kong office: £0.4 million (2016: £nil)
- c) Management restructuring: £0.7 million (2016: £nil)

The provisions have been made primarily to cover future redundancy payments.

The liability in regards to dilapidation and restructuring provisions is expected to crystallise as follows:

## Notes to the Financial Statements

For the year ended 30 November 2017

### 18. Provisions for liabilities and charges (continued)

|                   | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
|-------------------|------------------------------|------------------------------|
| Within one year   | 6,055                        | 981                          |
| One to five years | 1,344                        | 549                          |
| After five years  | 828                          | 358                          |
|                   | <b>8,227</b>                 | <b>1,888</b>                 |

#### Tracker share liability

The provision relates to an obligation to repay amounts received or receivable in relation to subscriptions for tracker shares awarded to senior individuals under the terms of the tracker share arrangements (note 1). The timing of economic outflow is subject to the factors governing each tracker share and is considered to be within one year.

During the year £0.4 million (2016: £0.7 million) of the provision was utilised, principally in relation to settled tracker shares. New consideration of £0.4 million (2016: £0.4 million) represents subscriptions received against the allotment of new tracker share awards in the year.

#### Legal

The provision relates to various ongoing legal and other disputes

including employee litigation, compliance with employment laws and regulations, and open enquiries with tax and pension authorities. The provision relates to separate claims in a number of different geographic regions and represents our most probable estimate of the likely outcome of each of the disputes. The timing of economic outflow is subject to the factors governing each case.

### 19. Deferred tax

| Group   | Accelerated tax<br>depreciation<br>£'000 | Share-based<br>payments<br>£'000 | Tax<br>losses<br>£'000 | Provisions<br>£'000 | Total<br>£'000 |
|---|--|----------------------------------|------------------------|---------------------|----------------|
| At 30 November 2015   | (42)                                     | 894                              | -                      | 928                 | 1,780          |
| Credit/(charge) to income statement for the year            | 262                                      | (273)                            | 781                    | (43)                | 727            |
| Prior year (charge)/credit to income statement for the year | (578)                                    | -                                | 28                     | 356                 | (194)          |
| Adjustment due to tax rate changes                          | (41)                                     | 4                                | -                      | 78                  | 41             |
| Charged directly to equity                                  | -  | (38)                             | -                      | -                   | (38)           |
| Exchange differences  | (54)                                     | 28                               | 46                     | 165                 | 185            |
| <b>At 30 November 2016</b>                                  | <b>(453)</b>                             | <b>615</b>                       | <b>855</b>             | <b>1,484</b>        | <b>2,501</b>   |
| Credit/(charge) to income statement for the year            | 309                                      | 374                              | (190)                  | 640                 | 1,133          |
| Prior year credit to income statement for the year          | 42                                       | -                                | 270                    | 315                 | 627            |
| Adjustment due to tax rate changes                          | 8  | (5)                              | (6)                    | (30)                | (33)           |
| Credit directly to equity                                   | -  | 62                               | -                      | -                   | 62             |
| Exchange differences  | 20                                       | (19)                             | 14                     | (106)               | (91)           |
| <b>At 30 November 2017</b>                                  | <b>(74)</b>                              | <b>1,027</b>                     | <b>943</b>             | <b>2,303</b>        | <b>4,199</b>   |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 19. Deferred tax (continued)

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

|                                | 30 November<br>2017 | 30 November<br>2016 |
|--------------------------------|---------------------|---------------------|
|                                | £'000               | £'000               |
| Deferred tax assets            | 4,460               | 3,105               |
| Deferred tax liabilities       | (261)               | (604)               |
| <b>Net deferred tax assets</b> | <b>4,199</b>        | <b>2,501</b>        |

Deferred tax assets that are expected to be recovered within one year are £2.9 million (2016: £1.8 million) and deferred tax liabilities that are expected to be settled within one year are £26,000 (2016: £43,000).

Deferred tax assets are recognised for carry-forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits from the respective jurisdictions is probable. In assessing whether to recognise deferred tax assets, the Group has considered both current and the forecast trading performance in these territories and the expectations regarding the levels of profitability that can be achieved.

At the reporting date, the Group has unused tax losses of £28.8 million (2016: £29.3 million) available for offset against future profits. A deferred

tax asset of £0.9 million (2016: £0.9 million) was recognised in respect of losses of £2.9 million (2016: £2.9 million). No deferred tax asset was recognised in respect of the remaining £25.9 million (2016: £26.4 million) losses.

Included in unrecognised tax losses are losses of £4.6 million (2016: £6.1 million) subject to expiry. Of this amount, £3.9 million expires over the course of the next five years and the balance of £0.7 million up to 2036. Other unrecognised tax losses of £21.3 million (2016: £20.3 million) may be carried forward indefinitely.

The reduction in the deferred tax asset of £33k arising from changes in tax rates is primarily driven by the reduction in a) UK taxes from the average rate used for the year of 19.33% to the closing rate of 19%, and

b) US taxes, which saw our effective tax rate reduce by circa 1%. Our US effective tax rate is driven by the federal rate, together with state and city taxes, and hence the profit mix across the US will naturally drive minor changes in our US effective tax rate year on year.

#### Non-adjusting event after the reporting year

US Tax Reform legislation passed on 20 December 2017 sees the reduction in the federal corporate tax rate from 35% to 21%. This will have an overall positive impact on our business with the estimated annual tax saving of £1 million at current levels of profitability. However, the full benefit of this will largely be offset in the first year by the reduction in the deferred tax asset.

### Company

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

|  | £'000      |
|--|------------|
| At 30 November 2015                      | 353        |
| Charged to income statement for the year | (113)      |
| Charged directly to equity               | (11)       |
| At 30 November 2016                      | 229        |
| Charged to income statement for the year | 56         |
| Charged directly to equity               | 13         |
| <b>At 30 November 2017</b>               | <b>298</b> |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 20. Share capital

#### Group and Company

##### (a) Share capital

|                                | Number of<br>ordinary shares | Share<br>Capital<br>£'000 | Treasury<br>Reserve<br>£'000 |
|--------------------------------|------------------------------|---------------------------|------------------------------|
| <b>Issued and fully paid</b>   |                              |                           |                              |
| At 30 November 2015            | 129,124,279                  | 1,295                     | (1,318)                      |
| Issue of new shares            | 1,748,120                    | 17                        | -                            |
| Repurchase of own shares       | (2,323,577)                  | -                         | (6,845)                      |
| Utilisation of treasury shares | 510,081                      | -                         | 1,720                        |
| At 30 November 2016            | 129,058,903                  | 1,312                     | (6,443)                      |
| Issue of new shares            | 473,334                      | 5                         | -                            |
| Repurchase of own shares       | (1,478,788)                  | -                         | (7,797)                      |
| Utilisation of treasury shares | 1,899,032                    | -                         | 5,705                        |
| <b>At 30 November 2017</b>     | <b>129,952,481</b>           | <b>1,317</b>              | <b>(8,535)</b>               |

#### Share issue

During the year 473,334 (2016: 1,748,120) new ordinary shares were issued, resulting in a share premium of £1,400,000 (2016: £4,266,000). Of the shares issued, 394,988 (2016: 1,495,964) were issued to tracker shareholders on settlement of vested tracker shares, with the remaining issued pursuant to the exercise of share awards under the Save As You Earn (SAYE) scheme.

#### Treasury reserve

Treasury shares represent SThree plc shares repurchased and available for specific and limited purposes.

During the year, SThree plc purchased

1,478,788 of its own shares to be held as treasury shares (2016: 2,323,577). The average price paid per share was 312 pence (2016: 295 pence) with a total consideration amounting to £4,618,000 (2016: £6,845,000). During the year 1,000,000 shares (2016: 510,081) were transferred from treasury for LTIP exercise and 899,032 (2016: nil) were issued to tracker share holders on settlement of vested tracker shares. At the year end, 1,766,836 (2016: 2,187,080) shares were held in treasury.

For accounting purposes shares held in the EBT to meet the future requirements of the employee share-based payment plans are treated

in the same manner as shares held in the treasury reserve by SThree plc and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

During the year, the EBT was funded entirely by the Company. All SThree plc shares purchased directly by the EBT are shown as a reduction in shareholders' equity. The average price paid by the EBT per share was 344 pence (2016: nil) with total consideration amounting to £3,179,000 (2016: £nil).

At the year end, 1,644,589 (2016: 165,357) shares were held in the Group's EBT.

#### (b) Share-based payments

##### Tracker share awards in subsidiary companies

As described in note 1, the Group makes tracker share awards in respect of certain subsidiary businesses to senior individuals who participate in the development of those businesses.

During the year, the Group settled certain vested tracker shares for a total consideration of £3.3 million (2016: £4.6 million) by issue of new shares or using treasury shares purchased from the market. This resulted in a credit to share capital

and share premium for new issue, and credit to capital reserves for treasury shares, with a corresponding debit to the Group's retained earnings and provision for tracker share liability.

The Group also issued new tracker share awards during the year for subscription value of £417,000 (2016: £355,000), of this £152,000 remained unpaid at the year end (2016: £48,000).

##### LTIP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except SIP) as the Group has no legal or constructive obligation to repurchase or settle the options in cash. The schemes are detailed below.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 20. Share capital (continued)

#### (b) Share-based payments (continued)

##### LTIP, SAYE and other share schemes

The Group has a number of share schemes to incentivise its Directors and employees. All schemes are treated as equity-settled (except SIP) as the Group has no legal or constructive obligation to repurchase or settle the options in cash.

The schemes are detailed below.

| Scheme           | 30 November 2017 |                         | 30 November 2016 |                         | Vesting period | Expiry date                          | Valuation method | Performance metrics  |
|------------------|------------------|-------------------------|------------------|-------------------------|----------------|--------------------------------------|------------------|--|
|                  | Charge (£'000)   | Number of share options | Charge (£'000)   | Number of share options |                |                                      |                  |  |
| LTIP             | 3,010            | 5,725,469               | 2,487            | 4,624,485               | 3 years        | 10 years                             | Montecarlo model | Incremental EPS growth/ TSR ranking against comparator group |
| SAYE             | 246              | 1,187,298               | 336              | 394,172                 | 3 years        | 6 months after 3 year vesting period | Binomial         | None   |
| <b>Sub total</b> | <b>3,256</b>     | <b>6,912,767</b>        | <b>2,823</b>     | <b>5,018,657</b>        |                |                                      |                  |  |
| SIP              | 55               | N/A                     | 70               | N/A                     | 1 year         | N/A                                  | N/A              | None   |
| <b>Total</b>     | <b>3,311</b>     | <b>6,912,767</b>        | <b>2,893</b>     | <b>5,018,657</b>        |                |                                      |                  |  |

#### Long Term Incentive Plan (LTIP)

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

|                            | Number of options |
|----------------------------|-------------------|
| At 30 November 2016        | 4,624,485         |
| Granted                    | 2,269,834         |
| Exercised                  | (429,588)         |
| Forfeited                  | (739,262)         |
| <b>At 30 November 2017</b> | <b>5,725,469</b>  |

Out of the 5,725,469 options outstanding (2016: 4,624,485), 666,912 options were exercisable (2016: 470,277). Options exercised during the year under the

LTIP were satisfied by shares held in the EBT. The related weighted average share price at the time of exercise was £3.21 (2016: £2.91) per share.

The related transaction costs were negligible. The share options had a weighted average exercise price of £nil (2016: £nil).

The 2017 share options granted in 2017 under the Group LTIP scheme were valued as follows:

|                                 | 2017  | 2016  |
|---------------------------------|-------|-------|
| Weighted average fair value (£) | 2.86  | 2.42  |
| Key assumptions used:           |       |       |
| Share price at grant date (£)   | 3.12  | 2.97  |
| Expected volatility*            | 30.7% | 25.6% |
| Annual risk-free interest rate  | 0.14% | 0.70% |
| Expected life (years)           | 3     | 3     |

\* Expected volatility is determined by using the historic daily volatility of Sthree plc's shares as measured over a period commensurate with the expected life of the share options, i.e. three years.

#### Other schemes

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

## Notes to the Financial Statements

For the year ended 30 November 2017

### 21. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. Legal advice obtained indicates that it is

unlikely that any significant liability will arise. The Directors are of the view that no material losses will arise in respect of legal claims that have not

been provided against at the date of these financial statements.

### 22. Commitments

#### Operating leases

The Group leases various office properties under non-cancellable operating lease arrangements. The lease terms are between one to 12 years, and the majority of the lease arrangements are renewable at the end of the lease period at market rate.

The Group also leases motor vehicles and printers under non-cancellable operating leases which are included in the 'other' category below. The lease term is typically three years for motor vehicles and four years for printers.

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

|                   | Land and Buildings           |                              | Other                        |                              |
|-------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                   | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
| Within one year   | 12,963                       | 11,710                       | 1,321                        | 1,037                        |
| One to five years | 39,297                       | 34,112                       | 1,432                        | 1,058                        |
| After five years  | 13,910                       | 17,960                       | -                            | -                            |
|                   | <b>66,170</b>                | <b>63,782</b>                | <b>2,753</b>                 | <b>2,095</b>                 |

#### Capital commitments

At the end of the reporting year, the Group contracted capital expenditure but not yet incurred of £0.4 million (2016: £0.1 million).

#### Guarantees

At the end of the reporting year, the Group/SThree plc has bank guarantees in issue for commitments which amounted to £3.6 million (2016: £2.7 million).

### 23. Related party transactions

#### Group

Balances and transactions with subsidiaries have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its Directors and

members of the GMB, who are deemed to be key management personnel, are disclosed below.

#### Remuneration of key management personnel ('KMP')

The Group's key management comprises members of the GMB, other members of the Board of

## Notes to the Financial Statements

For the year ended 30 November 2017

### 23. Related party transactions (continued)

#### Group

##### Remuneration of key management personnel ('KMP') (continued)

Directors and key managers who are deemed to influence the day to day activities. Details of Directors'

remuneration, as determined by the SThree plc Remuneration Committee in accordance with its stated policy, are given in the Directors' Remuneration Report.

Total number of KMPs for the year was 21 (2016: 21). Total remuneration for members of key management is detailed below:

|                              | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
|------------------------------|------------------------------|------------------------------|
| Short-term employee benefits | 7,950                        | 6,570                        |
| Share-based payments         | 2,169                        | 1,655                        |
| Post-employment benefits     | 324                          | 312                          |
| Termination benefits         | 891                          | -                            |
|                              | <b>11,334</b>                | <b>8,537</b>                 |

During the year, the Group acquired a 30% interest in HRecTech Sandpit Limited ('HRecTech') for a total consideration of £0.8 million.

Gary Elden, Chief Executive Officer, and David Rees, Chief Sales Officer, are existing minority shareholders in

Sandpit HRVentures Limited (the parent company controlling HRecTech); they were each allotted shares on a pro-rata basis in HRecTech. Their investment in Sandpit HRVentures Limited was undertaken on an arms' length basis and there is no conflict

of interest. David Rees was appointed as a director of HRecTech on 22 June 2017.

During the year, there were no related party transactions between the Group and HRecTech.

#### Company

The Company has related party relationships with its subsidiaries, with members of its Board and key managers. The Directors' remuneration which they receive from the Company

is disclosed in the Directors' Remuneration Report. The Company did not have any transactions with the Directors during the financial year other than those disclosed in

the Directors' Remuneration Report and below. Details of transactions between the Company and other related parties are disclosed below.

|  | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 |
|--|------------------------------|------------------------------|
| <b>Transactions with the related parties during the year</b> |                              |                              |
| Investments in subsidiaries (note 13)                        | (4,646)                      | (6,759)                      |
| Impairment of investments in subsidiaries (note 13)          | (88,048)                     | (40,077)                     |
| Loans and advances received from subsidiaries                | 7,044                        | 1,921                        |
| Loans and advances given to subsidiaries                     | 3,891                        | -                            |
| Loans repaid by Directors                                    | 1                            | 13                           |
| Loans repaid by other KMP                                    | 18                           | 32                           |
| Interest income received from subsidiaries                   | 16                           | 37                           |
| Interest paid by subsidiaries                                | (202)                        | (28)                         |
| Dividend income received from subsidiaries                   | 22,544                       | 24,665                       |

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

## Notes to the Financial Statements

For the year ended 30 November 2017

### 23. Related party transactions (continued)

|   | 30 November<br>2017 | 30 November<br>2016 |
|---|---------------------|---------------------|
|   | £'000               | £'000               |
| <b>Year end balances arising from transactions with related parties</b> |                     |                     |
| Investments in subsidiaries   | 206,831             | 290,233             |
| Amounts due to subsidiaries   | (17,183)            | (10,139)            |
| Amounts receivable from subsidiaries - net                              | 3,891               | -                   |
| Amounts receivable from Directors                                       | 188                 | 189                 |
| Amounts receivable from other KMP                                       | 238                 | 256                 |

### 24. Financial instruments and financial risk management

#### Financial risk factors

The Group reports in Sterling and pays dividends out of Sterling profits. The role of the Group's corporate treasury function is to manage and monitor external and internal funding requirements and financial risks in support of corporate objectives. Treasury activities are governed by policies and procedures approved by the Board. A treasury management committee, chaired by the Chief Financial Officer, meets on a monthly basis to review treasury activities and its members receive management information relating to treasury activities. The Group's internal auditors periodically review the treasury internal control environment and compliance with policies and procedures.

Each year, the Board reviews the Group's currency hedging strategy to ensure it is appropriate. The Group does not hold or issue derivative financial instruments for speculative purposes and its treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation

Group treasury enters into a limited amount of derivative transactions, principally currency swaps and forward currency contracts, with the purpose of managing the currency

risks arising from operations and financing of subsidiaries. At the year end, the Group has net foreign exchange swaps of: AED (4.3 million), NOK 2.4 million, AUD (0.5 million), CHF (0.5 million), HKD 12.8 million, JPY (92.3 million), SGD 2.0 million, CAD (0.3 million) and USD 0.2 million being an overall equivalent of £0.3 million (2016: overall equivalent of £7.1 million). The contracts were mainly taken out close to the year end date for a period of 3 to 31 days (2016: 1 to 22 days) and they had net fair value of circa £(5,768) (2016: £40,000) at the year end, which is insignificant.

The Group is exposed to a number of different financial risks including capital management, foreign currency rates, liquidity, credit and interest rates risks, which were not materially changed from previous year. The Group's objective and strategy in responding to these risks are set out below and did not change materially from previous year.

#### (a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group and its subsidiaries' ability to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the

cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, delay or reduce the settlement of vested tracker shares, sell assets to reduce debt, return capital to shareholders or issue new shares, subject to applicable rules. The Group's policy is to settle the vested tracker shares in the Company's shares. During the year, the vested tracker shares were settled by issue of new shares or using treasury shares purchased from the market (note 20(a)).

The capital structure of the Group consists of equity attributable to owners of the parent of £80.7 million (2016: £75.7 million), comprising share capital, share premium, other reserves and retained earnings as disclosed in the statement of changes in equity and net cash of £17.6 million (2016: £10.0 million), comprising cash and cash equivalents (note 15).

Except for compliance with certain bank covenants (note 24(c)), the Group is not subject to any externally imposed capital requirements.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 24. Financial instruments and financial risk management (continued)

#### Financial risk factors (continued)

##### (b) Foreign currency risk management

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

The Group is also exposed to foreign currency risks from the value of net investments outside the United Kingdom. The intercompany loans which are treated as net investments in foreign operations are not planned to be settled in the foreseeable future as they are deemed to be a part of the investment. Therefore, exchange differences arising from the translation of the net investment loans are taken into equity.

The Group's businesses generally raise invoices and incur expenses in their local currencies. Local currency cash generated is remitted via intercompany transfers to the United Kingdom.

The Group generally converts foreign currency balances into Sterling to manage its cash flows.

##### Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar. If the Euro or US Dollar strengthened against Sterling by a movement of 10%, the anticipated impact on the Group's results in terms of translational exposure would be an increase in profit before taxation of £4.7 million and £1.7 million (2016: £4.3 million and £0.8 million) respectively, with a similar decrease if the Euro or US Dollar weakened against Sterling by 10%.

##### (c) Liquidity risk management

The Group's treasury function centrally co-ordinates relationships with banks, manages borrowing requirements, foreign exchange needs and cash management. The Group has access to a committed RCF of £50 million along with an uncommitted £20 million accordion feature in place with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility up to £70 million. The Group also has an uncommitted £5 million overdraft facility with

RBS. £12 million (2016: £nil) was drawn down against these facilities at the year end.

The RCF expires in May 2019 and requires, amongst other matters, compliance with the following three financial covenant ratios which are tested twice a year on the basis of year end and half year financial data:

- (i) Interest Cover: interest and dividend cover shall not be less than the ratio of 1.2:1 at any time;
- (ii) Leverage: the ratio of total net debt on the last day of a period to EBITDA in respect of that period shall not exceed the ratio of 2:1; and
- (iii) Guarantor Cover: the aggregate adjusted EBITDA and gross assets of all the Guarantor subsidiaries must at all times represent at least 85% of the adjusted EBITDA and gross assets of the Group as a whole.

The table below shows the maturity profile of the financial liabilities which are held at amortised cost based on the contractual amounts payable on the date of repayment:

|                            | Trade and other payables |                  |
|----------------------------|--------------------------|------------------|
|                            | Group<br>£'000           | Company<br>£'000 |
| <b>At 30 November 2017</b> |                          |                  |
| Within one year            | 146,952                  | 18,613           |
| <b>At 30 November 2016</b> |                          |                  |
| Within one year            | 129,133                  | 11,860           |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 24. Financial instruments and financial risk management (continued)

#### (d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In the normal course of business, the Group participates in cash pooling arrangements with its counterparty bank. The maximum exposure to a single banking group for deposits and funds held on account as at the year end was £9.3 million (2016: £4.4 million). The Group will not accept any counterparty bank for its deposits unless it has been awarded a minimum recognised credit rating of A3/Prime-2 (Moody's). Some local banks in emerging markets may have lower ratings but the funds at risk will be small. The Group will permit exposures with individual counterparty banks and exposure types up to pre-defined limits as part of the Group treasury policy. Exposure to all transaction limits are monitored daily.

The Group mitigates its credit risk from available for sale financial investments by keeping the value of the investments very low and periodically reviewing the financial performance of the relevant undertakings.

The Group mitigates its credit risk from trade receivables by using a credit rating agency to assess new clients and payment history to assess further credit extensions to existing clients. In addition, the spread of the client base (circa 9,000 clients) helps to mitigate the risk of individual client failure having a material impact on the Group.

Trade receivables of the Group are analysed in the table in note 24(d). With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

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

Trade receivables of £124.7 million (2016: £106.6 million) were neither past due nor impaired.

At 30 November 2017, trade receivables of £26.3 million (2016: £22.9 million) were past due but not impaired. These pertain to a number of unrelated customers for whom there is no recent history of default. Trade receivables of £3.4 million (2016: £3.1 million) were impaired, against which a provision of £1.6 million (2016: £1.8 million) was recorded.

| <b>Trade receivables</b>            | <b>2017</b>    | <b>2016</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>£'000</b>   | <b>£'000</b>   |
| Neither impaired nor past due       | 124,654        | 106,635        |
| Ageing of past due but not impaired |                |                |
| under 30 days                       | 19,070         | 17,007         |
| 31 to 60 days                       | 5,271          | 4,449          |
| 61 to 90 days                       | 1,930          | 1,491          |
| Ageing of impaired                  |                |                |
| under 90 days                       | 593            | 81             |
| over 90 days                        | 2,790          | 2,973          |
| Provision for impairment            | (1,555)        | (1,789)        |
| <b>Total</b>                        | <b>152,753</b> | <b>130,847</b> |

The majority of the accrued income balance is less than 60 days old and nothing is over 90 days past due.

The Group's credit risk from loans given to certain tracker shareholders (note 14) is mitigated by the fact that the loans are spread over a number

of individuals (2017: 22 individuals; 2016: 28 individuals) and none of the individuals hold loans of material amounts. Exposure to loans from individuals is regularly monitored and the individuals are asked to settle all or a portion of their outstanding balances

when their first tracker share is settled, when they receive dividends or if they leave the business.

#### (e) Interest rate risk management

The Group is exposed to interest rate risk from the possibility that changes

## Notes to the Financial Statements

For the year ended 30 November 2017

### 24. Financial instruments and financial risk management (continued)

#### (e) Interest rate risk management (continued)

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.

Taking into consideration all variable rate borrowings and bank balances at 30 November 2017, if the interest rate payable or receivable moved by 100 basis points in either direction, the effect to the Group would be

minimal. 100 basis points was used on the assumption that applicable interest rates are not likely to move by more than this basis given the pattern of interest rate movements in recent years.

#### (f) Interest rate profile of financial assets/(liabilities)

At the reporting date, the Group and the Company did not have any significant financial liabilities exposed to interest rate risk except for the revolving credit facility (note 17). The only financial assets which accrued interest were cash and cash equivalents (note 15) with maturity of less than a year and were subject to floating interest income.

As part of the presentation of market risks, IFRS 7 requires disclosure on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices. At 30 November 2017, the Group and the Company do not hold any investments to be classified as available for sale or as held for

trading that are measured at fair value. Two investments in unlisted entities, Ryalto and RoboRecruiter, (note 13) are held at cost less any impairment. Therefore there are no financial instruments which would be materially impacted by risk variables affecting the price of financial instruments.

#### (g) Currency profile of net cash and cash equivalents (including bank overdrafts)

##### Functional currency of Group operations:

|                            | Net cash and cash equivalents |                 |              |               |               |
|----------------------------|-------------------------------|-----------------|--------------|---------------|---------------|
|                            | Sterling                      | Euro            | US Dollar    | Other         | Total         |
| At 30 November 2017        | £'000                         | £'000           | £'000        | £'000         | £'000         |
| <b>Functional currency</b> |                               |                 |              |               |               |
| Sterling                   | 15,190                        | (18,417)        | 2,993        | 8,656         | 8,422         |
| Euro                       | 1,358                         | 2,231           | 199          | -             | 3,788         |
| US Dollar                  | -                             | -               | 2,762        | -             | 2,762         |
| Other                      | 36                            | -               | 827          | 1,786         | 2,649         |
| <b>Total</b>               | <b>16,584</b>                 | <b>(16,186)</b> | <b>6,781</b> | <b>10,442</b> | <b>17,621</b> |
| <b>At 30 November 2016</b> | <b>£'000</b>                  | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>  |
| <b>Functional currency</b> |                               |                 |              |               |               |
| Sterling                   | 2,858                         | 270             | 208          | 362           | 3,698         |
| Euro                       | 381                           | 1,664           | 194          | -             | 2,239         |
| US Dollar                  | -                             | -               | 928          | -             | 928           |
| Other                      | 36                            | -               | 663          | 2,458         | 3,157         |
| <b>Total</b>               | <b>3,275</b>                  | <b>1,934</b>    | <b>1,993</b> | <b>2,820</b>  | <b>10,022</b> |

Other foreign currencies held by the Group include: Australian Dollar, Bahrain Dinar, Canadian Dollar, Chinese Renminbi, Hong Kong Dollar,

Indian Rupee, Japanese Yen, Kuwait Dinar, Malaysian Ringgit, Russian Ruble, Singapore Dollar, Saudi Arabia Riyal, Swiss Franc, Thailand Baht and

United Arab Emirates Dirham.

The Company does not have a material exposure to other currencies.

## Notes to the Financial Statements

For the year ended 30 November 2017

### 24. Financial instruments and financial risk management (continued)

#### (h) Fair values of financial assets and liabilities

The carrying amount of the Group financial assets and financial liabilities approximates their fair value.

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, the investments are held at the initial cost less accumulated impairment or at fair value that has been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates. A summary of the assumptions used for each category of financial instrument is set out below.

#### Summary of methods and assumptions

|                                    |  |
|------------------------------------|--|
| Short-term deposits and borrowings | Approximates to the carrying amount because of the short maturity of these instruments.                |
| Cash and cash equivalents          | Approximates to the carrying amount.   |
| Receivables and payables           | Approximates to the carrying amounts for current balances; there are no material longer term balances. |
| Financial instruments              | Original cost or market valuation at the end of the reporting year.                                    |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 25(a). List of subsidiaries

Full list of SThree pic's subsidiaries at 30 November 2017 and the Group percentage of ordinary share capital is as follows:

| Name of undertaking             | %   | Country of incorporation | Principal activities | Registered office  |
|---------------------------------|-----|--------------------------|----------------------|--|
| SThree Australia Pty Limited    | 100 | Australia                | Recruitment          | Level 9, 1 Market Street, Sydney, NSW 2000, Australia                              |
| SThree Austria GmbH             | 100 | Austria                  | Recruitment          | Mooslackengasse 17, 1190, Vienna, Austria  |
| Computer Futures Solutions NV   | 100 | Belgium                  | Recruitment          | Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium                  |
| Huxley Associates Belgium NV    | 100 | Belgium                  | Recruitment          | Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium                  |
| SThree Services NV              | 100 | Belgium                  | Recruitment          | Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium                  |
| SThree Belgium NV               | 100 | Belgium                  | Recruitment          | Kreupelenstraat 9, 5de en 6de verdieping, B-1000 Brussel, Belgium                  |
| SThree Canada Limited           | 100 | Canada                   | Recruitment          | Sun Life Plaza West Tower, 144-4 Avenue SW, Suite 1600, Calgary AB T2P 3N4, Canada |
| SThree SAS                      | 100 | France                   | Recruitment          | 20 Avenue André Prothin, La defense 4 - Europlaza 92400 Courbevoie, Paris, France  |
| SThree Holdings GmbH            | 100 | Germany                  | Holding company      | Goetheplatz 5-11, 60313, Frankfurt am Main, Germany                                |
| SThree GmbH                     | 100 | Germany                  | Recruitment          | Goetheplatz 5-11, 60313, Frankfurt am Main, Germany                                |
| SThree Temp Experts GmbH        | 100 | Germany                  | Recruitment          | Goetheplatz 5-11, 60313, Frankfurt am Main, Germany                                |
| SThree Limited                  | 100 | Hong Kong                | Recruitment          | 10th Floor, MassMutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong                |
| SThree India Private Limited    | 100 | India                    | Under liquidation    | 1st Floor, Trade Centre, Bandra Kurla Complex, Bandra (E), Mumbai, 400 051, India  |
| SThree Staffing Ireland Limited | 100 | Ireland                  | Recruitment          | 3rd Floor, 80, Harcourt Street, Dublin, Ireland                                    |
| SThree Ireland Dollar Limited   | 100 | Ireland                  | Holding company      | 3rd Floor, 80, Harcourt Street, Dublin, Ireland                                    |
| SThree K.K.                     | 100 | Japan                    | Recruitment          | Ginza Wall Building, 13-16 Ginza 6-Chome, Chuo-ku, Tokyo, Japan                    |
| SThree Finance Euro S.à r.l.    | 100 | Luxembourg               | Holding company      | 5th Floor, 2 rue de Fosse, L-1536, Luxembourg                                      |
| SThree Dollar S.à r.l.          | 100 | Luxembourg               | Holding company      | 5th Floor, 2 rue de Fosse, L-1536, Luxembourg                                      |
| SThree S.à r.l.                 | 100 | Luxembourg               | Recruitment          | 5th Floor, 2 rue de Fosse, L-1536, Luxembourg                                      |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 25(a). List of subsidiaries (continued)

| Name of undertaking                        | %   | Country of incorporation | Principal activities | Registered office  |
|--|-----|--------------------------|----------------------|--|
| Progressive Global Energy Sdn. Bhd.        | 49  | Malaysia                 | Recruitment          | 10th Floor, Menara Hap Seng, No 1&3 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia   |
| SThree Holdings BV                         | 100 | Netherlands              | Recruitment          | Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands   |
| Huxley BV                                  | 100 | Netherlands              | Recruitment          | Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands   |
| SThree Interim Services BV                 | 100 | Netherlands              | Recruitment          | Gustav Mahlerlaan 38, Gebouw Som 1, 1082MC, Amsterdam, Netherlands   |
| SThree LLC                                 | 100 | Russia                   | Under liquidation    | Floor 8, Building 1, 16A, Leningradskoe Shosse, 125171, Moscow, Russia   |
| SThree Pte. Ltd.                           | 100 | Singapore                | Recruitment          | #09-02, 18 Cross Street, China Square Central, Singapore, 48423, Singapore   |
| SThree Business Services Ibérica, S.L.     | 100 | Spain                    | Recruitment          | Calle Sardenya 229, Ático, 08013 Barcelona, España   |
| SThree Switzerland GmbH                    | 100 | Switzerland              | Recruitment          | 3rd Floor, Claridenstrasse 34, 8002 Zürich, Switzerland  |
| SThree Holdings (Thailand) Company Limited | 49  | Thailand                 | Under liquidation    | Zen World Building, 12th Floor, No. 4, 4/5, Rajadamri Road, Patumwan Sub-District, Patumwan District, Bangkok, 10330, Thailand |
| Progressive Global Energy Manpower Limited | 100 | Thailand                 | Under liquidation    | Zen World Building, 12th Floor, No. 4, 4/5, Rajadamri Road, Patumwan Sub-District, Patumwan District, Bangkok, 10330, Thailand |
| Cavendish Directors Limited*               | 100 | UK                       | Dormant              | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree UK Holdings Limited*                | 100 | UK                       | Holding company      | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree Overseas Holdings Limited*          | 100 | UK                       | Holding company      | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree UK Management Limited*              | 100 | UK                       | Holding company      | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree Overseas Management Limited*        | 100 | UK                       | Holding company      | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree UK Operations Limited*              | 100 | UK                       | Holding company      | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |
| SThree Consultancy Services Limited*       | 100 | UK                       | Support services     | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom   |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 25(a). List of subsidiaries (continued)

| Name of undertaking                         | %   | Country of incorporation | Principal activities   | Registered office   |
|---|-----|--------------------------|------------------------|---|
| SThree IP Limited*                          | 100 | UK                       | Support services       | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| SThree Management Services Limited*         | 100 | UK                       | Management services    | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| SThree Partnership LLP                      | 100 | UK                       | Recruitment            | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| Huxley Associates Global Limited            | 100 | UK                       | Recruitment            | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| Progressive Global Energy Limited           | 100 | UK                       | Recruitment            | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| Progressive Global Energy Kurdistan Limited | 100 | UK                       | Recruitment            | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| Progressive GE Limited                      | 100 | UK                       | Dormant                | 8th Floor, City Place, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                        |
| Huxley Associates Limited                   | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| Huxley Associates Banking & Finance Limited | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| Orgtel Contract Limited                     | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| Orgtel Limited                              | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| SThree Staffing UK Limited                  | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| SThree Staffing France Limited              | 100 | UK                       | Under liquidation      | Hill House, 1 Little New Street, London EC4A 3TR  |
| Hirestream Limited                          | 100 | UK                       | Recruitment Technology | City Place House, 8th Floor, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                  |
| Talent Deck Limited                         | 100 | UK                       | Recruitment Technology | City Place House, 8th Floor, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                  |
| Showcaser Limited                           | 100 | UK                       | Recruitment Technology | City Place House, 8th Floor, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                  |
| SThree Ventures Limited                     | 100 | UK                       | Holding company        | City Place House, 8th Floor, 55 Basinghall Street, London, England, EC2V 5DX, United Kingdom                  |
| Specialist Staffing Holdings Inc            | 100 | USA                      | Holding company        | Corporation trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States |

## Notes to the Financial Statements

For the year ended 30 November 2017

### 25(a). List of subsidiaries (continued)

| Name of undertaking               | %   | Country of incorporation | Principal activities | Registered office   |
|-----------------------------------|-----|--------------------------|----------------------|---|
| Specialist Staffing Solutions Inc | 100 | USA                      | Recruitment          | Corporation trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States |
| Specialist Staffing Services Inc  | 100 | USA                      | Recruitment          | Corporation trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States |
| Newington International Inc       | 100 | USA                      | Recruitment          | Corporation trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States |
| Progressive Global Energy Inc     | 100 | USA                      | Dormant              | Corporation trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware DE 19801, United States |

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

### 25(b). List of Associates

SThree plc's investment in associate as referenced in note 12 is as follows:

| Name of undertaking      | %  | Country of incorporation | Principal activities   | Registered office   |
|--------------------------|----|--------------------------|------------------------|---|
| HRecTech Sandpit Limited | 30 | UK                       | Recruitment Technology | Iybridge House, 1 Adam Street, London, WC2N 6LE, United Kingdom |

## Five Year Financial Summary

All figures are reported figures before exceptional items in £'m unless stated otherwise

|                                | 30 November<br>2017<br>£'000 | 30 November<br>2016<br>£'000 | 30 November<br>2015<br>£'000 | 30 November<br>2014<br>£'000 | 1 December<br>2013<br>£'000 |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
| <b>Financial Performance</b>   |                              |                              |                              |                              |                             |
| Revenue                        | 1,114.5                      | 959.9                        | 848.8                        | 746.9                        | 634.3                       |
| Gross profit                   | 287.7                        | 258.7                        | 235.7                        | 218.2                        | 199.8                       |
| Operating profit               | 44.9                         | 37.8                         | 38.4                         | 29.8                         | 21.2                        |
| Total assets                   | 273.5                        | 231.5                        | 204.9                        | 203.4                        | 160.0                       |
| Total equity                   | 80.7                         | 75.7                         | 59.4                         | 51.3                         | 51.6                        |
| Net cash/(debt)                | 5.6                          | 10.0                         | 6.2                          | (9.9)                        | 8.7                         |
| Cash from operations           | 41.1                         | 43.1                         | 60.3                         | 20.1                         | 9.5                         |
| <b>Financial Ratios</b>        |                              |                              |                              |                              |                             |
| Conversion ratio (%)           | 15.6                         | 14.6                         | 16.3                         | 13.7                         | 10.6                        |
| Cash conversion (%)            | 78.6                         | 95.0                         | 134.4                        | 47.8                         | 80.0                        |
| Basic EPS (pence)              | 25.7                         | 21.2                         | 20.8                         | 16.3                         | 9.1                         |
| Dividends per share (pence)    | 14.0                         | 14.0                         | 14.0                         | 14.0                         | 14.0                        |
| <b>Operational Statistics</b>  |                              |                              |                              |                              |                             |
| Average total headcount*       | 2,668                        | 2,675                        | 2,607                        | 2,487                        | 2,228                       |
| Average sales headcount*       | 2,090                        | 2,113                        | 2,086                        | 2,002                        | 1,736                       |
| Active contractors at year end | 10,197                       | 9,078                        | 8,412                        | 7,573                        | 5,791                       |

\* 2017, 2016 and 2015 are based on Full Time Equivalents.

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# Shareholder Information

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## Financial Calendar

|             |             |   |              |  |
|-------------|-------------|---|--------------|--|
| <b>2017</b> | 30 November | Financial Year End                                  |              |  |
| <b>2018</b> | 29 January  | Annual results for the year ended 30 November 2017  | 23 July      | Interim results for the six months ended 31 May 2018 |
|             | 16 March    | Q1 Trading Statement                                | 14 September | Q3 Trading Statement                                 |
|             | 26 April    | Annual General Meeting                              | 14 December  | Trading update for the year ended 30 November 2018   |
|             | 15 June     | Trading update for the six months ended 31 May 2018 |              |  |
| <b>2019</b> | 28 January  | Annual Results for the year ended 30 November 2018  |              |  |

## Shareholder Information

Shareholders with enquiries relating to their shareholding should contact Link Asset Services (previously named Capita Asset Services).

Alternatively, you may access your account via [www.signalshares.com](http://www.signalshares.com), but will need to have your investor code available when you first log in, which can be found on your dividend voucher, share certificate or form of proxy. The online facility also allows shareholders to view their holding details, how to register

a change of name or what to do if a share certificate is lost, as well as download forms in respect of changes of address, dividend mandates and share transfers.

Shareholders who would prefer to view documentation electronically can elect to receive automatic notification by e-mail each time the Company distributes documents, instead of receiving a paper version of such documents, by registering a request via the registrar by calling

0871 664 0300 (from UK – calls cost 12p per minute plus your phone company's access charge; lines are open 9.00am – 5.30pm Mon to Fri) or +44 371 664 0300 (Non UK) or register online at: [www.signalshares.com](http://www.signalshares.com). There is no fee for using this service and you will automatically receive confirmation that a request has been registered. Should you wish to change your mind or request a paper version of any document in the future, you may do so by contacting the registrar.

### Potential targeting of shareholders

Companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based brokers who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors was 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 Financial Conduct Authority (FCA) Register at [www.fca.org.uk/register](http://www.fca.org.uk/register) to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- The FCA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors.

- If you deal with an unauthorised firm, you will not have access to the Financial Ombudsman Services or Financial Services Compensation Scheme.
- Any approach from such organisations should be reported to the FSA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams). You can also call the Consumer Helpline on 0800 111 6768. Details of share dealing facilities that the Company endorses will only be included in publications issued by the Company.

More detailed information on this or similar activity can be found on the FCA website at [www.fca.org.uk/consumer](http://www.fca.org.uk/consumer)

## Shareholder Information

### 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 and registrar for this facility. For further information, please visit the website: [www.adrbnymellon.com](http://www.adrbnymellon.com) and search for the SThree profile page. Holders can also access information by writing or calling:

Mailing Address:  
BNY Mellon Shareowner Services  
PO Box 505000  
Louisville, KY 40233-5000

Overnight Mail:  
BNY Mellon Shareowner Services  
462 South 4th Street  
Suite 1600, Louisville KY 40202

Customer service  
T: 1 888 269-2377

(from outside the US Tel:  
T: 001 201 680-6825)  
E: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)

For the issuance of ADRs please contact:

**London:** Damon Rowan  
T: +44 207 163 7511  
E: [damon.rowan@bnymellon.com](mailto:damon.rowan@bnymellon.com)

**New York:** Margaret Keyes  
T: +1212 815 6915  
E: [margaret.keyes@bnymellon.com](mailto:margaret.keyes@bnymellon.com)  
W: [www.adrbnymellon.com](http://www.adrbnymellon.com)

### Share Price Information

Information on the Company's share price can be found via: [www.sthree.com](http://www.sthree.com).

### Share Dealing Service

For further information on this service, or to buy and sell shares visit [www.linksharedeal.com](http://www.linksharedeal.com) or call 0371 664 0454. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00am -

4:30pm, Monday to Friday excluding public holidays in England and Wales.

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks

apply. Link Asset Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

### Dividend Re-Investment Plan (Non-Sponsored)

For any shareholders who wish to re-invest dividend payments in additional shares of the Company, a facility is provided by Link Market Services Trustees Limited in conjunction with Link Asset Services. Under this facility, accrued dividends are used to purchase additional shares.

Any shareholder requiring further information should contact Link on 0371 664 0381 - calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate.

Lines are open between 9.00am - 5.30pm, Monday to Friday excluding public holidays in England and Wales.

E: [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk)

### ShareGift

ShareGift (reg charity no. 1052686) operates a charity share donation scheme for shareholders with small

parcels of shares whose value may make it uneconomic to sell.

Details of the scheme are available from:

W: [www.sharegift.org](http://www.sharegift.org)  
T: 0207 930 3737

## Company Information & Corporate Advisors

### Executive Director

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**Gary Elden**

Chief Executive Officer

**Alex Smith**

Chief Financial Officer

**Justin Hughes**

Chief Operating Officer,  
COO & CEO, APAC & ME

### Compliance Hotline

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T: **0808 234 7501**

W: **[www.integrity-helpline.com/  
sthree.jsp](http://www.integrity-helpline.com/sthree.jsp)**

### Financial Advisors & Stockbrokers

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**UBS Investment Bank**

1 Finsbury Avenue,  
London  
EC2M 2PP

**Liberum Capital**

Ropemaker Place,  
Level 12,  
25 Ropemaker Street,  
London  
EC2Y 9LY

### Financial PR

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**Citigate Dewe Rogerson**

3 London Wall Buildings,  
London Wall,  
London  
EC2M 5SY

### Auditors (FY 2017)

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**PricewaterhouseCoopers LLP**

1 Embankment Place,  
London  
WC2N 6RH

### Registrars (Ordinary Shares)

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**Link Asset Services**

The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent  
BR3 4TU

T: **(UK) 0871 664 0300**

T: **(Non UK) +44 371 6640 300**

E: **[enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)**

W: **[www.signalshares.com](http://www.signalshares.com)**

*\* Calls cost 12p per minute plus your phone company's access charge and calls outside the UK will be charged at applicable international rates. Lines are open 9:00 am - 5:30 pm Mon - Fri, excluding public holidays in England and Wales.*

### Group Company Secretary & Registered Office

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**Steve Hornbuckle**

Group Company Secretary  
8<sup>th</sup> Floor, City Place,  
55 Basinghall Street,  
London  
EC2V 5DX  
E: **[cosec@sthree.com](mailto:cosec@sthree.com)**

### Company Number

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03805979

### Contact Details

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T: **0207 268 6000**

F: **0207 268 6001**

E: **[enquiries@sthree.com](mailto:enquiries@sthree.com)**

W: **[www.sthree.com](http://www.sthree.com)**



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[www.sthree.com](http://www.sthree.com)

